

To: Members of the Governance and
Audit Committee

Date: 21 July 2022

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Dear Councillor

You are invited to attend a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 27 JULY 2022** in **COUNCIL CHAMBER, COUNTY HALL, RUTHIN AND BY VIDEO CONFERENCE..**

Yours sincerely

G. Williams
Head of Legal, HR and Democratic Services

AGENDA

1 APOLOGIES

2 APPOINTMENT OF VICE - CHAIR

To appoint a Vice Chair of the Governance and Audit Committee for the ensuing year.

3 DECLARATION OF INTERESTS (Pages 5 - 6)

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

4 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.

5 MINUTES (Pages 7 - 16)

To receive the minutes of the Governance and Audit Committee meeting held on 8th June 2022 (copy enclosed).

6 AUDIT WALES REPORT - SPRINGING FORWARD (Pages 17 - 46)

To consider the Audit Wales Springing Forward report and subsequent management response (copy attached).

7 CERTIFICATION OF GRANTS AND RETURNS 2020-21 DENBIGHSHIRE COUNTY COUNCIL (Pages 47 - 60)

To consider a report prepared by Audit Wales (AW) setting out a summary of the key outcomes from AW certification work on the Council's 2020/21 grants and returns (copy attached).

8 RIPA ANNUAL REPORT (Pages 61 - 100)

To receive the annual report on the Council's use of its powers of surveillance under RIPA (Regulation of Investigatory Powers Act 2000) (copy attached).

9 DRAFT STATEMENT OF ACCOUNTS 2021-22 (Pages 101 - 252)

To receive a report by the Head of Finance and Property (copy attached) to provide an update of the draft Statement of Accounts 2021/22 and the process underpinning it.

10 ANNUAL TREASURY MANAGEMENT (Pages 253 - 292)

To receive a report by the Head of Finance & Property (copy attached) on the Annual Treasury Management and Treasury management (TM) update about the Council's investment and borrowing activity during 2021/22. It also provides details of the economic climate during that time and shows how the Council complied with its Prudential Indicators, and the details of the Council's TM activities during 2022/23 to date.

11 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME (Pages 293 - 296)

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

FOR INFORMATION

12 AUDIT ENQUIRIES 2021/22 (Pages 297 - 326)

To receive for information, the Audit Enquiries Letter and the Council's response to those enquiries (copy attached).

MEMBERSHIP

Councillors

Ellie Chard
Hugh Evans
Justine Evans

Carol Holliday
Merfyn Parry
Elfed Williams

Lay Member

Nigel Rudd
David Stewart

Paul Whitham

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LOCAL GOVERNMENT ACT 2000

Code of Conduct for Members

DISCLOSURE AND REGISTRATION OF INTERESTS

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

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

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Public Document Pack Agenda Item 5

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in in the Council Chamber, County Hall, Ruthin and by video conference on Wednesday, 8 June 2022 at 9.30 am.

PRESENT

Councillors Ellie Chard, Hugh Evans, Justine Evans and Carol Holliday

Lay Members – Paul Whitham, Nigel Rudd and Dave Stewart

Cabinet Member – Councillor Jason McLellan – Leader and Lead Member for Economic Growth and Tackling Deprivation and Councillor Gwyneth Ellis – Lead Member for Finance, Performance and Strategic Assets.

ALSO PRESENT

Head of Legal, HR and Democratic Services – Monitoring Officer (GW), Head of Finance and Property Services (Section 151 Officer) (SG), Interim Head Business Improvement Modernisation (NK), Chief Internal Auditor (BC), Solicitor (JC) Senior Committee Administrator (Zoom Host) (KJ) and Committee Administrator (SJ)

Audit Wales representatives David Williams and Gwilym Bury were also in attendance.

1 APOLOGIES

Apologies were received from Councillor Elfed Williams.

2 APPOINTMENT OF CHAIR

The Monitoring Officer confirmed that the Local Governments and Elections Wales Act 2021, stated the Chair of the Committee could only be one of the independent Lay Members of the committee.

Nominations were sought for a Member to serve as the Committee's Chair for the ensuing year. Lay Member Nigel Rudd nominated Lay Member Dave Stewart, seconded by Lay Member Paul Whitham. No other nominations were received and it was therefore;

RESOLVED that Lay Member Dave Stewart be appointed as the Governance and Audit 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.

Members were informed the provisions of the Local Government and Elections Wales Act 2021 did not restrict the appointment of Vice-Chair to Lay Members. Thus meaning any member of the committee could be appointed.

Councillor Ellie Chard nominated Councillor Hugh Evans for the Vice-Chair position. Councillor Hugh Evans thanked the member for the nomination and politely declined the position.

The Monitoring Officer confirmed full membership of the committee had not been observed and as no nominations for Vice-Chair had been received, if members were in agreement the appointment of Vice-Chair could be deferred to the next meeting of the Governance and Audit committee.

All members were in agreement to defer the agenda item until the next committee meeting.

RESOLVED, that the appointment of Vice-Chair be deferred until the July meeting of the Governance and Audit Committee meeting.

4 DECLARATION OF INTERESTS

None.

5 URGENT MATTERS

There were no urgent items.

6 MINUTES

The minutes of the Governance and Audit committee held on 16 March 2022 were submitted.

Matters arising – Lay member Paul Whitham – Page 8 – Minutes – reference was made to the ‘Project Management of Queen's Building’. Members were reminded a previous report had been requested on the contingency of the project. The Lay Member raised a concern that that report had not been presented. The Monitoring Officer informed members an update report was included in the Forward Work Programme. The Monitoring Officer confirmed he would consult with Internal Audit for it to be included in that update report. Head of Finance and Property confirmed it was two separate discussion items for members to debate. He informed members the previous committee had agreed to not proceed with the request to allow the committee to catch up with reports delayed due to the Covid pandemic. He suggested if members wanted a follow up report it could be added to the Forward Work Programme for the Autumn.

Lay member Paul Whitham – Internal Audit Update – Page 13 – asked if an update was available on the assessment to obtain the loss of revenue from not recharging tenants. The Chief Internal Auditor confirmed he would confirm the status of the assessment and inform members.

Lay member Paul Whitham – Governance and Audit Forward Work Programme – Page 14 – Reference to an additional line to include regular updates on ‘Commissioning Older People’s Care Home Placements’ had been agreed to be included on the Forward Work Programme. The Monitoring Officer confirmed it could be included on the report.

Also the Audit Wales report title had not been stated in the minutes for Item 13 of the minutes. It was stressed the title should be stated. The Monitoring Officer confirmed the Audit Wales report was on Delivering Sustained Performance Improvement and agreed it should have been included in the minutes. Gwilym Bury the Audit Wales representative confirmed the action plan had been produced and would be presented to Committee in a future meeting.

RESOLVED, subject to the above that the minutes of the Governance and Audit committee held on 16 March 2022 be received and approved as a correct record.

The Chair welcomed Gwilym Bury from Audit Wales to the meeting. Members were also introduced to Bob Chowdhury as the recently appointed Chief Internal Auditor.

7 COUNCIL PERFORMANCE SELF-ASSESSMENT 2021 TO 2022

The Lead Member for Finance, Performance and Strategic Assets, Councillor Gwyneth Ellis, introduced the Council Performance Self-Assessment report (previously circulated).

Members were informed by the Interim Head of Business Improvement and Modernisation Services, the report was the first statutorily required document written in response to the Local Government and Elections (Wales) Act 2021, which required the Council to produce a Self-Assessment of its performance against its functions. It also responded to the Council’s duty around equality monitoring (under the Equality Act 2010 and Wales Measure 2011, which included the Socio Economic Duty) and the contributions to the Well-being of Future Generations (Wales) Act 2015.

Feedback from Governance and Audit Committee was required under the Local Government and Elections (Wales) Act 2021, before approval of the final documents by Council in July.

A summary of the report and appendices was given to the members. The first appendix was the self-assessment document. It included conclusions drawn from governance functions and performance against corporate objectives. The purpose of the report was to assess the information brought to committee’s over the last 12 months to reach a conclusion on how the Council has performed and areas for improvement. The following points were discussed in more detail:

- Officers stated they would provide Lay member Nigel Rudd with further information on previous reports on procurement and the support and improvement to the service.

- Support for communities, including the business community to develop was really important. The report focused on the previous term's Corporate Priorities, none of those areas covered support for businesses. However, members heard work was ongoing with communities to support and develop businesses and the economy.
- The service performance challenges were internal meetings. They are on an annual basis and each service is scrutinised against its service plan. Lead Members for that service are invited to the challenge along with a representative from each of the scrutiny committees. Scrutiny representatives are required to feedback following a service challenge meeting to the relevant scrutiny.
- Recruitment exercises had taken place to appoint a procurement manager all unsuccessfully. A review of the internal structure to provide appropriate management oversight of procurement was due to take place.

The Chair thanked the officers and members for the detailed discussion.

Members,

RESOLVED, that members of the Governance and Audit Committee reviewed and approved the draft report for its submission to Council in July.

8 INTERNAL AUDIT ANNUAL REPORT

The Interim Head Business Improvement Modernisation introduced the Internal Audit Annual Report to the committee (previously circulated).

The annual report was an example of good practice under the adopted standard of the Public Sector Internal Audit Standards. Those standards required an annual report on Internal Audit to feed into the statutory Annual Governance Statement.

The Chief Internal Auditor introduced himself to the committee as he was newly appointed to the role.

Members were guided through the report including the seven areas that had based his 2021-22 opinion included in the appendix 1. Members noted in the report was a summary of the work completed during 2021-22.

Also included within the annual report was the work that had been carried out in relation to counter fraud and the arrangements in place.

The Chair made reference to the work that had been made during the previous 12 months and under difficult circumstances. Members echoed the thoughts of the Chair.

Members heard that there were several triggers or concerns that can raise a review of an area. Internal Audit have an internal mapping system in place to assess and prioritise the audits that required completing. A number of elements contributed to the risk level associated with an area of review.

The Chief Internal Auditor confirmed further information would be provided to members at a training session on Governance and Audit.

The Chief Internal Auditor stated he had raised questions relating to the results of the surveys received. He informed the committee he had raised concerns with the

team and hoped for a higher number of surveys returned he informed members a trial of more frequent surveys was due to start to try and encourage more response. The questions included in the survey were reasonable and relevant.

Members heard any cancelled or deferred audits were due to a number of factors and reasons including service resources, pandemic restrictions and resources in audit department. The number of deferred or cancelled audits was higher over recent months, it was hoped following the ease of restrictions the number would be reduced. Confirmation the Audit team would be able to complete the programme of internal audits.

Lay Member Paul Whitham informed the committee within the constitution the terms of reference for Governance and Audit committee do provide for ensuring Internal Audit has adequate resources. He urged the Chief Internal Auditor to make the committee aware of any issues for support. The Monitoring Officer confirmed it did form part of the terms of reference for the committee.

Members were made aware that discussions between the Chief Internal Auditor and the Interim Head Business Improvement Modernisation were taking place to address the staffing concerns within internal audit.

The Interim Head Business Improvement Modernisation confirmed members had raised a number of suggestions to be included on future Annual reports including:

- Summary of the prioritisation process
- Context around the Internal Audit team capacity.

The Chief Internal Auditor confirmed the case management system to track fraud project plan needed to be in place to allow auditors to complete work effectively.

Members thanked the officers for the detailed response to members questions. It was therefore

RESOLVED that members note and comment on the Chief Internal Auditor's annual report and overall opinion.

9 ANNUAL GOVERNANCE STATEMENT

The Interim Head Business Improvement Modernisation presented the Annual Governance Statement to the committee (previously circulated).

The Council had a statutory duty to publish an Annual Governance Statement (AGS). It was explained that the AGS formed part of the Statement of Accounts. It was presented to members separately to allow members to discuss and review the AGS on its own merit.

The report was a thorough investigation on the governance functions within the council. Based on self-assessment and reports presented to committees throughout the year.

The Chief Internal Auditor confirmed reports and information was gathered and consolidated from a range of service areas. The statement had been prepared in accordance with the guidance produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief

Executives and Senior Managers. Members were guided through the core principals which underpinned the framework.

Members heard the covid pandemic had continued to have an impact on the authority, including a new way of working. Confirmation that meetings were being webcast demonstrating transparent working in the authority.

Lay member Nigel Rudd thanked the officers for the report. He noted reference had been made to the Strategic Emergency Management Team he asked if that team was still in operation. The Monitoring Officer informed members the team was created in the pandemic and met regularly to discuss actions and ways of working. The team was still in existence but had been stood down as the restrictions eased.

The Monitoring Officer confirmed the proactis system was still adopted by the authority. Within the system contract management modules were available, a contract manager forum had been set up working alongside procurement to review how the system can be adapted to make best use of the modules available. The forum allowed managers to review and discuss best practices. The Chief Internal Auditor confirmed the forum was supporting officers and educating staff on contracts and one-off transactions. He confirmed internal audit had scheduled a follow up review of the proactis system.

The Monitoring Officer confirmed the Annual Whistleblowing policy was due for a refresh and review. An annual report on the policy would be brought to this committee in a future meeting.

Confirmation that the Annual Governance Statement report was included in the Statement of Accounts. It is presented separate to committees before it is included in the accounts.

Members suggested that it be published as a separate document alongside the statement of accounts for transparency and ease for the public.

The Chair and members thanked the officers for the report and praised the ease and flow when reading the Annual Governance statement.

It was,

RESOLVED *members reviewed and approved the draft Annual Governance Statement for 2021-22 (appendix 1) and it monitors the progress made on the action plan from the AGS 2020-21.*

At this juncture (11.05 a.m.) there was a 10-minute comfort break.

The meeting resumed at 11.15 a.m.

10 INTERNAL AUDIT STRATEGY 2022/23

The Interim Head Business Improvement Modernisation presented the Internal Audit Strategy to the committee (previously circulated). The report provided the

Committee with the Internal Audit Charter and Strategy for 2022-23. The Charter defined the Internal Audit's purpose, authority and responsibility in line with the Public Sector Internal Audit Standards. The Strategy provided details of the proposed Internal Audit projects for the year that would enable the Chief Internal Auditor (CIA) to provide an 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year.

The CIA confirmed the Charter provided members with information on how Internal Audit would function throughout the year, he confirmed he would include the structure of the Audit team in the Charter next year.

Members were informed of the purpose of the report and guided to the main changes to the Internal Audit Charter included in Appendix 1. The changes had been included in the 'Positioning & Reporting Lines' section. The Chief Internal Auditor had reporting lines to both the Interim Head Business Improvement Modernisation, Section 151 officer, Chief Executive, Cabinet, Governance and Audit committee and Scrutiny committees.

The Charter provided the scope of Internal Audits activities, resources and reporting and monitoring that was in place.

The Internal Audit Strategy (appendix 2) provided information on the planned programme of work for the upcoming year. Members were provided with a brief description of the work. The programme of works included an array of audits from all service areas. A number of audits had been carried over from previous year with the rest being agreed by Heads of Service. Members heard on occasion services will request an audit, internal audit assess the need for an audit and determine if it is required. There were a number of different reasons why officers requested internal audits to be completed including performance concerns. It was stressed Internal Audit would only carry out audits it was deemed beneficial for the authority.

Members thanked the officers for the detailed report and appendices and discussed the following in more detail:

- The Charter is based on a standard template that each authority can amend as required.
- The audit plan in Denbighshire was a flexible plan and could be changed or audits added or deferred at any given time.
- Confirmation that risk mapping in the form of an excel spreadsheet to ascertain the level of risk against an internal audit. The Risk Management framework detailed the authorities approach to risk and exactly what is recorded.
- If a request was made for an additional internal audit was made, consideration to the existing plan was made and if it would have an effect of the scheduled agreed audits.
- The Finance review was conducted annually. Within the review certain elements are reviewed within the time allocated. Communication with the Section151 as to the areas to review took place.

It was;

RESOLVED that members approve the Internal Audit Charter and the Internal Audit Strategy 2022-23.

11 ANNUAL PLAN 2022

The Interim Head of Business Improvement and Modernisation Services, guided members through the report (previously circulated).

Audit Wales representative Gwilym Bury was welcomed to the committee. It was explained Gwilym was a key link between the Authority and Audit Wales particularly in terms of the performance remit.

Members heard Audit Wales met with officers on a monthly basis to update each other on the work plan and confirm the arrangements needed to carry out work. Members heard Internal Audit had been invited to attend and meet with the Senior Leadership Team (SLT) in February 2022 to develop an audit plan for Denbighshire for the forthcoming year.

Gwilym Bury informed members Audit Wales are the external regulators for all authorities in Wales. It was Audit Wales who audit all performance and expenditure of devolved public institutions in Wales.

Members heard Audit Wales produced an annual plan of work intended for the coming year.

The Audit Plan 2022 sets out the programme of works planned to be carried out in Denbighshire over the next 12 months. The plan included work on the financial statements, performance audit work and an area yet to be determined but likely to be around digital strategies.

The fees charged as an external regulator where in the representative's opinion very good value for money. It was proposed the fees for the year would be £333,000.

The Chair thanked the representative for the introduction. In response to members questions the following points were discussed in greater detail:

- The fees were within various bands, partially due to the size of the authority. Denbighshire was included in the lower risk band. Members heard Audit Wales do have powers to conduct special audits with a higher cost value.
- Listed in the paper was a generic list of risks for local authorities. Not particular to Denbighshire.

The Chair thanked the Audit Wales representative for the plan.
It was

RESOLVED that members of the Governance and Audit committee note the Audit Plan 2022.

12 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

From the meeting it had been suggested that a report on the Queens building project, standalone contingency report be included on the FWP for the November committee meeting.

The Head of Finance and Property suggested a report on the budget process be included on the FWP. To allow members to review the process in place that allow the budget to be set. Members agreed for an update report to be included in the November meeting.

Members heard that the two Audit Wales information reports presented at the meeting would be rescheduled for discussion at a future meeting.

It was stressed a training session was being scheduled. If members wished for a training session on the budget could be arranged if members thought, it would be beneficial. The Head of Finance and Property stressed the dates of the budget reports were target dates. The draft statement of accounts enabled members to ask questions up to the presentation of the final statement of accounts. If members felt training on the budget was required, he suggested it was before the final statement of accounts was presented to the committee.

Members were pleased to hear training would be scheduled for all members to attend.

It was agreed to include an ongoing line for updates on the 'Commissioning Older People's Care Home Placements' to the FWP.

***RESOLVED** that, subject to the inclusion of the above addition the Governance and Audit Committee's forward work programme be noted.*

13 DELIVERING SUSTAINED IMPROVEMENT REPORT

The Chair explained the Audit Wales report on Delivering Sustained Improvement was presented to members for information. A further report would be presented to members following officers' completion of an action plan against the Audit Wales proposed recommendations.

The Interim Head of Service for Business Improvement & Modernisation explained to members the Verto system as mentioned in the report was a performance management system used within the Council.

Members agreed to receive the reports at a later date for debate.

***RESOLVED**, that members note the information report presented by Audit Wales.*

14 SPRINGING FORWARD REPORT

The Chair explained the Audit Wales report on Springing Forward, was presented to members for information. A further report would be presented to members following officers' completion of an action plan against the recommendations.

Members agreed to receive the reports at a later date for debate.

***RESOLVED**, that members note the information report presented by Audit Wales.*

The meeting concluded at 12.10 p.m.

Report to	Governance and Audit Committee
Date of meeting	27 th July 2022
Lead Member / Officer	Cllr Gwyneth Ellis, Lead Member for Finance & Strategic Assets and Cllr Julie Matthews, Lead Member for Corporate Strategy, Policy and Equalities / Nicola Stubbins, Corporate Director, Communities, Modernisation and Well-being
Report author	Shannon Richardson, Strategic Planning and Performance Officer
Title	Audit Wales Springing Forward Review 2021 to 2022

1. What is the report about?

- 1.1. To give an overview of the Audit Wales Springing Forward report and subsequent management response. This cover report provides highlights from the review, including its scope and key outcomes.

2. What is the reason for making this report?

- 2.1. To detail the review conducted by Audit Wales on the council's arrangements for managing its assets and workforce.
- 2.2. To detail the management response that responds to the recommendations made by Audit Wales.

3. What are the Recommendations?

- 3.1. That the Committee confirms it has read, understood and taken account of the content and recommendations in the Audit Wales Springing Forward report (Appendix 1).

3.2. That the Committee notes the agreed actions in the management response (Appendix 2).

4. Report details

4.1. During December 2021 to February 2022, Audit Wales undertook a review of the way Denbighshire County Council manages its assets and workforce. Following the Covid-19 pandemic, the review looked at how the council is strengthening its ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.

4.2. For assets, the primary focus was on office accommodation and buildings that the council uses to deliver services to its residents; and for the workforce aspect, the focus has been on the challenges highlighted during the pandemic that have exacerbated some long-standing workforce issues.

4.3. Overall, the report found that the council is actively developing its New Ways of Working Project, which will impact on both its building assets and its workforce, integrating this activity with wider strategies. Looking further ahead will strengthen the council's consideration of the sustainable development principle.

4.4. A number of key conclusions were reached in the report, as follows:

- The council continues to develop its New Ways of Working strategy, but has not yet incorporated its plans into a corporate asset management plan that sets out the future for its building assets.
- Officers, supported by councillors are proactive in the management of assets, although there are opportunities to improve processes and consistency of asset management across the council.
- Throughout the pandemic, senior managers and Cabinet members carefully monitored the impact of Covid-19 on the council's building assets.
- The council has workforce planning arrangements in place and will need to further develop these as it shapes its vision for its future workforce.
- The council's actions in respect of workforce planning are largely focussed in the 'now'. Until it has properly identified its future workforce needs it is not able to take actions to deliver them.

- The council is focussed on dealing with the current day-to-day challenges and has not yet set out its longer-term actions to address its ongoing workforce challenges.

4.5. Following those conclusions, the report made four recommendations that required a management response:

R1 - **Post-pandemic learning** - Consider learning and areas for improvement from the pandemic to help inform future use of assets and workforce, where the pandemic has highlighted such opportunities.

R2 - **Vision** - Clarify the council's vision for the shape and size of its building assets and workforce in the short, medium, and long term

R3 - **Strategies and delivery plans** - Develop asset and workforce strategies and delivery plans that build on learning from the council's experience of the Covid-19 pandemic and deliver the council's vision in these areas.

R4 - **Strategies and delivery plans** - Identify the costs of delivering these plans and incorporate these into the medium-term financial plan.

4.6. In response to the report, the Head of Legal, HR and Democratic Services and the Head of Finance and Property services gave a combined response with input by relevant officers (Appendix 2). The response detailed that a lot of work is already underway to address the recommendations e.g. Assets Strategy, New Ways of Work project, Corporate Workforce Plan and the Medium Term Financial Plan. Completion dates for these recommendations range from October 2022 to July 2023.

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

5.1. The Audit Wales report doesn't have a direct impact upon the current Corporate Plan priorities for 2017 to 2022. When implementing the recommendations from the report, consideration will need to be given to the next Corporate Plan 2022 – 2027, which is currently in development. In addition to this, Assets and Workforce are two of our key functions that we monitor quarterly under our Corporate Health outcome that ensures the council is efficient, well-managed and environmentally sustainable.

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

6.1. There is no financial or resource implications arising from this report.

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

7.1. A well-being impact assessment is not required as this report is providing an update on an Audit Wales report – no change or decision is required at this stage.

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

8.1. The review has been undertaken with the relevant officers and lead members across the council's assets and workforce services. Likewise, the report and management response has been developed with those officers and lead members, and feedback has been sought on the report's content before its final publication.

9. Chief Finance Officer Statement

9.1. Not required for this report.

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

10.1. There is a risk that proposed completion dates cannot be met, which could impact service delivery. However, work has already begun on many of these actions, with timetables in place to mitigate this risk.

11. Power to make the decision

11.1. There is no decision required.

Springing Forward – Denbighshire County Council

Audit year: 2021-22

Date issued: May 2022

Document reference: 2969A2022

This document has been prepared for the internal use of Denbighshire County Council as part of work performed/to be performed in accordance with Section 17 of the Public Audit (Wales) Act 2004, and Section 15 of the Well-being of Future Generations Act (Wales) 2015].

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

This document is also available in Welsh.

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The Council is actively developing its New Ways of Working Project, which will lead to changes in both its building assets and its workforce, integrating this activity with wider strategies, and looking further ahead will strengthen the Council's consideration of the sustainable development principle.

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The Council continues to develop its New Ways of Working strategy but has not yet incorporated its plans into a corporate asset management plan that sets out the future for its building assets 8

Officers, supported by councillors are proactive in the management of assets although there are opportunities to improve processes and consistency of asset management across the Council 9

Throughout the pandemic senior managers and Cabinet members carefully monitored the impact of COVID-19 on the Council's building assets 11

Workforce

The Council has workforce planning arrangements in place and will need to further develop these as it shapes its vision for its future workforce 11

The Council's actions in respect of workforce planning are largely focussed on the 'now': until it has properly identified its future workforce needs it is not able to take actions to deliver them 13

The Council is focussed on dealing with current day to day challenges and has not yet set out its longer-term actions to address its ongoing workforce challenges 15

Summary report

Summary

What we reviewed and why

- 1 As the world moves forward, learning from the global pandemic, this review has looked at how the Council is strengthening its ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
- 2 We reviewed the Council's arrangements for managing its assets and workforce.
 - a. for assets, our primary focus was on office accommodation and buildings from which the Council delivers services to its residents; and
 - b. for the workforce, our focus has been on the challenges highlighted during the pandemic that have exacerbated some long-standing workforce issues.We looked at how the Council strategically plans to use its assets and workforce, how it monitors their use and how it reviews and evaluates the effectiveness of its arrangements.
- 3 When we began our audit work under the Well-being of Future Generations (Wales) Act 2015, we recognised that it would take time for public bodies to embed the sustainable development principle, but we did also set out our expectation that over the medium term we would expect public bodies to be able to demonstrate how the Act is shaping what they do. It is now approaching seven years since the Well-being of Future Generations Act was passed and we are now into the second reporting period for the Act. Therefore, we would now expect public bodies to be able to demonstrate that the Act is integral to their thinking and genuinely shaping what they do.
- 4 This project had three main aims:
 - to gain assurance that the Council is putting in place arrangements to transform, adapt and maintain the delivery of services;
 - to explain the actions that the Council is taking both individually and in partnership to strengthen its arrangements as well as further embed the sustainable development principle; and
 - to inspire the Council and other organisations to further strengthen their arrangements through capturing and sharing notable practice examples and learning and making appropriate recommendations.
- 5 This is important because Denbighshire County Council invests considerable sums in its building assets and workforce. Some key information from 2020-21 is shown in **Exhibit 1**.

Exhibit 1: key facts and figures relating to building assets and workforce.

Number of Council buildings owned in 2020-21	4,000 buildings of which 3,372 are housing stock
Value of property, on 31 March 2021	Approximately £387 million
Number of staff	4,564
Spending on workforce	£143 million which equates to 69% of its total net revenue budget
Percentage of the workforce who were male	26.5%
Percentage of the workforce who were female	73.5%
Percentage of staff who work full time	63.6%
Percentage of staff who work part time	36.4%
Percentage of staff aged over 55 years	27.8%
Number of staff who left the Council by their own choice in 2020-21	265

6 The COVID-19 pandemic has impacted on demand for buildings and the way that staff work. This report examines some of these impacts and the way that the Council benefits from the positives and mitigates risks from the negatives when planning future service delivery.

7 We undertook the review during the period December 2021 to February 2022.

What we found

- 8 Our review sought to answer the question: Is the Council's strategic approach strengthening its ability to transform? In doing this work, we have identified some of the direct impact of the pandemic as well as some operational and governance issues exacerbated by the pandemic.
- 9 Overall, we found that the Council is actively developing its New Ways of Working Project, which will impact on both its building assets and its workforce, integrating this activity with wider strategies, and looking further ahead will strengthen the Council's consideration of the sustainable development principle.
- 10 We reached this conclusion because:
- the Council continues to develop its New Ways of Working strategy but has not yet incorporated these plans into a corporate asset management plan that sets out the future for its building assets;
 - officers, supported by councillors are proactive in the management of assets, although there are opportunities to improve processes and consistency of asset management across the Council;
 - throughout the pandemic senior managers and Cabinet members carefully monitored the impact of COVID-19 on the Council's building assets;
 - the Council has workforce planning arrangements in place and will need to further develop these as it shapes its vision for its future workforce;
 - the Council's actions in respect of workforce planning are largely focussed on the 'now': until it has properly identified its future workforce needs it is not able to take actions to deliver them;
 - the Council is focussed on dealing with the current day-to-day challenges and has not yet set out its longer-term actions to address its ongoing workforce challenges.

Recommendations

Exhibit 2: recommendations

The table below sets out the recommendations that we have identified following this review.

Recommendations	
Post-pandemic learning	
R1	Consider learning and areas for improvement from the pandemic to help inform future use of assets and workforce, where the pandemic has highlighted such opportunities. These are shown in bold text throughout the report.
Vision	
R2	Clarify the Council's vision for the shape and size of its building assets and workforce in the short, medium, and long term.
Strategies and delivery plans	
R3	Develop asset and workforce strategies and delivery plans that build on learning from the Council's experience of the COVID-19 pandemic and deliver the Council's vision in these areas.
Strategies and delivery plans	
R4	Identify the costs of delivering these plans and incorporate these into the medium-term financial plan.

Detailed report

Assets

The Council continues to develop its New Ways of Working strategy, but has not yet incorporated its plans into a corporate asset management plan that sets out the future for its building assets

11 In reaching this conclusion we found that:

- the Council has a draft New Ways of Working strategy with two strands; one covers Council members' working practices and the second covers office utilisation. At the time of our review, the New Ways of Working strategy had not been finalised. However, in respect of building assets, the intention is to review demand for offices, change its office portfolio and update its office layouts accordingly. The Council anticipates that fewer staff will attend the office, demand for video conferencing will continue and it will have an oversupply of office accommodation.
- the Council's New Ways of Working strategy aims to introduce a 'blended working' model where staff suggest to their manager the amount of time they spend working from home, working in the office, and working on site. To avoid unnecessary travel to the three main offices, the Council intends that staff may be able to meet in other Council facilities such as libraries or even premises in neighbouring councils.
- the Council's draft New Ways of Working Office Accommodation Strategy dated September 2021 sets out the current office portfolios, proposals for main office and ancillary office locations, conclusions, and next steps. The next steps section includes the need to undertake a wellbeing impact assessment, gain senior management and political agreement, discuss service needs, and develop office layouts that reflect future needs. The strategy does not include timescales, as officers understand there are staff and political sensitivities around these changes and intend to take an opportunistic approach to delivery when the timing is thought to be right.
- the Council is reviewing its corporate priorities and aims to have a new corporate plan that reflects the priorities of the new administration after the May 2022 elections. Its current 'Corporate Plan 2017-2022' is clearly committed to improving its building assets. In line with its environmental ambitions, it commits to reducing carbon emissions from Council assets by at least 15% by 2022, to improve the energy efficiency of Council houses and to reduce the number of properties at risk of flooding in Denbighshire.
- the Council is preparing a new asset management strategy to replace its previous 'Asset Management Strategy 2017-2021'. Whilst the new asset management strategy and the new medium-term capital strategy to support the asset management strategy were in development at the time of our review, neither had been approved. At this stage, plans are neither long-term

in nature nor are asset plans well integrated in line with expectations set out in the five ways of working under the Well-being of Future Generations (Wales) Act 2015.

- the recent pandemic has significantly changed the potential future landscape of the Council's building assets. **In addition to taking account of its New Ways of Working project, the Council will need to take account of the local town centre economy if it closes its offices, the impact of technology on the way councillors and officers work, the case for owning buildings versus renting and the size of the current estate in relation to expected demand. As more staff work from home, the Council will need to review policies and procedures including travel and expenses and consider the health and safety of staff to ensure it discharges its responsibilities for their wellbeing.**

Officers, supported by councillors are proactive in the management of assets although there are opportunities to improve processes and consistency of asset management across the Council

12 In reaching this conclusion we found that:

- in the early stages of the pandemic, staff adjusted to Welsh Government COVID-19 restrictions and there were understandable reservations around having close contact with others. The Council prioritised external repair work at first, but as time passed and safe working practices became better embedded, staff started to address the slippage of work that had inevitably accrued. Urgent repairs and high-risk work were carried out during the pandemic.
- building material prices have increased significantly during the pandemic which had an impact on contracts and contractors. In one capital project, the contractor declared themselves bankrupt, which impacted on delivery of the project. The Welsh Government supported the Council with flexibility around timescales and the funding 'envelope'. **The Council will need to take account of these pressures as it sets its own budget and ensures that future contracts provide value for money, are viable for contractors' businesses, and support its priorities around the local economy.**
- throughout the pandemic, the pressures on care homes have been widely publicised. In this review, we heard that the physical layout of some care homes had impacted negatively upon their operation. For example, some rooms were needed to store essential personal protective equipment and some homes found it difficult, when visits were permitted, to facilitate safe visits because of the configuration of the building. The Council sought funding through the ADSS Cymru Hardship Fund to support capital investment in its own care homes and offered advice to care home providers about where they might seek similar funding.

- managers and staff collaborated well through the pandemic. The Council has worked with Health colleagues to provide testing and vaccination centres. A Community Resource Team has been based in County Hall for some time and the Council has also shared accommodation with the Coroner and Registration services. **The Council will need to continue to explore more opportunities to share and collaborate in its use of accommodation as part of its review of its office capacity.**
- acquisition, disposal, and maintenance of building assets is managed by the Assets Team which is part of the Finance and Property Service. This team liaises with and supports operational managers, bringing specialist skills and knowledge to the management of buildings. The Council operates a 'Corporate Landlord' arrangement whereby buildings are owned by the Council not individual services, although running costs are met by services. The pandemic has heightened the importance of building assets in the delivery of services and the Council is clearly committed to reviewing the way it uses them in the future. **It is important that the Council also reviews its wider infrastructure to ensure it supports use of these buildings to ensure maximum efficiency and value are gained from the asset.**
- at an officer level, building assets were, in the past, co-ordinated through an officer-led asset management group which was a 'clearing house' for proposals before seeking approval through the formal decision-making process. This group was replaced by an Asset Management Group with a membership of officers and councillors, chaired by the Deputy Leader who has portfolio responsibility for building assets. This group does not have decision making powers but does provide a useful 'sounding board' for significant acquisitions and disposals of buildings. Officers present reports to the group for discussion, then councillors are invited to ask questions. This group is not formally constituted, and minutes are not accessible to the public, although minutes of decisions to acquire or dispose of land and buildings that are considered by the Council's Cabinet are accessible on the Council's website. The Council is currently reviewing its management structure and we were told that this may affect the positioning of the asset management team within that structure. **As the Council reviews the infrastructure supporting asset management, it should also take the opportunity to review the governance arrangements to ensure transparency of decision making and separation of roles between elected members and officers.**

Throughout the pandemic senior managers and Cabinet members carefully monitored the impact of COVID-19 on the Council's building assets

13 In reaching this conclusion we found that:

- throughout the pandemic, senior managers have received regular reports highlighting the impact of COVID-19 on services and resources. The Senior Leadership Team received recovery theme updates that included references to building assets. For example, in June 2020 it received an update on housing recovery, in July 2020 it received a general update on recovery including issues with the Asset Management Group and an update on the Climate and Ecological Change Programme.
- governance arrangements were affected by the pandemic, particularly in the earlier stages, with most meetings being suspended between March 2020 and June 2020. These were then restored with the use of remote technology to facilitate virtual meetings. **As part of its contingency/emergency planning arrangements, the Council will need to consider the impact that the pandemic had on its governance arrangements and review whether senior managers and councillors received appropriate information during this period.**
- Cabinet members were routinely briefed by senior managers, although the Cabinet did not receive reports specifically setting out the impact of COVID-19, including on the impact on the Council's building assets.
- officers have continued to meet their colleagues and peers from other organisations to share experiences of the pandemic and learn from each other's approaches. The Chief Executive held virtual all-staff briefings during the pandemic, and these have included reference to the future use of offices and working practices. However, as the New Ways of Working project has not yet been formally approved, and the approach to implementation is 'opportunistic,' managers have been limited with how much detail can be shared with staff and how it might affect them personally. For some staff, we heard that this uncertainty is a concern and is affecting their morale.

Workforce

The Council has workforce planning arrangements in place and will need to further develop these as it shapes its vision for its future workforce

14 In reaching this conclusion we found that:

- the Council has a track record of workforce planning, that was interrupted by the pandemic. Service workforce plans for 2018-19 included the composition of staff within the service, key challenges and risks, and actions that the

services needed to take during the year. Human Resources Business Partners have started to work with Heads of Service to develop workforce plans for 2022-23. This process was in its early stages during our review, confirming that the Council does not yet have an up-to-date workforce plan.

Workforce plans will also need to integrate more widely with other plans such as the New Ways of Working Project.

- to support workforce planning, officers have carried out an analysis on the New Ways of Working project looking at strengths, weaknesses, opportunities, and threats (SWOT) around the project. Each service has workforce profile information that includes the current workforce, such as the numbers of full or part-time staff, gender, attendance data and reasons why staff have left. **This provides a useful picture of the current workforce and should be used by managers to help them set out their vision of the future shape of the workforce. Once this is in place, workforce planning will help managers consider actions to deliver that vision.**
- the Council's Risk Register records two key risks around workforce. It identifies the risk that Senior Leadership capacity and skills to sustain service and corporate performance may not be available and the risk that recruitment and retention issues, leading to a loss of expertise and capacity, worsen, resulting in poor or inadequate services. **It recognises controls to manage these risks, and the Council will need to consider the implications of these when developing its new workforce plan.**
- the Council has seen the retirement or departure of some key senior managers during 2021-22 and the Chief Executive is currently proposing changes to the senior management structure. **With the local government elections in May 2022, the administration, together with the refreshed senior leadership team should be well placed to set out the Council's vision for the future workforce including its plans for blended working patterns.**
- the Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to plan for the short, medium, and long term. As detailed above, the Council plans on an annual basis. Whilst the New Ways of Working project signals a different way of working, it does not fundamentally change the shape of the workforce. **The Council will need to consider how far into the future it is reasonable to set out its plans for the workforce and what skills, knowledge and capacity it will need over that period.**

The Council's actions in respect of workforce planning are largely focussed in the 'now': until it has properly identified its future workforce needs it is not able to take actions to deliver them

15 In reaching this conclusion we found that:

- the Human Resources (HR) Team has worked hard to support staff and combat the impact of the pandemic. Business partners have worked closely with operational managers providing HR support.
- in the early stages of the pandemic, many staff adjusted to working from home, some were unable to work because the services they delivered were suspended and some staff were redeployed to other duties. This was an unprecedented set of circumstances which, coupled with personal and family commitments, placed many of the workforce under significant pressure. Most staff have now returned to their normal duties, although still operating under the challenges posed by the ongoing pandemic, such as isolation and concerns about COVID-19.
- in line with legislation, staff have been required to work from home where possible. This has required staff to work very differently and has caused extra stress, particularly for staff with caring responsibilities and the added pressure of home tutoring. The Council instructed managers to allow staff to work flexibly and recognise that some days staff will not be able to 'put in their 'full shift'. Senior managers considered requests by staff to return to the office, where working from home did not suit their personal circumstances or they were feeling particularly isolated. For many, this new way of working has been successful, and it is likely that many staff will adopt blended working patterns in future, where they spend time working from a mix of home, usual workplace or on site. Whilst it is difficult for any organisation the size of the Council to ensure consistent compliance with directives, especially when there is room for interpretation, this can sometimes fuel a sense of unfairness. An example raised during the review was around many teachers working from home during the pandemic whilst some teaching assistants worked in their schools. **The Council should consider how it communicates the rationale for its decisions to minimise some of these cultural challenges.**
- working from home also brings with it some practical challenges. Knowing when or how officers can be contacted is difficult, especially when staff are working non-standard hours to accommodate caring responsibilities. Some staff may be reluctant to share their home phone numbers, which makes it difficult for colleagues to contact them. And if staff are working from home, how is their privacy protected when they are customer facing? **The Council should develop a protocol setting out its expectations of how and when staff should be contactable when working from home.**

- for those staff who were unable to work from home and whose services operated through the pandemic, they faced different challenges. The Council risk assessed staff who needed face-to-face interaction with the public and provided protective equipment and changed working practices to keep staff and the public safe. Trade Union representatives continued to meet HR colleagues and senior managers throughout the pandemic to monitor and address emerging staffing issues.
- to mitigate the risk of driver shortages in waste collection services, the Council sought details of staff who already held heavy goods vehicle (HGV) licences and may have been willing to help in the event of staff shortages. It also offered to support staff who wanted to learn to drive HGVs and take their tests. Considering **its experience during the pandemic, the Council should think about what other transferable skills staff have and how these can be recorded within its workforce data.**
- social care staff have been particularly affected by the pandemic. Domiciliary care staff have been at the forefront, working with particularly vulnerable service users, at increased risk of contracting COVID-19 themselves and working, as they do, often isolated from colleagues. Social workers have also worked throughout. With the added pressures of increasing workloads, and the widely reported recent child deaths in the United Kingdom emphasising the importance of sound safeguarding practice, there has been an increased fear of 'getting it wrong'.
- staff recruitment challenges have continued through the pandemic with resulting staff shortages. Competition for social workers, occupational therapists, and domiciliary care workers is recognised as a regional and national concern with pay, and competition for agency staff often quoted as significant factors. The Council has worked hard to recruit care staff and has employed recruitment specialists to address staff vacancies. Across the Council, it is implementing a 'grow your own' approach to develop its own talented staff, and the Council operates a flexible retirement scheme to help manage the consequences of experienced staff retiring sooner than expected. Under the scheme, staff must reduce their working hours and must leave the Council by the end of a two-year period. Some other councils in North Wales have a more flexible policy where the period to leave employment with the Council can be greater than two years. The scheme is administered by Clwyd Pension Fund and enables the Council to recruit replacement staff over a longer period, allowing some handover time with departing staff.
- other Council services have also experienced recruitment difficulties, particularly where technical skills that are in short supply are needed such as in procurement, legal, occupational health, and asset management. For some, the pandemic and increased use of remote access have allowed staff to work in other parts of Wales or further afield, without a daily commute. This has seen some staff and potential recruits in Denbighshire being attracted to other employers. **The Council understands these challenges**

around recruitment and will need to ensure that potential solutions are included in workforce plans to prevent the consequences for service delivery and the impact on residents.

- sickness absence has been affected by the pandemic. Overall sickness absence fell across the Council in the early stages of the pandemic, but recently numbers have started to increase again. The Council does not record staff isolating in its sickness data. Some services where face-to-face contact is necessary have seen increased levels of sickness, and other services where staff have worked from home have seen a reduction in sickness levels. Managers told us that stress has become the main reason for absence and is the consequence of several factors. For example, staff who in the past have carried out a challenging and uncomfortable meeting with a member of the public would have returned to the office where they might receive peer support. Where these staff are working from home, colleagues will not be there to pick up on the signs of anxiety and stress, and the staff member will often be left without support. Frontline staff and senior managers who have worked throughout to keep services operational and co-ordinate activity to combat the impact of the pandemic may now be feeling fatigued and the effects of long-term stress. **Managers understand the impact of COVID-19 on staff sickness within their services, but the Council needs to collate this information to ensure these factors are addressed through the workforce plan.**
- the pandemic has also provided opportunities. Information and Communication Technology (ICT) has underpinned the work of the Council during the pandemic. If there were barriers to using remote technology in the past, these have been largely overcome. Staff have been supported to work from home and schools have supported pupils with remote access. **The Council should explore the benefits that have been realised through the increased use of ICT during the pandemic to identify wider opportunities in other services. It also needs to review the capacity of the ICT service to ensure it can continue to maintain and deliver improvements.**

The Council is focussed on dealing with the current day-to-day challenges and has not yet set out its longer-term actions to address its ongoing workforce challenges

16 In reaching this conclusion we found that:

- the Head of HR reports to the Head of Legal, HR and Democratic Services who is a member of the Senior Leadership Team and was able to offer specialist HR advice as issues arose during the pandemic. The Senior Leadership Team received regular recovery theme updates that included references to workforce. For example, in May 2020 it received an update which included details of the Redeployment Bureau and in July 2020 it

received a general update on recovery including the all-workforce COVID-19 risk assessment tool.

- in the early stages of the pandemic, all Council meetings including Cabinet were suspended. Cabinet resumed in May 2020 and received some reports on COVID-19, but it has not received any reports relating to the overall impact of the pandemic on the workforce.
- scrutiny committee members have considered reports on the impact of COVID-19, and the Council's recovery plans, but not on the overall impact of COVID-19 on its workforce. **The Council should consider how Cabinet and scrutiny committees might have supported its overall recovery arrangements, particularly in relation to workforce management.**
- officers have continued to meet with peers in other councils and trade union representatives to discuss emerging issues in relation to workforce, and national benchmarking information is available through InfoBaseCymru¹.
- the Council has engaged with staff regularly throughout the pandemic, However, because the New Ways of Working project has not yet been formally agreed, the Council has not engaged on the wider implications for the workforce. **The Council should consider how it can involve staff in the further development and implementation of its New Ways of Working project.**

¹ InfoBaseCymru is developed, supported and hosted by the Local Government Data Unit Wales to provide easy access to information for Wales, using maps and tables.



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Management response

Report title: Springing Forward – Denbighshire County Council

Completion date: May 2022

Document reference: 2969A2021-22

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Ref	Recommendation	High priority (yes/no)	Management response	Completion date	Responsible officer
R1	<p>Post-pandemic learning Consider learning and areas for improvement from the pandemic to help inform future use of assets and workforce, where the pandemic has highlighted such opportunities. These are shown in bold text throughout the report.</p>	Yes	A short-term Assets Strategy, 'Denbighshire County Council Coronavirus Response: Infrastructure – Council Buildings', was agreed by senior managers and presented to Communities Scrutiny Committee in July 2021. This also set out that our medium-term approach would form part of the New Ways of Working project and	July 2023.	David Lorey, County Landlord

Ref	Recommendation	High priority (yes/no)	Management response	Completion date	Responsible officer
			<p>would be led by staff behaviour.</p> <p>With regards to workforce, the New Ways of Working Project will also look at lessons learnt from the pandemic and changes we intend to make moving forward, i.e. reviewing our Flexible Working Policy to enable a more agile workforce.</p>	October 2022.	Louise Dougal, HR Service Manager
R2	<p>Vision Clarify the Council's vision for the shape and size of its building assets and</p>	Yes	As described above, the council's approach has already been set out in a number of communications and reports. The medium and long-term approach to assets	July 2023	David Lorey, County Landlord.

Ref	Recommendation	High priority (yes/no)	Management response	Completion date	Responsible officer
	workforce in the short, medium, and long term.		<p>will be led by staff behaviour and service need – a review will be undertaken after 6-8 months of restrictions being lifted. The council’s approach to its assets will be considered once we know what the office needs are.</p> <p>The Council is currently conducting a review of its senior management structure, which, when completed, may result in the realignment of some services. The review is also intended to create additional capacity at a senior level to support the vision and strategic direction presented by the Chief Executive to</p>	March 2023	Graham Boase, Chief Executive

Ref	Recommendation	High priority (yes/no)	Management response	Completion date	Responsible officer
			Council in March 2022. This paper anticipates change in the way in which services are delivered in order to best place the council to meet future challenges. The shape and size of the workforce will be determined by the needs of the services following this review and the priorities of the Council identified in the forthcoming Corporate Plan.		
R3	<p>Strategies and delivery plans</p> <p>Develop asset and workforce strategies and delivery plans that build on learning from the Council's</p>	Yes	As described above, draft asset approaches have been presented to the New Ways of Working Board and senior managers, but cannot be finalised before the work undertaken to review staff	July 2023.	David Lorey, County Landlord.

Ref	Recommendation	High priority (yes/no)	Management response	Completion date	Responsible officer
	experience of the COVID-19 pandemic and deliver the Council's vision in these areas.		<p>behaviour has been undertaken. Practical opportunities are being taken forward during this period such as partnership working with the NHS, which has always been part of our asset strategy.</p> <p>The council has developed a Corporate Workforce Plan for the period 2022 to 2027, which will be reviewed on an annual basis and updated to reflect any emerging issues, and will align with the new Corporate Plan priorities. The Workforce Plan Delivery document sets out the following aims:</p>	Completed	Louise Dougal, HR Service Manager.

Ref	Recommendation	High priority (yes/no)	Management response	Completion date	Responsible officer
			<ul style="list-style-type: none"> • Leadership and Management Development • Recruitment and Retention of Talent • Enable a High Performing, Engaged and Empowered Workforce • Develop a Flexible and Agile Workforce • Supporting Health and Wellbeing 		
R4	<p>Strategies and delivery plans</p> <p>Identify the costs of delivering these plans and incorporate these into the medium-term financial plan</p>	Yes	Costs have already been included in the Medium Term Financial Plan (e.g. budget pressure in 2022 to 2023 for a new Facilities and Assets Manager). Contingencies and reserves are in place to cover	July 2023	Steve Gadd, Head of Finance and Property Services (Section 151 Officer)

Ref	Recommendation	High priority (yes/no)	Management response	Completion date	Responsible officer
			<p>all known medium-term costs. A robust annual budget process will identify any further pressures and savings as and when strategies and actions have been agreed. The Medium Term Financial Plan is an ongoing process that has close links with the New Ways of Working project, and the County Landlord will ensure this continues going forward.</p>		

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Report to	Governance and Audit Committee
Date of report	27 th July 2022
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Property
Report author	Steve Gadd, Head of Finance and Property
Title	Certification of Grants and Returns 2020-21 Denbighshire County Council

1. Purpose of the Report

1.1 A report entitled 'Certification of Grants and Returns 2020-21 – Denbighshire County Council' has been prepared by Audit Wales (AW) and is attached. The report sets out a summary of the key outcomes from WAO's certification work on the Council's 2020/21 grants and returns.

2. What is the reason for making this report?

2.1 AW have requested that this internal report is brought on an annual basis to this committee. The report is provided for information.

3. What are the Recommendations?

3.1 It is recommended that the Committee consider the content of the AW report. AW representatives will attend the meeting to answer questions in relation to the report.

4. Report details

4.1 The WAO report sets out a summary of the key outcomes from WAO's certification work on the Council's 2020/21 grants and returns and is for the internal use of Denbighshire County Council. The report summarises the key findings coming out of this work.

The report finds that the Council has adequate arrangements in place for the production and submission of the 2020/21 grant claims. The number of grants that are specifically audited by AW has reduced dramatically over recent years, however the seven that remain are very complex and involve a large number of transactions and value. It is pleasing that the total effect of amendments to the Authority's claims and returns was small. It should also be noted that only one of the grants required qualifications.

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

5.1 Grant Funding is vital in funding local government activity in a number of areas. The AW report helps give assurance that there are adequate arrangements in place within the Council to administer the grant process.

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

6.1 The fees for work undertaken by the WAO in respect of the certification of grants and returns for 2020-21 are included in the report.

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

7.1 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?

8.1 AW work closely with DCC throughout the audit process and DCC are kept fully up to date with any issues that arise from Audit Wales audit work.

9. Chief Finance Officer Statement

9.1 The AW report on the Council's grants and returns is for internal use by the Council in order to help focus on any areas of risk or weakness. It is pleasing to note that the report concludes that the Council has adequate arrangements in place. The fees are an existing budget commitment for the authority. I would like to thank the Audit Wales team for their continued professionalism and understanding in undertaking this important work.

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

10.1 The audit process should highlight any significant risks and the management response to addressing or minimising the risk or impact.

11. Power to make the decision

11.1 Section 151 of the Local Government Act 1972 requires that the council has proper financial management arrangements in place. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns.

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Certification of Grants and Returns 2020-21 – Denbighshire County Council

Audit year: 2020-21

Date issued: July 2022

Document reference: 3070A2022

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

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

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

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Summary report

Summary

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
- 2 We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Denbighshire County Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
- 3 We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of its 2020-21 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2021-22. Our conclusion for 2020-21 is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of 2020-21 grants was in place throughout the year; and
 - there is scope to improve the Authority's arrangements for submitting its grant claims for audit.
- 4 For 2020-21 we certified seven grant claims worth £187,482,878.
- 5 The Authority submitted 43% (three out of seven) of its 2020-21 grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of £53,037 (4 claims were certified in 2019-20 at a total audit cost of £32,121).
- 6 One of the seven claims were qualified (1:7); this is a lower qualification rate than the long-term Welsh average of 1:4.

Headlines

Exhibit 1:

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Introduction and background	<p>This report summarises the results of work on the certification of the Authority’s 2020-21 grant claims and returns</p> <ul style="list-style-type: none">• As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.• For 2020-21, we certified seven grants with a total value of £187,482,878.• We have provided officers with a comprehensive Good Practice Grant Checklist to be included on each grant claim file. The Grant Checklist highlighted the key areas Audit Wales would be reviewing whilst performing grant auditor certification.• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.
Timely receipt of claims	<p>Our analysis shows that 43% of grants received during the year were received by the deadline set for the Authority in terms and conditions.</p> <ul style="list-style-type: none">• The Housing Benefit Subsidy claim was received five days late, a minimal delay which did not impact on the certification process.• The three pooled budget claims were all received late. This was the first year that each of the three claims had been subject to certification. This required additional work to be undertaken by the Authority to collate and prepare the required documentation to support the certification process. The delay did not impact on the certification.

<p>Certification results</p>	<p>We issued unqualified certificates for six grants and returns but qualifications were necessary in one case (14%) for Housing Benefit Subsidy.</p> <p>The reasons for qualifying the Housing Benefit subsidy is set out below, the issues can be grouped into ongoing issues and those outside the Authority's control.</p> <p>Qualification issues reported in previous financial years</p> <ul style="list-style-type: none"> • Error type 3 – Misclassification of Housing Benefit expenditure. • Error type 4 – Insufficient supporting information.
<p>Audit adjustments</p>	<p>Adjustments were necessary to two of the Authority's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> • The Housing Benefit Subsidy was subject to amendments which totalled £26,120, the net impact of which decreased the subsidy balance owed to the Authority by £15,418. • Two amendments were made to the National Non-Domestic Rates Return. These amendments did not impact on the amount payable to the Welsh Government. • One amendment was to the Social Care Workforce Development Return. This amendment did not impact on the amount of funding received by the Authority.
<p>The Authority's arrangements</p>	<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work.</p>
<p>Fees</p>	<p>Our overall fee for certification of grants and returns for 2020-21 is £53,037.</p> <p>This is above our original estimate of £35,000 to £40,000 included in our Annual Audit Plan which did not include certification of the three pooled budget claims.</p>

Summary of certification work outcomes

- 7 Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2020-21 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 8 A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

Exhibit 2: key information for 2020-21

Key information for 2020-21

Overall, we certified seven grants and returns:

- **BEN01 was qualified with amendments**
- **LA01 and SOC07 were unqualified with amendments**
- **PEN05 and the three HLG01 grants were unqualified without amendments**

Exhibit 3:

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)
BEN01	Housing Benefit Subsidy	30/04/21	05/05/21	Yes	Yes	£25,657	£463
LA01	Non-Domestic Rates	29/05/21	29/05/21	No	No	£nil	*£nil
PEN05	Teachers Pensions	31/05/21	29/04/21	No	No	£nil	£nil
SOC07	Social Care Workforce Development	30/09/21	28/08/21	No	No	£nil	*£nil
HLG01	Pooled Budgets – Care Home Accommodation North Wales	07/05/21	22/04/22	Yes	No	£nil	£nil
HLG01	Pooled Budgets – Community Equipment Services	07/05/21	22/04/22	Yes	No	£nil	£nil
HLG01	Pooled Budgets – Health & Social Care Support Workers Service	07/05/21	22/04/22	Yes	No	£nil	£nil
	Total				1	£25,657	£463

* Amendments made but no financial impact on the claim due to the nature of the error.

9 This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 5 to 6.

Exhibit 4:

Ref	Summary observations	Amendment
BEN01	<p>Housing Benefit and Authority Tax Subsidy</p> <ul style="list-style-type: none"> • Testing of headline Cell 094 identified one case where a benefit overpayment had incorrectly been classified as Cell 096. The correct classification of this expenditure was Cell 097. The population of Cell 096 comprised of 79 cases all of which were subject to additional testing. The testing identified a further 18 errors in which expenditure had been misclassified. <i>Error type 4: expenditure misclassification [£25,657]</i> • Testing of headline Cell 011 identified one claim where a benefit overpayment had incorrectly been classified as Cell 028 Eligible Overpayments. The correct classification of the overpayment was Cell 026 LA error and administrative delay as the overpayment arose from a system calculation error. <i>Error type 4: expenditure misclassification [£210]</i> • Testing of headline Cell 011 identified one claim where housing benefit expenditure had incorrectly been classified as Cell 013 rather than Cell 012. All 31 remaining cases were subject to additional testing. 6 further errors were identified. <i>Error type 4: expenditure misclassification [£253]</i> • The impact of these amendments was to reduce the total subsidy claimed and owed to the Authority by £15,418. • These matters have been reported to the Department for Work and Pensions. 	£26,120
	Total effect of amendments to the Authority’s claims and returns	£26,120

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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Report to	Governance and Audit Committee
Date of meeting	27 th July 2022
Lead Member / Officer	Gary Williams, Head of Legal, HR and Democratic Services RIPA Senior Responsible Officer.
Report author	Lisa Jones, Legal Services Manager
Title	RIPA Annual Report

1. What is the report about?

This is the annual report to the Governance and Audit Committee on the Council's use of its powers of surveillance under RIPA (Regulation of Investigatory Powers Act 2000)

2. What is the reason for making this report?

The Committee receives all external regulatory reports.

3. What are the Recommendations?

That the Committee receives and acknowledges the report and provides any comments in respect of its contents and the attached policy document.

4. Report details

4.1. The Committee is familiar with the Annual Report on RIPA that is brought to Members where a summary of activity and governance arrangements around this area is provided to Members.

4.2. The level of RIPA activity, which relates only to 'covert' surveillance, rather than 'overt' surveillance, has reduced dramatically over the past ten years to the point now where little or no covert surveillance is taking place. The Council will utilise its RIPA powers only as a very last resort and this means where all other

means of gathering the evidence has been considered and explored. In the event of a RIPA application being taken forward there are legal hurdles in which to overcome before the surveillance can take place which includes a detailed application form completed by the applicant, a face to face meeting with one of the Council's Authorising Officers (a member of CET) and then attendance for formal approval from the Magistrates Court. Irrespective of the process, one of the reasons for a reduction in this activity is that the Council has other transparent methods in place in a world where public bodies share more data than they may have done previously as a way of combatting fraud and crime.

- 4.3. Since the last Annual Report to the Committee there has been no covert surveillance activity conducted, and this is a trend that is the same throughout all local authorities. The Covid 19 pandemic will also have had an impact on any ability or necessity to carry out such activities.
- 4.4. The two main areas where the Council is more likely to require a RIPA authorisation is in respect of underage sales and fly tipping. However, the Council is required to consider other less intrusive means of preventing or combatting such activities such as signage or working transparently with publicans and off licences to ensure they are complying with their duties on alcohol sales.
- 4.5. The Investigatory Powers Commissioners' Office is the regulatory body responsible for oversight of investigatory powers by public authorities. The Council was last inspected by one of the Commissioner's Chief Inspectors, Graham Wright, in February and March 2021 and a copy of that Inspection Report was presented to members of this Committee in June 2021 and available for members on the Council's Committee section of the website.
- 4.6. The Home Office Covert Surveillance and Property Interference Code of Practice requires the Senior Responsible Officer for RIPA to provide Elected Members with an annual report on whether the Council's RIPA policy is fit for purpose and to report the level of covert surveillance activity. The inspection in 2021 confirmed that the Inspector has reviewed the Council's RIPA Policy and advised it provides very accurate, complete and practical advice and guidance to practitioners. The advice regarding use of covert online activity has been

added as a result of a recommendation made in the previous inspection. The Ripa policy is attached as Appendix 1.

4.7. Refresher training to Investigating Officers and Authorising Officers is an area that the Regulator is particularly keen on seeing implemented; this is best delivered in a face to face to setting as there are practical scenarios which will be worked through and are better delivered in a face to face interactive session. Now the Council offices are accessible post Covid, a date in the Autumn is to be offered to any officers who need to be aware of the Council's Policy and Procedures and the human rights considerations in relation to privacy that the function requires. The Inspector has been sighted on the proposed slides and training materials and is satisfied that albeit delivered in house, are of the appropriate standard.

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

This area of practice supports cleaner and safer places to live and visit and the Councils environmental ambitions and priorities. Fraudulent activity, which can impact on Councils' revenue and budgets, may necessitate taking surveillance action.

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

The costs are met within existing resources, including the training events, as this is prepared and delivered to our in house standards, in a bespoke manner based on Heads of Service requirements.

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

A well being impact assessment is not required for this report and decision.

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

The Council's RIPA working group meet once a year to review the Policy or more often in the run up to an inspection and are supportive of the refresher training being delivered and supporting and encouraging officers to attend.

9. Chief Finance Officer Statement

Not required.

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

A Council that has a robust policy and supporting governance framework around the policy is less likely to fall foul of RIPA and the right to respect for one's private and family life. Evidence gathered in a compliant manner can be used in court proceedings and may not be relied upon if not obtained lawfully. It is therefore essential that council staff follow advice and policy in this area.

11. Power to make the decision

Regulation of Investigatory Powers Act 2000 and related Codes of Practice.



DENBIGHSHIRE COUNTY COUNCIL

Corporate Policy & Procedures **For Denbighshire County Council Employees on** **the Regulation of Investigatory Powers Act 2000**

THE REGULATION OF INVESTIGATORY POWERS ACT 2000

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FOREWORD

This Corporate Policy and Procedures has been produced for the use of Denbighshire County Council Employees and any relevant contractors employed by the Council. All relevant Council contracts will include a term that this policy is to be observed by any Contractor acting on behalf of the Council. Its provisions must be followed, where they apply, by all Officers. In addition, all employees must use only the Authorising Forms that are available on the Home Office website for authorisation purposes.

This policy has been developed in consultation with representatives from across the departments performing surveillance. This policy replaces any previous policy and procedures. A copy of this policy together with the Home Office Codes of Practice and the Investigatory Powers Tribunal leaflets will be made available for public inspection at Council offices. The policy is also available on the Council's website.

In addition a copy of this document will be readily available to all employees, and a copy may be found on the Denbighshire Information Centre. This Policy has been produced in English and Welsh, and any comments or observations on its contents may be made to the Head of Legal and Democratic Services /Monitoring Officer who also acts as the Council's Senior Responsible Officer in respect of RIPA.

If you are unclear as regards any aspect of this document, you should contact the Head of Legal, HR and Democratic Services.

Any minor amendments to this policy will require the approval of the RIPA Working Group. Any substantial amendments to policy will require additional approval of the Council's Corporate Governance Committee and Cabinet.

January 2021

CHAPTER 1: INTRODUCTION

1.1 The Human Rights Act 1998 became part of UK law on the 2nd October 2000, making it unlawful for a "public authority" (which includes a Local Authority) to breach any Article of the European Convention on Human Rights. The Act also made provision for any person who has suffered as a result of a breach of the European Convention on Human Rights to seek redress within the UK domestic courts, without having to pursue a claim via the lengthy and costly process of the European Court of Human Rights in Strasbourg.

Article 8 of the Convention on Human Rights has a significant impact upon Local Authorities and the ways in which they operate. The Article states that:

"everyone has the right to respect for his private and family life, his home and his correspondence"

Essentially, the "public authority" must not in any way interfere with the exercise of this right except as in accordance with the law and is necessary in a democratic society in the interests of any of the following:-

- National Security
- Public Safety
- The Economic well-being of the Country
- The Prevention of Crime and Disorder
- The Protection of Health or Morals
- Protection of the Rights and Freedoms of Others

In addition, any interference with the Article 8 rights should be a proportionate interference in the circumstances.

Since the 5th January 2004 the only ground on which a local authority can now authorise Directed Surveillance is for the purpose of preventing or detecting crime or of preventing disorder. Subsequent changes in legislation now also stipulate that the 'serious crime' test needs to be met; see section 2.7 of this policy.

1.2 Whenever a person undertakes covert surveillance on behalf of a Local Authority, they are placing themselves at risk of breaching Article 8 of the European Convention on Human Rights, unless that surveillance can be justified on the basis that it is conducted in accordance with the law, is necessary for the purpose listed above (ie the prevention or detection of crime or disorder), and is a proportionate action to take.

1.3 The Regulation of Investigatory Powers Act 2000 (RIPA) was passed by Parliament and came into force on the 25th September 2000. This Act regulates covert surveillance and investigations by a number of bodies - including Local Authorities. One of the main purposes of the Act is to ensure that the human rights of any person who is the subject of covert surveillance is protected. However the Act also ensures that law enforcement officers and agencies have the powers they need to do their job properly and to carry out surveillance effectively.

1.4 The purpose of this document is to explain the impact of RIPA upon Denbighshire County Council's procedures in respect of surveillance activity and to provide employees with an understanding of the circumstances where the Act's provisions might apply. This document provides officers with guidance in respect of the procedures that should be followed when covert surveillance is undertaken. This policy should be read in conjunction with the latest Codes of Practice issued by the Home Office and Officers should have regard to the Codes when considering the exercise of their surveillance powers under RIPA 2000. The Codes which are relevant to a Local Authority are:

- Covert Surveillance and Property Interference Revised Code of Practice 2018
- Covert Human Intelligence Sources Code of Practice 2018

Copies of these codes of practice can be obtained from any Authorising Officer listed in chapter 3, from the Councils Legal department or directly from the Home Office website at www.homeoffice.gov.uk

The Council should also have regard to the following revised Procedures:

- Information Commissioner's Code In the Picture – A Data Protection Code of Practice for Surveillance Cameras and Personal Information.
- Home Office Surveillance Camera Code of Practice.

1.5 It is important to note that if any covert surveillance work is conducted by the Council and it falls within the provisions of RIPA then the authorisation procedures described in Chapter 3 must be followed before the surveillance occurs. Failure to do so may result in disciplinary proceedings. Obtaining proper authorisation for surveillance will assist in protecting the Council and its officers against complaints of interference with an individual's human rights, and will also protect the admissibility of any evidence gained from such surveillance in a Court of Law.

1.6 Access to Communications Data

In addition, the Council has powers to gain access to communications data. This is information held by telecommunication or postal service providers about the use of their services by persons who are the subject of a criminal investigation. In exercising these powers Officers must have full regard to the Codes of Practice issued by the Home Office:

Code of Practice for the acquisition and disclosure of communications data (March 2015) and Code of Practice for retention of communications data (March 2015) available on www.homeoffice.gov.uk or from the Councils' nominated Single Point of Contract (SPOC).

As for Covert Surveillance, access to communications data must be authorised by a Designated Authorising Officer and obtained via the Councils' SPOC. Specific guidance on these procedures is contained in Chapter 5.

1.7 Encryption

Part 3 of RIPA 2000 came into force in October 2007 to provide a statutory framework allowing all public authorities to require electronic information which they have obtained lawfully or are likely to be obtained lawfully to be put into an 'intelligible form', to acquire the means to gain access to protected information and put that information into 'intelligible form'. For example, where the Council seize a laptop, which may contain protected information that could assist in a prosecution. This is achieved through the assistance of 'NTAC' (National Technical Assistance Centre), who must be approached at the earliest opportunity if the Council are considering the use of these powers. In practice a case is put forward to NTAC, who will provide feasibility and costings of the exercise. NTAC will support the Council in the process to ensure the exercise of these Part 3 powers are undertaken appropriately.

The Investigation of Protected Electronic Information Revised Code of Practice (August 2018) refers to NTAC as the 'guardian and gatekeeper' of the use of Part 3 and any Officer considering the use of these powers should refer to the Home Office Code of Practice available on the Home Office website – www.homeoffice.gov.uk

Specific guidance on these procedures is contained in Chapter 5.

CHAPTER 2: DEFINITIONS OF THE MAIN SURVEILLANCE TECHNIQUES REGULATED BY RIPA

2.1 Surveillance

The Act defines "surveillance" as monitoring, observing or listening to persons, watching or following their movements, listening to their conversations or their other activities or communications. It can also encompass recording anything that is monitored, observed or listened to during the course of surveillance. Surveillance may, or may not, be conducted with the assistance of a device.

For example, the installation of CCTV cameras in order to generally observe activity in a particular area will not be "surveillance" unless the CCTV camera is being used to target a specific person, persons or operation. In cases of uncertainty, officers should seek advice from their department's Authorising Officers who will in turn consult with the Head of Legal and Democratic Services should they require further clarification or guidance.

2.2 Covert Surveillance

Surveillance will be "covert" if it is carried out in a manner calculated to ensure that the person(s) subject to the surveillance are unaware that it is or may be taking place. If surveillance is open and not hidden for the subjects of the surveillance, the surveillance will not generally be covert. Please note that RIPA applies only to covert surveillance so it is vital to consider initially whether or not you are conducting covert surveillance.

2.3 Intrusive Surveillance

This is a form of covert surveillance that is regulated by RIPA.

Intrusive surveillance is defined in the Act as covert surveillance (see 2.2 above) that is carried out in relation to anything taking place on any residential premises or in any private vehicle, and it involves the presence of an individual in the premises or in the vehicle or is carried out by means of a surveillance device.

It is imperative to note that Local Authorities are not empowered by RIPA to carry out intrusive surveillance. If a Local Authority does carry out this type of surveillance, it will be acting beyond the scope of its powers. If you think that your proposed surveillance activity could fall within the definition of "intrusive surveillance" you must not proceed with the surveillance. If you need help in determining whether or not you could be conducting intrusive surveillance seek advice from the Head of Legal and Democratic Services.

2.4 Directed Surveillance

This is a crucial method of surveillance which affects Local Authorities. This is surveillance that is covert, but is not intrusive and is undertaken for the purposes of a specific investigation or operation. The surveillance is undertaken in such a manner that it is likely to result in obtaining "private information" about a person or persons. Directed surveillance involves the observation of a person or persons with the intention of gathering private information about them to produce a detailed picture of their life, activities and/or,

associates. It will not include entry upon or interference with property, but may include the use of photographic and video equipment (including CCTV).

Before conducting directed surveillance, you need to consider the meaning of “private information”. Private information will include any information relating to a person’s private or family life, and is therefore a very wide definition. The 2000 Act states that private information includes any information relating to a person’s private or family life. *Private information should be taken generally to include any aspect of a person’s private or personal relationship with others, including family and professional or business relationships.*

Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person’s activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person’s activities for future consideration or analysis. Surveillance of publicly accessible areas of the internet should be treated in a similar way, recognising that there may be an expectation of privacy over information which is on the internet, particularly when accessing information on social media or forum type websites.

Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purposes of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes surveillance, a directed surveillance authorisation may be considered appropriate.

Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

The Covert Surveillance and Property Interference Revised Code of Practice (August 2018) gives practical examples of what is private information and officers may wish to consult pages 15 to 17 of that document which is available on the Home Office RIPA pages of their website.

Use of Social Networking Sites (SNS)

Use of the internet and SNS can provide useful information as part of an Investigation however it is important that these are used lawfully.

It is not possible to provide a definitive list of SNS; but it does include sites such as Facebook, Twitter, LinkedIn, Instagram, YouTube and blogs. It is possible to obtain private information when accessing websites used to advertise goods and services. You must therefore be mindful to the fact that the use of the internet and SNS may potentially mount to directed surveillance and require authorisation.

If you decide it is necessary to access an individual’s social networking profile / page in order to take an initial view as to whether there is any substance to an allegation or a matter being investigated; this initial viewing must be reasonable and proportionate. For

example, it would not be reasonable or proportionate to spend a substantial amount of time searching through the pages of an online profile or to extract and record any material, in the event it may prove useful for your investigation.

Individuals have a reasonable expectation of privacy. Repeated viewing of an individual's online presence or where material is systematically extracted and recorded is likely to require authorisation for directed surveillance irrespective of whether privacy settings are available and applied.

The examples below are taken from paragraph 3.15 of the Covert Surveillance and Property Interference Revised Code of Practice 2018;

Example 1: A police officer undertakes a simple internet search on a name, address or telephone number to find out whether a subject of interest has an online presence. This is unlikely to need an authorisation. However, if having found an individual's social media profile or identity, it is decided to monitor it or extract information from it for retention in a record because it is relevant to an investigation or operation, authorisation should then be considered.

Example 2: A customs officer makes an initial examination of an individual's online profile to establish whether they are of relevance to an investigation. This is unlikely to need an authorisation. However, if during that visit it is intended to extract and record information to establish a profile including information such as identity, pattern of life, habits, intentions or associations, it may be advisable to have in place an authorisation even for that single visit. (As set out in the following paragraph, the purpose of the visit may be relevant as to whether an authorisation should be sought.)

Example 3: A public authority undertakes general monitoring of the internet in circumstances where it is not part of a specific, ongoing investigation or operation to identify themes, trends, possible indicators of criminality or other factors that may influence operational strategies or deployments. This activity does not require RIPA authorisation. However, when this activity leads to the discovery of previously unknown subjects of interest, once it is decided to monitor those individuals as part of an ongoing operation or investigation, authorisation should be considered.

Officers should consult paragraphs 3.10 – 3.17 of the revised Code of Practice for Covert Surveillance and Property Interference 2018, for further advice should consult the RIPA Senior Responsible Officer.

Surveillance is directed surveillance if the following are all true:

- It is covert, but not intrusive surveillance
- It is conducted for the purposes of a specific investigation or operation
- It is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation)
- Its is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.
- Thus the **planned** covert surveillance of a specific person, where not intrusive, would constitute directed surveillance if such surveillance is likely to result in the obtaining of private information about that, or any other person.

Please note that directed surveillance would not cover an immediate response to events (eg: detecting something suspicious by chance and continuing to watch). Though in these circumstances applicants must have regard to paragraph 4.17 and the urgency procedures if you *continue* to watch when you ought to have obtained an urgent oral authorisation.

All reasonable alternative methods to resolve a situation such as interview, changing methods of working or levels of security if appropriate for example, should be attempted first.

Where the subject of the covert surveillance is an employee of the Council, subject to the investigation of a criminal matter, the Head of Legal, HR and Democratic Services must be informed.

2.5 Covert Human Intelligence Sources

Covert Human Intelligent Sources (CHIS) is another crucial definition within RIPA which could affect a Local Authority's activities. A person will be a CHIS if he or she establishes or maintains a personal or other relationship with a person for the covert purpose of:

- Obtaining information relating to another person or
- Accessing information about another person, or
- Disclosing information obtained by the use of or as a consequence of such a relationship.

A purpose will be "covert" in this respect if the relationship is conducted in such a manner so that one of the parties to the relationship is unaware of the purpose behind that relationship.

An example of this type of surveillance might occur where a professional obtains information about a person without that person understanding the real reason why that information is being collected and without knowing that a professional is seeking to obtain the information in question. This will encompass the use of professional witnesses to obtain information and evidence.

a) Test Purchases

These do not usually require the use of a CHIS because carrying out a test purchase will not usually require the purchaser to establish a relationship with the supplier with the covert purpose of obtaining information. Be aware however, that developing a relationship with a person in a shop to collect information about the seller's suppliers of an illegal product, would involve the use of CHIS.

b) Anti-Social behaviour activities

Persons who complain about anti-social behaviour and are asked to keep a noise log will not normally be a CHIS because they aren't required to establish or maintain a relationship for a covert purpose. (Where the however the complaint is requested to record personal information in the form of a detailed diary, on those carrying out the anti social behaviour, there is the possibility that such persons could be regarded as carrying out directed surveillance, acting as our agents, for which an authorisation

may be required depending on the circumstances. If in doubt, seek advice from the Head of Legal and Democratic Services)

2.6 Persons used as a CHIS

The Council can use a CHIS if RIPA authorisation procedures as detailed in Chapter 3 are followed. However, Officers should always consider whether or not the person to be employed as a CHIS is a suitable person, taking the following into account:-

a) Juvenile Sources

Special safeguards apply to the use of persons under 18 years of age. Only the Chief Executive (or a Corporate Director in the Chief Executive's absence) can authorise the use of a juvenile source. A child under 16 years of age must never be used to give information about his/her parent.

b) Vulnerable Individuals

These are persons who are or may be in need of community care because of age, illness or other disability. Use of such sources should be avoided and in any event, may only be authorised by the Chief Executive (or Corporate Director in the Chief Executive's absence)

It is **not** the Council's normal procedure to recruit a CHIS though it is recognised that some rare circumstances may give rise to this necessity. In these circumstances, Authorising Officers should consider obtaining advice from the Head of Legal, HR and Democratic Services prior to authorisation.

2.7 What you need to do before you undertake any surveillance.....

Before any Council officer undertakes surveillance of any individual or individuals they must first assess whether the activity falls within RIPA.

The following questions may help you decide.....

(a) Is the surveillance "covert?"

If the investigation and activities are open and are not hidden from the subjects of the investigation then the surveillance will probably not be covert, and the RIPA provisions will not apply. You do not need to obtain authorisation as outlined in Chapter 3 of this Corporate Policy and Procedures if the proposed surveillance is not covert. (See section 2.2 to help you decide this).

(b) Is the surveillance conducted for the purposes of a specific investigation or operation?

Consider CCTV cameras that are regularly visible to anybody walking around a Council office as an example. The cameras will be used to monitor what is generally happening in that Council office and will not be used for the purposes of a specific investigation or operation unless those cameras are used to target a known particular individual and are used to monitor his particular activities.

(c) Will the surveillance reveal private information?

If the surveillance is likely to result in obtaining “private information” (see section 2.4), about a person, RIPA may apply and you will need formal authorisation to carry out that surveillance.

(d) Does the criminal offence that is being investigated punishable, whether on summary (magistrates) or indictment (Crown Court) by a maximum term or **at least 6 months imprisonment, or would constitute an offence under sections 146, 147 or 147A of the Licensing Act 2003 or s.7 of the Children and Young Persons Act 1933 (sale of tobacco and alcohol to underage children)?** If the criminal offence does not meet this criteria, known as the ‘Serious Crime Test”, then the Council does **not** have the powers to conduct the covert surveillance. Please speak to a legal officer if you have any doubts.

If you have answered “yes” to Questions (a) to (d), you will probably be carrying out RIPA regulated surveillance and should therefore seek authorisation as outlined in Chapter 3. If you are unsure as to whether their surveillance will be covert or covered by the Act, you must seek advice from the Head of Legal, HR and Democratic Services before any surveillance is carried out. If in doubt, follow the authorisation procedure outlined in Chapter 3 of this Corporate Policy and Procedures.

CHAPTER 3: PROCEDURES FOR AUTHORISING COVERT SURVEILLANCE

- 3.1** If, having considered the matters outlined in Chapter 2, you decide that will be conducting surveillance activities covered by RIPA, you must seek authorisation in accordance with the procedures outlined in this chapter. Deciding when authorisation is required involves making a judgement based upon the particular circumstances of each case. If you are in doubt, it is always safer to get authorisation. Alternatively, seek advice as soon as possible from the Head of Legal, HR and Democratic Services.

The Protection of Freedoms Act 2012 now provides that a local authority who wishes to use directed surveillance, acquire communications data or the use of a CHIS under RIPA will need (in addition to an Officer granting authorisation as set out below) to then obtain an order approving the grant or it's renewal, from the Magistrates Court. (a Justice of the Peace, namely a single Stipendiary Magistrate or a Lay Magistrate) before the authorisation can take effect. The standard template for making this application is set out in Appendix 3. The local authority shall following approval by the Authorising Officer, contact the administration team at the Magistrates Court by telephone to arrange a hearing, which shall be in private. A copy of the original RIPA application form duly signed by the AO must be attached. There is further detailed guidance in the Home Office guidance to local authorities in England and Wales on the judicial approval process for RIPA and the crime threshold for directed surveillance (October 2012) available on the Home Office RIPA pages.

Following the changes in 2012 which requires the Council to involve the Magistrates', the effective time is that at which the authorisation is approved by the Magistrate and not the time authorisation is given by the authorising officer.

The decision on who shall appear before the Magistrates is one for the Local Authority; the Home Office guidance expects that it is appropriate for the Investigating Officer to attend as opposed to a Solicitor given they will know most about the matter under investigation, and to keep legal costs down. In respect of applications for Communications Data, the SPOC may attend, subject to any arrangements that are in place with the National Anti Fraud Network (NAFN).

All covert operations should involve a consideration of the health and safety implications involved and an assessment of risk to be undertaken eg such as the need for Investigating Officers to attend in pairs in some circumstances or any necessary precautions which should be in place before embarking on a covert operation. Additionally, the issue of the Council's insurance position may need to be ascertained in advance of the operation.

- 3.2** The following officers may act as authoring officers for the purposes of RIPA.

Chief Executive only in respect of juveniles/confidential information (or in his/her absence the person acting as the Head of Paid Service)

Corporate Director: Economy and Public Realm

Corporate Director: Communities

s.151 Officer

Monitoring Officer/Senior Responsible Officer only where another Authorising Officer is unavailable to grant an authorisation.

The list may be amended at any time by the Chief Executive and in accordance with The RIPA (Directed Surveillance and CHIS) Order 2010 SI 2010/521. An Investigating Officer should in the first instance attempt to seek authorisation from the Authorising Officer for their department. However if this is impracticable, an authorisation may be sought from any Authorising Officer listed above.

- 3.3. Authorising Officers should not be responsible for authorising their own activities; however it is recognised that this may sometimes be unavoidable where it is necessary to act urgently. Such instances should however be kept to a minimum. In these circumstances this particular authorisation must be drawn to the attention of the IPCO Inspector and the Central Record will reflect this activity for ease of reference.
- 3.4 Only the forms found on the Home Office website (RIPA page) can be used for authorisation under this policy. Authorising Officers may authorise covert surveillance only where it is considered necessary in accordance with the relevant purpose of preventing or detecting crime or of preventing disorder and where the extent and nature of the surveillance is proportionate to the aim sought. Authorising Officers will need to be satisfied that any intrusion into an individual's private life can be justified and that the intrusion is essential to the success of an investigation. If the investigation can be furthered without having to resort to covert surveillance techniques, then the use of RIPA should be avoided. It is helpful for applicants to explain what overt measures have been tried or ruled out, before resorting to covert techniques. Authorising Officers should refuse a premature application in these circumstances. In order to ensure that Authorising Officers have enough information to make sensible and informed decisions, officers applying for authorisation should submit a detailed application form to the Authorising Officer..
- 3.5 Where surveillance is deemed to be necessary, it must be authorised in accordance with the provisions of this Chapter before it is carried out. Proper authorisation should render the Council in a stronger position if challenged on the grounds that it is breached human rights legislation. If authorised and conducted accordingly, the activity is lawful for all purposes (paragraph 27 RIPA)
- 3.6 Authorising Directed Surveillance

An Authorising Officer will not grant authorisation to an officer to conduct directed surveillance unless he or she *believes* that the authorisation is **necessary** on the relevant ground and also that the surveillance is **proportionate** to the aim sought. Authorising Officers need to have in mind that directed surveillance is an interference with a persons Article 8 rights and that this is only justifiable if it is necessary and proportionate for these activities to take place. If not satisfied, the Authorising Officer must refuse authorisation.

An Authorising Officer must not add to the parts of an application which is completed by the investigating officer or applicant, the content of which must be exclusive to the applicant. The applicant must not in any circumstances complete the parts of the application which is exclusively the Authorising Officer. The applicant's role in the application stops at that part of the form. If further matters are however discussed with the applicant, the Authorising Officer, as a matter of good practice, should mention these discussions in his authorising statement.

The Home Office Code of Practice specifically refers to the following in respect of 'necessity' and 'proportionality':

"If the activities are deemed necessary on one or more of the statutory grounds, the person granting the authorisation or issuing the warrant must also believe that they are proportionate to what is sought to be achieved in carrying them out. This involved balancing the seriousness of the intrusion into the privacy of the subject of the operation (or any other person who may be affected) against the need for the activity in investigative and operational terms.

The authorisation or warrant will not be proportionate if it is excessive in the overall circumstances of the case. Each action authorised should bring an expected benefit to the investigation or operation and should not be disproportionate or arbitrary. The fact that a suspected offence may be serious will not alone render the proposed actions proportionate. Similarly, an offence may be so minor that any deployment of covert techniques would be disproportionate. No activity should be considered proportionate if the information which is sought could reasonably be obtained by other less intrusive means."

The Authorising Officer will therefore carry out a balancing exercise and this needs to be demonstrated on paper, even though the Authorising Officer may well have conducted this exercise in his or her mind. They also may state which matters they personally consider attract greater weight.

The Authorising Officer should take into account the risk that the operation presents to collateral intrusion (intruding upon the privacy of persons who aren't the subject of the investigation). This could affect whether or not an operation is proportionate. The applicant, if collateral intrusion has been identified, must show why the intrusion is in fact justified.

In no circumstances will any covert operation be given backdated authorisation after commencement. Embarking on covert surveillance without authorisation or conducting covert surveillance outside the scope of the authorisation will not provide the protective umbrella of RIPA and may result in disciplinary action being taken against the Officers involved.

The Authorising Officer must set a review date for reconsidering the authorisation, ensure that all forms are completed satisfactorily and that the requirements in 3.8 are complied with. All forms must be submitted to the Head of Legal and Democratic Services department within 3 working days of the authorisation. It is the responsibility of the Authorising Officer, to send the authorisation form, and to consider the most appropriate method of delivery. For high risk operations, where the safety of an individual is concerned, hand delivery may be the only safe and sensible method.

Finally, the **Authorising Officer must allocate a Unique Reference Number** to the application as follows:-

Year/Department/Number of Application - The URN is available from the Head of Legal, HR and Democratic Services' department.

3.7 Equipment

Surveillance equipment will only be installed with the necessary authorisation of the Authorising Officer. The type of equipment used must be documented on the application and also on the Authorising Officer's statement. Those investigating the matter need to be clear what equipment they have authorisation to utilise.

Any surveillance equipment located in occupied residential premises must only be as a result of the express written permission of the tenant or owner occupier.

An inventory of the Council's surveillance equipment is kept by the Authorising Officers of the respective departments. Any purchasing of further surveillance equipment, the respective Authorising Officers must be informed in order for the inventory to be kept up to date.

Any use of this equipment must be documented in the inventory which should make reference to the URN only for security and confidentiality purposes.

Additionally, any surveillance equipment must be kept securely in Council premises.

3.8 Evidence

Any information or recorded evidence will be stored securely and disclosure/access to this evidence will be to those Officers to whom disclosure is necessary such as those Authorising Officers, Investigating Officers and Legal Officers involved in the process or prosecution. Any requests for disclosure to third party agencies will be dealt with via the Authorising Officers, who may seek the advice of the Head of Legal, HR and Democratic Services' department if necessary. Generally disclosure will only be permitted to other law enforcement agencies such as the DWP or the police, to the Subject's legal advisors or to the Subject themselves. Consideration will always be given to the redaction of any third party information, whether written, visual or audio, and also on any possible prejudice to any criminal proceedings, of the Council or another law enforcement agency.

The Data Protection Act 2018 requires the Council to ensure the personal data is stored securely and is not kept for longer than is necessary. See also Chapter 9 of the Covert Surveillance and Property Interference Code of Practice August 2018. Ultimately, it is the Authorising Officer, who owns the product that is obtained, and therefore is responsible for the security of the information.

Tapes and storage

Planning and Public Protection :

Handling Recorded Evidence Obtained by Means of Surveillance

The original recording will be copied, then sealed in an evidence bag and numbered. This will be the 'Master Copy' and handed to the Assistant Head of Service or the Section Manager who will store the 'Master Copy' securely.

The copy disc/tape will become the 'Working Copy' and should this become lost or damaged then application will be made to the Magistrates' Clerk for permission to duplicate the 'Master Copy'. Resealing of the Master Copy will be carried out in front of the Magistrates Clerk.

An entry should be made in the Office Evidence Book for the Master Copy which should include details of the date when handed to the senior officer, together with the identity number on the evidence bag.

The Master Copy should only be removed from storage for production as evidence in court proceedings or as described above.

Where evidence is revealed of an offence and the Authority decide to institute proceedings the following time limits for retention of the recording will apply:

Upon conviction - the recording will be retained for the duration of the case and for two years thereafter.

If no conviction then the recording will be destroyed within 28 days.

Where the Authority decide to offer a formal caution in accordance with Home Office Guidelines, the recording will be retained for two years from the date of the acceptance of the formal caution.

Where it is decided that no formal action will be instituted the recording will be destroyed forthwith, likewise after the expiry of the RIPA where no offence is shown the recording will be destroyed.

Destruction of the recording will be by breaking the disc or cutting it into pieces and an entry made in the Office Evidence Book of the date of destruction and the name of the officer who carried out the destruction.

3.9 Authorising Covert Human Intelligent Sources (CHIS)

When an Authorising Officer is considering authorising the use of a CHIS, he or she must consider the grounds referred to in respect of directed surveillance (3.6 above) and also ensure that arrangements are in place to deal with the following matters:-

- That there is an employee of the Council with day to day responsibility for dealing with the source and for the source's security and welfare (the handler) There must also be a senior officer who has general oversight of the use made of the source, who will in particular have regard for the CHIS safety (the Controller). A full risk assessment must take place, which will be reviewed throughout the recruitment of the CHIS.
- That there is an officer responsible for maintaining a record of the use made of the source
- Consider any adverse impact on Community confidence that may result from the use, conduct or information sought.
- That records disclosing the identity of the source will not be made available to others except strictly on a need to know basis.

Additionally, The RIPA (Source Records) Regulations 2000 (SI 2000/2725) provides for mandatory record keeping in respect of a CHIS :

- The identity of the source
- The identity, where known, used by the source

- Any relevant investigating authority other than the authority maintaining the records
- The means by which the source is referred to within each relevant investigating authority
- Any other significant information connected with the security and welfare of the source
- Any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that relevant information has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source
- The date when, and the circumstances in which, the source was recruited,
- The identifies of the persons who will act as handler, controller and person responsible for maintaining records of the use of the source
- The periods during which those persons have discharged those responsibilities
- The tasks given to the source and the demands made of him in relation to his activities as a source
- All contacts or communications between the source and the Council's handler
- The information obtained by the Council by the conduct or use of the source
- Any dissemination by that authority of information obtained in that way
- Any payment benefit or reward made or provided to the source (other than where the source is a council employee acting as an undercover operative).

The Home Office 'Covert Human Intelligence Sources' Code of Practice August 2018 in respect of CHIS provides for the additional records to be kept for the use of CHIS, and Officers are strongly recommended that this Code is referred to when considering the use of a CHIS and throughout the process.

In respect of CHIS whom are juveniles or the mentally impaired, this can only be authorised by the Chief Executive or in their absence a Corporate Director.

3.10 Making sure your authorisations are correct.

As good practice, you should always ensure that each separate authorisation complies with the following points:-

- (a) record all applications and approvals for authorisations in writing in the format of the forms available on the Home Office website.
- (b) approach each authorisation on an individual basis - apply your mind to the circumstances of the individual case. In respect of Directed Surveillance make full use of the Checklist (at Appendix 1) as you go through the form, if necessary. As a rule of thumb completion of the application form by an Investigating Officer should take at least one hour, given the detail that is required in most cases.
- (c) complete one form for each type of authorisation. Distinguish clearly between directed surveillance and covert human intelligent sources and consider whether any collateral intrusion or interference with a privacy of persons other than the subject of a surveillance is likely to arise. You need to describe in the application forms how collateral intrusion is justified in each particular case.
- (d) include an assessment of the risk of any collateral intrusion or interference. The Authorising Officer must take this into account particularly when considering whether the surveillance is proportionate to the ends hoped for.

- (e) those carrying out surveillance must inform the Authorising Officer if the operation or investigation unexpectedly interferes with the privacy of other individuals who are not the original subjects of the investigation or are not covered by the authorisation. No retrospective application can be made and Investigating Officers should consider the need for a fresh application.
- (f) Review authorisations regularly, and diarise dates for expiry and renewals!!! (See chapter 4).

3.11 Confidential Information

Particular care should be taken when any act of surveillance is likely to result in obtaining confidential information. RIPA does not provide for any special protection for confidential material but such information will cover matters subject to legal professional privilege, confidential personal information or confidential journalistic information. Confidential personal information is information that is held in confidence relating to the physical, mental or spiritual counselling concerning an individual (whether living or dead) who can be identified from it.

Please bear in mind that such information is particularly sensitive and that it will be subject to additional safeguards.

Any application for authorisation likely to result in the acquisition of confidential material should include an assessment of how likely it is that confidential material will be acquired. Special care should be taken when the target of the investigation is likely to be involved in handling confidential information. Such applications should only be considered in very exceptional and compelling circumstances with full consideration given to the proportionality issues that it raises. Officers should always seek advice from the Head of Legal, HR and Democratic Services in these instances.

Please note that it is only the Chief Executive (or in his absence, the Acting Head of Paid Service) who is able to act as an Authorising Officer where an operation is likely to result in obtaining confidential information.

3.12 Central Register of Covert Surveillance.

The Head of Legal, HR and Democratic Services will maintain the central register of all requests and authorisations including any request that has been denied by an Authorising Officer. The records in this Central Register will be kept for three years from the date of the authorisation in accordance with the Home Office Code. This record will be made available to the relevant Commissioner or Inspector on request. The central record will also contain, in accordance with the Code of Practice, a copy of the complete application and authorisation. Any subsequent renewal, review or cancellation must also be submitted.

The Head of Legal, HR and Democratic Services must be informed by email in advance that a RIPA form is to be dispatched to the Central Record. All RIPA forms must be sent to the Head of Legal, HR and Democratic Services department within 3 working days of authorisation being granted. The receipt of the RIPA form must be acknowledged by the Head of Legal, HR and Democratic Services department by email. The Central record will be updated upon receipt from the information contained on the form.

The sender must consider the most secure method of delivery of the RIPA form in line

with the type of surveillance and risk. Eg a major joint covert surveillance operation with another enforcement agency, where hand delivery of the form would be appropriate. The documents must be secure and marked private and confidential.

In respect of joint operations with other agencies, one party will lead on obtaining the authorisation, but all the parties will need to see the detail of the authorisation. (R v Sutherland). Those carrying out the investigation, need to be aware of the limits of an authorisation.

3.13 Internal Oversight Arrangements.

The Head of Legal, HR and Democratic Services will be responsible for the monitoring of the authorisations, renewals, reviews and cancellations. Monitoring will take the form of a random selection of forms quarterly, using the Quality Assurance Checklist as a basis. In addition, the Head of Legal, HR and Democratic Services will consider the lawfulness of the authorisation, in particular the necessity and proportionality issues upon receipt of each form, whilst the information required for the central record is inputted.

The outcome of the monitoring will be reported mid year in a short report with the Head of Legal, HR and Democratic Services producing a more detailed Annual Review Report. The Annual Review Report will be reported to the Council's Corporate Governance Committee by the Monitoring Officer/RIPA Senior Responsible Officer.

CHAPTER 4: DURATION, REVIEW AND CANCELLATION OF AUTHORISATIONS

- 4.1** Authorising directed surveillance or the use of a CHIS is not a decision that should be taken lightly - it is after all, surveillance that interferes with people's privacy. On that basis, a regular review of authorisations must be carried out in order to assess the need for such surveillance to continue. The results of reviews should be kept and recorded safely.
- 4.2** Please note that there are time limits upon the length of any authorisations granted under RIPA. The length of authorisation will depend on the type of surveillance activity involved:
- (a) Directed Surveillance - in all cases 3 months from the date the authorisation should be given, or the date of the latest renewal . **Please not that since the changes introduced in 2012 and the involvement of the Magistrates', the effective time is that at which the authorisation is approved by the Magistrates and not the time authorisation is given by the authorising officer.** Directed Surveillance authorisations do not expire. Under s.45 there is a requirement on the person granting or renewing an authorisation to cancel if he is satisfied that the relevant requirements are no longer satisfied. Even where you believe the authorisation is needed for the full statutory 3 months, the authorisation still needs to be cancelled, it will not expire at the end of the 3 months. On this point the Surveillance Commissioners are very clear. Therefore grant each application for 3 months, then set a review date to cancel or renew during this 3 month time limit. If the evidence is obtained prior to the renew date and no further directed surveillance is necessary, the authorisation must be cancelled.
- (b) CHIS - 12 months from the date the authorisation was given, or the date of the renewal. Urgent oral authorisations last initially for 72 hours. In the case of a vulnerable individual eg a juvenile the duration will be for a maximum duration of four months from the time of grant or renewal and the authorisation should be subject to at least monthly reviews.
- 4.3** All authorisations must be cancelled either when they are no longer necessary or proportionate.

CHAPTER 5 ACCESS TO COMMUNICATIONS DATA and THE INVESTIGATION OF PROTECTED ELECTRONIC INFORMATION .

5.1 Access to Communications Data

Local Authorities can acquire limited information in respect of subscriber details and service data. It does NOT allow Local Authorities to intercept, record or otherwise monitor communications data. **The sole grounds to permit access to communications data, for a Local Authority, is for the purposes of either "preventing or detecting crime, or of preventing disorder".**

Communications data' embraces the 'who', 'when' and 'where' of a communication but not the content - not what was said or written. It includes the manner in which, and by what method, a person or machine communicates with another person or machine. It excludes what they say or what data they pass on within a communication, including text, audio and video

A strict necessity test must be applied before any consideration is given to requesting communications data. **Any application must be legal, necessary** (a last resort) **& proportionate**. 'Proportionate' includes 'collateral intrusion', as the data provided may invade a third parties' privacy and should, so far as is possible, be minimised.

The overall responsibility for obtaining communication data rests with the Senior Responsible Officer (SRO), who is the Head of Legal, HR and Democratic Services

A Designated Person (DP), who authorises a communication data application must be, at least, a Service Manager

A Single Point of Contact (SPoC) must be accredited by the Home Office, after undergoing accredited training & have proved their competency, by exam. The Council currently uses the National Anti-Fraud Network for this aspect of investigation.

CSPs (Communication Service Providers) have access to the Home Office's relevant database of accredited SPoCs to ensure the validity of any Notice to provide data.

Procedure for obtaining telecommunications data

Applications to obtain telecommunications data must be submitted to a Home Office accredited Single Point of Contact (SPOC). The Council uses the services of NAFN (the National Anti-fraud Network) for this purpose.

Officers may make the application by accessing the NAFN website. They must therefore be appropriately registered on the NAFN website.

There are full instructions on how to submit an application in the Guidance Manual on the NAFN website. In addition, NAFN have produced a "RIPA Toolkit" for registered users.

The application will first be vetted by NAFN for consistency, before being forwarded by NAFN to the Council's Designated Persons for the purposes of approving the online application.

The Council's Designated Persons are the Public Protection Manager and the Trading Standards Manager. In the future, these roles may be extended (or limited to) Corporate Directors, CEO, and the Council's Monitoring Officer. NAFN will inform the Designated Persons jointly once the application is ready to be reviewed by the Designated Persons.

The relevant Designated Person will then access the restricted area of the NAFN website using a special code, in order to review and approve the application. When approving the application, the Designated Person must be satisfied that the acquiring of the information is necessary and proportionate.

Approvals are documented by the Designated Person completing the online document and resubmitting it by following the steps outlined on the site by NAFN. This online documentation is retained by NAFN who are inspected and audited by the IOCCO.

When submitting an online application, the officer must also inform their Team Manager AND the Designated Person (if different), in order that the Director is aware that the NAFN application is pending.

Acquisition & Disclosure of Communications Data

More information for officers is available in the document "*Guidance for Applicants & Designated Persons Considering Necessity & Proportionality*", produced by the Data Communications Group, is available on the Home Office's website

Although the Council subscribes to NAFN, officers may wish to familiarise themselves with the Home Office 'Acquisition and Disclosure of Communications Data' Code of Practice and Retention of Communications Data Code of Practice March 2015.

<http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/code-of-practice-acquisition?view=Binary>

5.2 Encryption – the investigation of protected electronic information.

The power under s.49(1) of RIPA describes the means by which protected information has come into the possession of any person within a public authority. This is likely to include as regards the Council, protected information obtained under an authorisation under Part 2 of RIPA 2000, under Chapter 1, Part 2 of RIPA 2000 (communications data), or obtained by the Council in the exercise of their statutory duties.

Specifically, the provisions of these Part 3 powers are:

- Power to require disclosure of protected information in an intelligible form. (s.49)
- Power to require disclosure of the means to access protected information. (s.50 (3) (c))
- Power to require disclosure of the means of putting protected information into an intelligible form (section 50 (3)(c))

No person can seek to obtain appropriate permission until the approval of the National Technical Assistance Centre has been obtained. NTAC should be consulted in the first instance by email on ripaii@ntac.gsi.gov.uk

Permission will not be granted by the permission, cannot give permission unless the protected information has been obtained lawfully.

CHAPTER 6: CCTV

6.1 The Covert Surveillance and Property Interference revised Code of Practice (August 2018) at paragraph 3.39 states: *Where overt CCTV, ANPR or other overt surveillance cameras are used in a covert and pre-planned manner as part of a specific investigation or operation, for the surveillance of a specific person or group of people, a directed surveillance authorisation should be considered. Such covert surveillance is likely to result in the obtaining of private information about a person (namely a record of their movements and activities) and therefore falls properly within the definition of directed surveillance. The use of the CCTV, ANPR or other overt surveillance cameras in these circumstances goes beyond their intended use for the general prevention or detection of crime and protection of the public.*

6.2 The CCTV control room may on occasions be asked to carry out covert surveillance on behalf of the Council's or other law enforcement agencies, usually the police. This will be in accordance with the protocol the Council has with the police. Such requests to carry out directed surveillance must be supported by a RIPA authorisation, signed by an Authorising Officer, from the enforcement agency concerned and provided to the Council's CCTV Superintendent. It is the Authorising Officers statement that the Councils CCTV control room will require, if the other law enforcement agency do not wish for reasons of confidentiality, to provide the full details of the investigating officers application to the control room staff. For example it is not usually essential that the CCTV be provided with the personal information of the subject under surveillance, it is the scope of the actual surveillance itself that is essential. A copy of the original (whether or not redacted) is acceptable either in person or via the agency email.

The CCTV control room manager shall be provided with copies of any review or cancellation of any authorisation, this includes any Council or other law enforcement agency authorisations, subject to any redactions that the enforcement agency wish to make such as personal information.

This requirement will not apply if the directed surveillance is an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought.

6.3 In respect of applications from internal Council services to conduct covert surveillance via CCTV, the same process shall be followed as if the enforcement agency were external. No covert surveillance shall take place unless the CCTV control room personnel have sight of a copy of the original signed authorisation (redacted if necessary) and a copy of the Magistrates Order signing off the authorisation (again this may be redacted).

6.4 Copies of any authorisations (redacted or otherwise) shall be retained securely in line with the Data Protection Act 2018 at the CCTV control room and retained in accordance with Home Office retention guidelines and this policy.

6.5 You should familiarise yourself with the Home Office Surveillance Camera Code of Practice and the Information Commissioner's code ("In the Picture – A Data Protection Code of Practice for Surveillance Cameras and Personal Information"). Copies available from the Council's Legal Department.

CHAPTER 7: SCRUTINY AND COMPLAINTS.

- 7.1** The Investigatory Powers Commissioner's Office (IPCO) has a duty to review the exercise and performance of Council departments in respect of their activities under RIPA. The IPCO will regularly inspect the Council in order to ensure that it is complying with statutory functions and duties. This will include scrutiny of authorisations of directed surveillance and CHIS and some activities relating to the investigation of protected electronic information. The latter activity is also overseen by the Interception of Communications Commissioner in part, who will also oversee activities carried out under the Access to Communications regime.
- 7.2** An Investigatory Powers Tribunal has been established in order to consider complaints made under the 2000 Act. The Tribunal is empowered to order bodies who breach the provisions relating to covert surveillance to pay compensation. Claims must be brought within one year of the alleged breach, although there are provisions which enable the tribunal to extend that period. A person may also complain to the Investigatory Powers Tribunal whose address is:-
- Investigatory Powers Tribunal,
PO Box 33220,
London
SW1H 9ZQ.
Tel: 0207 0353711
- 7.3** Any person who reasonably believes they have been adversely affected by any surveillance activity carried out by on behalf of the Council may either complain to the Monitoring Officer of the Council who will then investigate the complaint, or make a complaint of maladministration to the Ombudsman.
- 7.4** Clearly, any form of sanctions exercised against the Council, could result in damaging the County Council's reputation and generate adverse media publicity. This is quite apart from any financial implications that could arise. On that basis, it is imperative that all Officers are familiar with the possible (and quite serious) implications that could arise if the guidance offered by this Policy isn't adhered to.
- 7.5** The Legal, HR and Democratic Services department, additionally report the Council's use of these powers at least annually to the Council's Corporate Governance Committee in order to ensure that the powers are being used consistently and that the policy remains fit for purpose.

This policy will be reviewed no later than January 2024



REGULATION OF INVESTIGATORY POWERS ACT 2000

Direct Surveillance Form – Quality Assurance Checklist

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- 1. Has the application been allocated a Unique Reference Number? Is this inserted on all pages?**

- 2. Are the full details of the Investigating Officer, Investigation Name (if applicable) and Authorising Officer inserted on page 1?**

- 3. Does Box 2 (page 2) contain a full, clear explanation of the nature of the investigation and the intelligence that has led to it? Would a person with no prior knowledge of the case understand what this investigation is? If possible include relevant legislation that gives you the power to prosecute or duty to carry out the investigation.**

- 4. Does Box 3 (page 2) contain a detailed description of the surveillance to be undertaken and the equipment to be used?**
ie what is going to be done? Who is going to do it? Where they are going to do it? When they are going to do it? How they will do it? Eg specific times/public or private vehicle/type of equipment/staff involved etc. Investigating Officer to consider (if appropriate) attaching a plan/map providing the Authorising officer with the full picture.

- 5. Does Box 4 (page 2) provide the names, addresses and dates of birth (if known) of the subjects of the surveillance? If you do not know the identity say so.**

- 6. Does Box 5 (page 2) explain in sufficient detail what the desired outcome of the surveillance is?**

The Investigating Officer should include all the separate pieces of information hoping to be obtained eg where the offender is dumping illegal waste, who it is that employs him and when this is taking place.

7. Box 6 – The only purpose Local Authorities can now use is the ‘prevention or detection of crime or of preventing disorder’ All other grounds must be deleted.

Is this the only purpose stated in this box?

8. Does Box 7 (page 3) explain why the surveillance is necessary? Provide detail of other means of obtaining the evidence that have been tried? Does it explain why overt surveillance is inadequate?

Factors to include will be: the specific offence, its seriousness, any other evidence you have that links the target with the offender which requires corroboration through surveillance.

9. Does Box 8 (page 3) identify who else may be affected by surveillance (collateral intrusion) & explain the steps taken to minimise this? Even if you cannot minimise you need to show you have considered it.

10. Does Box 9 (page 4) describe how the surveillance is proportionate, when balanced against the desired outcome? ie balance the intrusiveness on the target and others against the need for the activity in operational terms. Does it say why the desired outcome cannot be achieved in a less intrusive way?

Demonstrate proportionality by showing you have considered:

- *Can you use less intrusive/overt methods?*
- *Other means used already?*
- *What could be done to lessen the impact on the target eg the amount of information to be gathered, the way the surveillance is carried out, the impact of surveillance on the subject, timing etc.*

Balance this proportionality against:

- *What the surveillance will achieve?*
- *Nature and seriousness of the offence.*
- *Impact of the offence on the victims and community.*
- *The effect the offences have on the public purse.*

11. Does Box 10 (page 4) identify whether

**‘Confidential Information’ will be likely to be obtained? Eg where following someone you are likely to end up at a church or GP surgery.
*NB If so, this can only be authorised by the Chief Executive and Box 14 (page 6) completed**

12. Do Boxes 12 & 13 (page 5) contain the Authorising Officer’s full statements as to why they believe the surveillance is necessary & proportionate and give full details of the proposed surveillance. Has the AO considered the application objectively?

The 5 ‘W’s must be considered – the Investigating Officer needs to be clear what they can and cannot do. The AO may set out matters in the application that they have given particular weight to when considering necessity and proportionality. If the application is unclear and there is insufficient detail the AO should consider rejecting.

13. On page 6, has the Authorising Officer –
- **signed, dated and completed the authorisation**
- **inserted the date of the first review?**
- **completed the expiry date and time of the authorisation?**

14. On page 17, if this was an urgent authorisation, has the Authorising Officer completed Box 15?

Completed forms must be sent to Legal Services department within 3 working days of authorisation. If the hard copy is sent consider the most secure form of transit (eg hand delivery if possible) and put the Officer holding the Central Record on notice that the authorisation is being dispatched and confirmation of the URN.

APPENDIX 2

STRICTLY CONFIDENTIAL

Denbighshire County Council RIPA CHIS RISK ASSESSMENT FORM

RISK ASSESSMENT FOR THE USE OF COVERT HUMAN INTELLIGENCE SOURCE
THIS FORM IS TO BE SUBMITTED TO LEGAL SERVICES WITH THE CHIS FORM. ALL CHIS
FORMS MUST BE HAND DELIVERED AND NOT SENT IN THE INTERNAL POST

Name of source :

Unique reference number:

Is the identity used by the source different to the above?

CHIS pseudonym

Handler details and date duties commenced:

Controller details and date duties commenced:

Is the source working for any other investigation authority? If so by what identity?

Assess and detail the nature and magnitude of any risk connected with the use of the source:

This will include all considerations including risks to the source personally and operational or ethical risks in using the source :

Detail any arrangements made to minimise the risk:

If the source is under 18 detail the arrangements made to satisfy the RIPA (Juveniles) Order 2000:

Authorising Officers' comments on the above arrangements:

Does the Authorising Officer consider that any identified risks are justified? YES/NO and give details:

Have the identified risks been properly explained to, and understood by the source? YES/NO

Date and circumstances in which source was recruited. Give dates when handler and controller commenced duties and any changes to these.

The following officer will be responsible for recording use of the source:

Has the Authority passed the information by the source to anyone else? Give details.

Has the Source been offered or received payment, benefit or reward? Give details.

Detail the tasks given to the Source:

Detail dates of contact with source and notes of information obtained:

Appendix 3

Application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.

Local authority:.....

Local authority department:.....

Offence under investigation:.....

Address of premises or identity of subject:.....

.....

.....

Covert technique requested: (tick one and specify details)

Communications Data

Covert Human Intelligence Source

Directed Surveillance

Summary of details

.....

.....

.....

.....

.....

.....

Note: this application should be read in conjunction with the attached RIPA authorisation/RIPA application or notice.

Investigating Officer:.....

Authorising Officer/Designated Person:.....

Officer(s) appearing before JP:.....

Address of applicant department:.....

.....

Contact telephone number:.....

Contact email address (optional):.....

Local authority reference:.....

Number of pages:.....

ATTACHED TO THIS APPLICATION IS: COPY OF THE ORIGINAL SIGNED RIPA APPLICATION.

Order made on an application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.

Magistrates' court:.....

Having considered the application, I (tick one):

- am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal and quash the authorisation/notice.

Notes

.....
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.....
.....

Reasons

.....
.....
.....
.....
.....
.....

Signed:

Date:

Time:

Full name:

Address of magistrates' court:

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Report to	Governance and Audit Committee
Date of meeting	27 th July 2022
Lead Member / Officer	Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance and Property
Title	Update on Draft Statement of Accounts 2021/22

1. What is the report about?

To provide an update on the progress of the draft Statement of Accounts 2021/22 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 it is hoped will be presented on 21st September 2022. 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?

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

4. Report details

4.1 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 Governance and Audit Committee. The draft accounts have now been finalised and were signed by the Head of Finance on the 27th June (2nd August last year). The draft accounts

have been made available for audit as required and will be open to public inspection from 15th July to 11th August.

4.2 As happened for the last few years the Welsh Government issued guidance that due to the ongoing impact of Covid the statutory deadlines for the completion of the Draft and Audited accounts would be extended as set out in the table below. DCC took the early decision to issue a notice (see below) to say that we would not be aiming for the statutory early deadline but would achieve the revised deadlines. This decision was taken in consultation with AW and informed by their assessment of their ability to complete the required audit work.

“Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that the Responsible Financial Officer of Denbighshire County Council sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations require that this be completed by 31 May 2022.

The 2021/22 statutory deadlines are shown in the table below along with extended deadlines provided by Welsh Government due to the continuation of the pandemic.

Item	Statutory Deadline	Extended Deadline
<i>Draft Statement of Accounts</i>	<i>31 May 2022</i>	<i>31 August 2022</i>
<i>Audited Statement of Accounts</i>	<i>31 July 2022</i>	<i>30 November 2022</i>

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2022 due to the impact of Covid19 on staff resources and additional work to finalise the accounts this year, and will work within the extended deadlines.”

We do, however, still hope to be able to keep to the Committee deadlines set out at the beginning of the year, which was July G&AC for the draft accounts and September for the audited accounts.

4.3 The narrative report in the Statement of Accounts states that:

“During 2021-22 the Council houses were revalued as part of the 5 year rolling valuation programme. However only a few assets were revalued under the Depreciated Replacement Cost Basis. Those assets not revalued are included in the accounts at their current carrying value. Due to the current economic climate and the increase in construction costs it is likely that these assets will be underestimated in the accounts. Work will begin to revalue these assets not revalued in year for the 2022-23 financial year.”

This issue has been discussed with Society of Welsh, Audit Wales and CIPFA however the issue has not been resolved prior to the deadlines of submitting the draft accounts. A full revaluation is not possible within the current timescales for 2021/22 and would have severe implications for workload for forthcoming years.

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

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

6. 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.

7. 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 Audit Wales. Professional opinions are drawn from numerous other disciplines beyond finance, such as legal, property valuation, HR and pensions.

8. 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.

9. 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 November.

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 2018.

**STATEMENT
OF
ACCOUNTS
2021/22**

Denbighshire County Council**Statement of Accounts****2021/22**

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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 4,200 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. The Narrative Report provides insight into the Council's funding and expenditure during the year, the key financial pressures and a look to future years.

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 Denbighshire libraries.

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.

Both the Comprehensive Income & Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis based on how the Council is structured, operates, monitors and manages financial performance.

The Statement of Accounts contains the following sections:

Section 1 - Narrative Report

The Narrative Report by the Chief Financial Officer provides a summary of the financial activities of the Council during the year and at 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 adhere to the relevant requirements.

Section 3 - Main Financial Statements and Notes to the Accounts

The 2021 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

Expenditure and Funding Analysis

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

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2022. It sets out the value of 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 Statement 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 - Group Accounts

Group Accounts combine the Council's own financial statements with its material interests in subsidiaries, associates and/or joint ventures. Group Accounts have been prepared to include Denbighshire Leisure Limited, which became operational in April 2020.

Section 6 - Independent 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 7 - Annual Governance Statement

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

Section 8 - 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 & Business Rate payers. For 2021/22, this gross expenditure budget was £317.1m.

The 2021/22 budget required service savings and efficiencies of £2.666m to be identified and agreed as detailed below:

- Fees and Charges inflated in line with agreed policy (£0.462m)
- Schools savings of 1% (£0.733m)
- Service efficiencies and savings (£1.471m)

The corporate savings were already achieved and the schools' savings are delegated to the governing bodies to monitor and deliver. All the service savings were achieved in year.

The Council has identified budget savings of £0.754m for the 2022/23 financial year and projections for future years, although uncertain, show a need to continue to identify significant annual savings as inflation continues to outpace increases in funding.

By the end of the year the final position on service and corporate budgets was a net underspend £2.399m (1.7% of the net revenue budget for those areas). Taking account of schools, the variance on the total budget was an underspend of £9.177m (4.2% of net revenue budget). The net underspend figure includes £6.778m underspend within schools which is carried forward separately.

During March 2022 WG announced a one-off increase in Revenue Support Grant for 2021/22 of £60m (DCC share was £1.994m). Although technically un-hypothecated WG have requested that £10m (£0.332m for DCC) be used to fund improvements to the travel arrangements for care workers, including electric vehicles. DCC's share has been placed in a specific reserve for this purpose. The remaining amount of £1.662m was placed in the Budget Mitigation Reserve in order to help the Council deal with inflationary pressures. This, along with a slight increase in Council Tax Yield (£0.314m), resulted in an unexpected increase in funding of £2.308m.

It is welcome that the Covid Financial Recovery Strategy of working in partnership with WG has provided a robust basis for the Council's continued response during 2021/22. By the end of the financial year direct financial help received from WG will have exceeded £15m which is a testament to the value of partnership working between Local Authorities and WG. It also means that the Council is in a healthy position to face the financial challenges that undoubtedly lie ahead.

Although school balances have increased this financial year, this largely relates to the receipt of one-off funding and the schools position will require careful monitoring going forward. Even during a period of additional financial help from WG some services have continued to see pressures in year, and a number of others are projecting pressures going forward into 2022/23. This is alongside the pressure the Council is facing on

costs across all services. The Council has a robust Budget Process in place which will help identify these pressures and identify methods of funding which will help maintain the Council's financial health going forward.

Service requests to carry forward underspends amounting to £1.122m were approved by Cabinet in May. The funds will be used to help services catch up with delayed projects and investments and help mitigate against known pressures.

Balances, Provisions and Reserves

The net increase in earmarked reserves within the accounts is £16.4m (see Note 20 for details). The movement includes the schools' balances and the budgeted and planned use of reserves for purposes such as funding the Capital Plan, the current Corporate Plan and budget mitigation 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.

How we report our Budget

Each month a budget report is given to the Council's Cabinet (a group of 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 following table 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 which was presented to Cabinet on the 7 June 2022.

[Denbighshire County Council - Cabinet on Tuesday, 7 June 2022, 10.00 am](#)

The table below shows the final revenue position which was presented at this meeting:

	Final Revenue Outturn Report £000
Service and Corporate Budgets	
Business Improvement & Modernisation	4,639
Legal, HR & Democratic Services	2,298
Leisure - ADM	3,404
Highways, Facilities & Environmental Services	16,762
Planning & Public Protection	10,041
Community Support Services	40,013
Finance & Property	4,302
Education & Children's Service	17,715
Communities & Customers	3,156
Schools	69,708
Corporate	15,028
Total Service and Corporate Budgets	187,066
Other	
Capital Finance / Investment Interest	15,515
Levies	5,060
Total Expenditure (excludes HRA)	207,641
Less Budgeted Funding	(216,818)
Outturn Relating to Service and School Budgets	(9,177)
Additional Funding Received	(2,308)
Final Outturn	(11,485)
Allocated as follows:	
Earmarked Balances - Services	(1,122)
School Balances	(6,778)
Transfer to Budget Mitigation Reserve	(3,253)
Transfer to Domiciliary Care Transport Reserve	(332)
Total	(11,485)

1.2 Review of the Year - Capital Expenditure

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

The following table shows how much the Council spent on its assets per service block in 2021/22 and how the expenditure was funded:

Expenditure	£000
Legal, HR & Democratic Services	181
Finance and Property	4,262
Highways, Facilities & Environmental Services	18,392
Planning, Public Protection and Countryside Services	5,223
Community Support Services	1,729
Business Improvement & Modernisation	868
Education and Children's Services	4,889
Housing Revenue Account	15,715
Total	51,259
Funding	
Grants & Contributions	25,345
Supported Borrowing	0
Prudential Borrowing	15,202
Capital Receipts	5,463
Capital Expenditure charged against revenue	5,249
Total	51,259

Expenditure on major projects undertaken during the year includes:

Project	Description	2021/22 £000
Llangollen	Energy Efficiency/Reduction works - Ysgol Dinas Bran	220
Llangollen	Llangollen 2020 Project - Town Centre Improvements	720
Bodelwyddan Castle	Surrender of Trust Lease	476
Rhyl	Queens Buildings Redevelopment	1,682
Rhyl	Rhyl Town Centre Gateway - Acquisition of 123-131 High Street, Rhyl	292
Denbigh	127-129 High Street - WG Grant for redevelopment of property	250
Rhyl	East Rhyl Coastal Defence Scheme	5,138
Rhyl Central	Coastal Defence Scheme - Design	1,270
Prestatyn Central	Coastal Defence Scheme - Design	730
Prestatyn/Dyserth	Improvements to Pathway	214
Waste Collection	New Waste and Recycling Service	4,945
Ruthin, Llys Awelon Extra Care	Acquisition of Accommodation	433
Denbigh, Awel y Dyffryn Extra Care	Acquisition of Accommodation	237
Council Housing	Major Improvements/Acquisitions	12,653

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 2019. The

notes in the accounts show further details.

Housing Stock Business Plan

The Council owns 3,313 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 latest Housing Stock Business Plan allows for investment of £24.4m in new stock and £33.3m in planned improvements over the next four years.

Borrowing & Investments

The Council's strategy in 2021/22 has continued to be one of keeping borrowing and investment balances as low as possible through use of temporary cash surpluses 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 Governance and Audit Committee throughout the year. The Council's outstanding debt at 31 March 2022 was £234.7m, investment balances were £28.7m and a further £4.5m was held in an instantly accessible bank account.

Statutory Functions

There were no significant changes to the Council's statutory functions during 2021/22.

North Wales Economic Ambition Board

As a member of the North Wales Economic Ambition Board (NWEAB) the Council is required to show its share (12.5%) of the Joint Committee's balances, income and expenditure in the Council's Balance Sheet and CI&ES. The Council's share of the balances included in the 2021/22 Financial Statements is £48k, (£92k) in 2020/21. Further detail on the NWEAB Statement of Accounts can be found here:

[North Wales Economic Ambition Board](#)

Clwydian Range and Dee Valley Area of Outstanding Natural Beauty JC

As a member of the Clwydian Range and Dee Valley AONB the Council is required to show its share (80%) of the Joint Committee's balances, income and expenditure in the Council's Balance Sheet and CI&ES. The Council's share of the balances as at 31 March 2022 is (£337k), (£523k) in 2020/21. Further detail on the AONB Statement of Accounts can be found here:

[Clwydian Range and Dee Valley Area of Outstanding Natural Beauty JC](#)

The Corporate Plan and Performance Review

Every year we review our performance to evaluate our success in delivering benefits for our communities, and this year is no different. 2021 to 2022 represents the fifth year of our ambitious five-year Corporate Plan, which seeks to build on strengths and opportunities, but also address the very real challenges and risks faced by our communities. The Plan can only be delivered through working in partnership with

residents, public sector partners, not-for-profit sector colleagues and the private sector; and this report evaluates our progress so far. It also, for the first time, seeks to capture the council's performance against key aspects of 'Corporate Health', in response to the new Local Government and Elections (Wales) Act 2021.

This Corporate Plan sets out our ambitious but deliverable priorities for the five year period 2017-22. Some of these priorities have required significant capital investment others revenue funding, and some may be delivered by changing the way we do things and targeting existing investment at no additional cost. So far direct Council revenue funding of £4.946m has been made available to the end of March 2022, £1.326m of which is an ongoing base budget commitment. The Council would not have to provide all of the funding necessary itself. Grants from the Welsh Government have been utilised to help fund the planned work to improve our schools and flood defences. We have also used income from housing rent to help fund the new council housing.

Summary position for our Corporate Plan:

The measures evaluation for each priority has been determined through the performance management framework that we have in place. The projects evaluation has been determined by the status of our projects on our project database.

Housing: Everyone is supported to live in homes that meet their needs.

Measures: Good

Projects: Good

Connected Communities: Communities are connected and have access to goods and services locally, online and through good transport links.

Measures: Priority for improvement

Projects: Good

Resilient Communities: The council works with people and communities to build independence and resilience.

Measures: Acceptable

Projects: Excellent

Environment: Attractive and protected, supporting well-being and economic prosperity.

Measures: Good

Projects: Excellent

Young People: A place where younger people will want to live and work and have the skills to do so.

Measures: Priority for improvement

Projects: Good

Corporate Health: The council is efficient, well-managed and environmentally sustainable

Measures: Acceptable

Projects: Good

The full Annual Performance Review 2021 to 2022 was presented to the Governance and Audit Committee on 8 June.

[Denbighshire County Council, Governance and Audit Committee - Wednesday 8 June 2022](#)

The Council have undertaken preparatory work to aid the new Cabinet to consider their priorities going forward so we can develop and approve a new Corporate Plan for the next five years.

Local Authority Trading Company

In May 2019, Denbighshire County Council approved a Business Case for the establishment of the Local Authority Trading Company known as Denbighshire Leisure Ltd (DLL). At subsequent Council meetings in July and October respectively, the draft Articles of Association and Members Agreement were approved, as was the composition of the Board of the Company and the appointment of a number of Directors. The company was incorporated under the Companies Act 2006 on 28th August 2019.

In December 2019 Cabinet approved the lease of sixteen properties from 1 April 2020. The new company is wholly owned by the council. The Council continues to work closely with the company to work through the financial implications of the temporary closure of facilities due to the impact of Covid 19.

As a wholly owned company it is a requirement to produce group accounts which are detailed in the Group Accounts sections.

Asset Valuations

During 2021-22 the Council houses were revalued as part of the 5 year rolling valuation programme. However only a few assets were revalued under the Depreciated Replacement Cost Basis. Those assets not revalued are included in the accounts at their current carrying value. Due to the current economic climate and the increase in construction costs it is likely that these assets will be underestimated in the accounts. Work will begin to revalue these assets not revalued in year for the 2022-23 financial year.

Looking Ahead

It is likely that local government funding settlements will fail to keep pace with inflationary pressures which results in a real terms reduction in funding. 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 Council Priorities during this challenging period.

There will be no general Covid Hardship Fund in 2022/23 and the overall settlement recognised the ongoing impact of the pandemic on services which the council will need to manage. It is anticipated that Welsh Government specific financial support towards additional costs in respect of the pandemic will continue for the following:

- Self-Isolation Payments – 30th June 2022
- Statutory Sick Pay enhancement – 30th June 2022
- Free School Meal Payments – end of the summer 2022 school holiday

A multi-year Budget Process and Medium Term Financial Plan was agreed last year to help ensure that the Council is in the best shape possible to meet the challenge. The process is reviewed and refined on an annual basis and the key aspects and aims of the Budget Process for 2023/24 and beyond include:

- Capture service based budget pressures (under £100k)
- Identify key strategic budget pressures (over £100k)
- Identification of Service Efficiency Targets
- 5 year Savings Plan – concentration on key projects identified during the budget process last year
- Invest to Save Fund to help pump prime efficiency projects
- Communications and Engagement Plan

The co-operation and hard work of officers and members in preparing the budget is gratefully acknowledged.

Full details of the Council's budget for 2022/23, including details of service budgets, the Housing Revenue Account and Capital budgets can be found in the Budget Summary document which were presented to Cabinet in June 2022 as part of the Finance Report.

[Denbighshire County Council, Cabinet - 28 June 2022](#)

Steve Gadd

Chief Financial Officer (Section 151 Officer)

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

Denbighshire 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 Denbighshire County Council, that is the Chief Financial Officer, namely the Head of Finance and Property;
- (ii) manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- (iii) approve the Statement of Accounts.

Denbighshire County Council's Certificate

I approve the Statement of Accounts of Denbighshire County Council.

Signed _____ Date _____

Chair of Governance and Audit Committee

Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the Denbighshire County Council'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 accounting records which were up to date;
- (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 2022.

Signed  _____ Date _____

27 June 2022

Steve Gadd
Head of Finance and Property (Section 151 Officer)

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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, 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 and 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.

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

2021/22	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
Leisure - ADM	3,404	(811)	2,593	1,937	0	0	1,937	4,530
Communities & Customers	3,156	(1,419)	1,737	352	437	13	802	2,539
Education & Children's Services	17,715	(1,007)	16,708	76	1,406	72	1,554	18,262
Schools	69,708	110	69,818	5,200	1,546	454	7,200	77,018
Business Improvement & Modernisation	4,639	35	4,674	738	437	(21)	1,154	5,828
Legal, HR & Democratic Services	2,298	114	2,412	104	369	(29)	444	2,856
Corporate & Miscellaneous	15,028	(1,031)	13,997	1,525	(404)	1	1,122	15,119
Finance & Property	4,302	440	4,742	1,054	591	(50)	1,595	6,337
Highways, Facilities & Environmental Services	16,762	(1,377)	15,385	11,001	1,536	18	12,555	27,940
Planning & Public Protection	10,041	532	10,573	182	812	(30)	964	11,537
Community Support Services	40,013	(647)	39,366	1,740	1,817	(12)	3,545	42,911
Local Authority Housing (HRA)		(5,177)	(5,177)	2,467	373	(22)	2,818	(2,359)
Net Cost of Services	187,066	(10,238)	176,828	26,376	8,920	394	35,690	212,518
Other Income and Expenditure		(191,989)	(191,989)	(39,901)	6,757	(16)	(33,160)	(225,149)
(Surplus) or Deficit	187,066	(202,227)	(15,161)	(13,525)	15,677	378	2,530	(12,631)
Opening Council Fund & HRA Balance			(51,617)					
Less/Plus (Surplus) or Deficit on Council Fund & HRA Balance in Year			(15,161)					
Closing Council Fund & HRA Balance at 31 March*			(66,778)					

2020/21	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
Leisure - ADM	3,758	(826)	2,932	1,846	0	(59)	1,787	4,719
Communities & Customers	3,093	100	3,193	295	162	(8)	449	3,642
Education & Children's Services	17,738	(453)	17,285	318	617	(76)	859	18,144
Schools	66,618	105	66,723	6,345	223	(395)	6,173	72,896
Business Improvement & Modernisation	4,329	147	4,476	883	178	0	1,061	5,537
Legal, HR & Democratic Services	2,366	70	2,436	17	157	27	201	2,637
Corporate & Miscellaneous	14,302	(2,341)	11,961	814	(4,535)	4	(3,717)	8,244
Finance & Property	3,442	(34)	3,408	375	216	60	651	4,059
Highways, Facilities & Environmental Services	16,657	(1,499)	15,158	9,076	647	19	9,742	24,900
Planning & Public Protection	9,294	(146)	9,148	1,074	328	41	1,443	10,591
Community Support Services	38,104	(239)	37,865	366	844	(86)	1,124	38,989
Local Authority Housing (HRA)	0	(5,869)	(5,869)	6,677	156	9	6,842	973
Net Cost of Services	179,701	(10,985)	168,716	28,086	(1,007)	(464)	26,615	195,331
Other Income and Expenditure	0	(181,232)	(181,232)	(40,093)	7,040	(16)	(33,069)	(214,301)
(Surplus) or Deficit	179,701	(192,217)	(12,516)	(12,007)	6,033	(480)	(6,454)	(18,970)
Opening Council Fund & HRA Balance			(39,101)					
Less/Plus (Surplus) or Deficit on Council Fund & HRA Balance in Year			(12,516)					
Closing Council Fund & HRA Balance at 31 March*			(51,617)					

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.

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,412	(6,693)	4,719	Leisure - ADM	7,472	(2,942)	4,530
5,052	(1,410)	3,642	Communities & Customers	4,274	(1,735)	2,539
35,750	(17,606)	18,144	Education & Children's Services	39,546	(21,284)	18,262
83,980	(11,084)	72,896	Schools	92,522	(15,504)	77,018
6,128	(591)	5,537	Business Improvement & Modernisation	6,295	(467)	5,828
3,491	(854)	2,637	Legal, HR & Democratic Services	3,718	(862)	2,856
41,062	(32,818)	8,244	Corporate & Miscellaneous	42,534	(27,415)	15,119
7,519	(3,460)	4,059	Finance & Property	10,117	(3,780)	6,337
38,386	(13,486)	24,900	Highways, Facilities & Environmental Services	40,033	(12,093)	27,940
21,238	(10,647)	10,591	Planning & Public Protection	27,792	(16,255)	11,537
74,479	(35,490)	38,989	Community Support Services	81,211	(38,300)	42,911
16,931	(15,958)	973	Local Authority Housing (HRA)	13,744	(16,103)	(2,359)
345,428	(150,097)	195,331	Cost of Services	369,258	(156,740)	212,518

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
20,363	(180)	20,183	Other Operating Expenditure (Note 7)	20,400	(357)	20,043
17,165	(513)	16,652	Financing & Investment (Income) & Expenditure (Note 8)	15,866	(529)	15,337
	(251,136)	(251,136)	Taxation & Non-Specific Grant Income (Note 9)	0	(260,529)	(260,529)
382,956	(401,926)	(18,970)	(Surplus) or Deficit on Provision of Services	405,524	(418,155)	(12,631)
	(8,541)		(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			(48,015)
	3,879		Impairment Losses on Non-current Assets Charged to Revaluation Reserve			10,959
	15,148		Remeasurement of the Net Defined Benefit Liability/(Asset)			(75,593)
	10,486		Other Comprehensive (Income) & Expenditure			(112,649)
	(8,484)		Total Comprehensive (Income) & Expenditure			(125,280)

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 & 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.

2021/22	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 2021		(8,858)	(40,003)	(2,756)	(8,290)	(7,638)	(67,545)	22,072	(45,473)
* Technical adjustment							0	(953)	(953)
Balance at 1 April 2021		(8,858)	(40,003)	(2,756)	(8,290)	(7,638)	(67,545)	21,119	(46,426)
Movement in reserves during 2021/22									
(Surplus) or Deficit on the Provision of Services	CI&ES	(5,944)		(6,687)			(12,631)		(12,631)
Other Comprehensive Income & Expenditure	CI&ES						0	(112,649)	(112,649)
Total Comprehensive Income & Expenditure		(5,944)		(6,687)			(12,631)	(112,649)	(125,280)
Adjustments Between Accounting Basis & Funding Basis Under Regulation	6	(9,811)		7,281	1,333	(3,460)	(4,657)	4,657	
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(15,755)		594	1,333	(3,460)	(17,288)	(107,992)	(125,280)
Transfers to/from Earmarked Reserves	20	16,311	(16,417)	106			0		
(Increase)/Decrease in 2021/22		556	(16,417)	700	1,333	(3,460)	(17,288)	(107,992)	(125,280)
Balance at 31 March 2022		(8,302)	(56,420)	(2,056)	(6,957)	(11,098)	(84,833)	(86,873)	(171,706)

* Adjustments have been made to account for the pension liability relating to Denbighshire County Council's share of the North Wales Economic Ambition Board pension liability £110k and treatment of a deferred capital receipt (£1,063k).

2020/21	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 2020		(7,469)	(28,965)	(2,667)	(6,643)	(3,445)	(49,189)	12,988	(36,201)
* Technical adjustment							0	(788)	(788)
Balance at 1 April 2020		(7,469)	(28,965)	(2,667)	(6,643)	(3,445)	(49,189)	12,200	(36,989)
Movement in reserves during 2020/21									
(Surplus) or Deficit on the Provision of Services	CI&ES	(16,327)		(2,643)			(18,970)		(18,970)
Other Comprehensive Income & Expenditure	CI&ES							10,486	10,486
Total Comprehensive Income & Expenditure		(16,327)		(2,643)			(18,970)	10,486	(8,484)
Adjustments Between Accounting Basis & Funding Basis Under Regulation	6	3,875		2,579	(1,647)	(4,193)	614	(614)	
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(12,452)		(64)	(1,647)	(4,193)	(18,356)	9,872	(8,484)
Transfers to/from Earmarked Reserves	20	11,063	(11,038)	(25)					
(Increase)/Decrease in 2020/21		(1,389)	(11,038)	(89)	(1,647)	(4,193)	(18,356)	9,872	(8,484)
Balance at 31 March 2021		(8,858)	(40,003)	(2,756)	(8,290)	(7,638)	(67,545)	22,072	(45,473)

* An adjustment has been made to account for the pension liability relating to the staff who transferred from Denbighshire County Council to Denbighshire Leisure Limited in 2019/20.

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 includes reserves 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 Regulation'.

31 March 2021 £000		Note	31 March 2022 £000	31 March 2022 £000
94,977	<i>Council Dwellings</i>		139,074	
286,645	<i>Other Land & Buildings</i>		281,745	
9,257	<i>Vehicles, Plant, Furniture & Equipment</i>		8,973	
139,219	<i>Infrastructure</i>		144,649	
1,485	<i>Community Assets</i>		1,485	
9,553	<i>Assets Under Construction</i>		22,446	
4,450	<i>Surplus Assets not Held for Sale</i>		3,478	
545,586	Property, Plant & Equipment	13	601,850	
15,001	Heritage Assets	38	14,929	
6,311	Investment Property	14	6,264	
0	Long Term Investments	17	0	
4,721	Long Term Debtors	17	4,299	
571,619	Long Term Assets			627,342
11,800	Short Term Investments	17	24,204	
3,544	Assets Held for Sale (<1yr)	18	1,076	
1,172	Inventories		1,494	
47,403	Short Term Debtors	15	61,096	
(922)	Cash & Cash Equivalents	CFS	2,065	
62,997	Current Assets			89,935
(27,127)	Short Term Borrowing	17	(34,355)	
(35,893)	Short Term Creditors	19	(47,164)	
(363)	Provisions		(162)	
(2,803)	Provision for Accumulated Absences		(3,196)	
(1,740)	Revenue Grants Receipts in Advance	31	(4,244)	
(5,156)	Capital Grants Receipts in Advance	31	(7,953)	
(73,082)	Current Liabilities			(97,074)
(3,526)	Long Term Creditors	17	(3,156)	
(222)	Provisions		(378)	
(204,781)	Long Term Borrowing	17	(197,237)	
(307,532)	Other Long Term Liabilities	36	(247,726)	
(516,061)	Long Term Liabilities			(448,497)
45,473	Net Assets			171,706

31 March 2021 £000		Note	31 March 2022 £000	31 March 2022 £000
(8,858)	Council Fund	21	(8,302)	
(40,003)	Earmarked Reserves	20	(56,420)	
(2,756)	Housing Revenue Account	21	(2,056)	
(8,290)	Capital Receipts Reserve	21	(6,957)	
(7,638)	Capital Grants Unapplied	21	(11,098)	
(67,545)	Usable Reserves			(84,833)
(116,565)	Revaluation Reserve		(146,060)	
307,532	Pensions Reserve		247,726	
(500)	Deferred Capital Receipts Reserve		(2,057)	
(171,622)	Capital Adjustment Account		(190,087)	
424	Financial Instruments Adjustment Account		409	
2,803	Short Term Accumulating Compensated Absences Account		3,196	
22,072	Unusable Reserves	22		(86,873)
(45,473)	Total Reserves			(171,706)

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 towards 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.

2020/21 £000		Note	2021/22 £000
(18,970)	Net (Surplus) or Deficit on the Provision of Services		(12,631)
(12,717)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		(20,826)
2,023	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are investing and financing activities		4,130
(29,664)	Net cash flows from Operating Activities	23	(29,327)
(770)	Investing Activities	24	31,673
34,912	Financing Activities	25	(5,333)
4,478	Net (increase) or decrease in Cash & Cash Equivalents		(2,987)
3,556	Cash & Cash Equivalents at the beginning of the period		(922)
(4,478)	Increase/(Decrease) in Cash		2,987
(922)	Cash & Cash Equivalents at the end of the reporting period		2,065

383	Cash held by the Council	402
(7,305)	Bank current accounts	(2,837)
6,000	Cash held in instant call account	4,500
(922)	Cash & Cash Equivalents at the end of the reporting period	2,065

Notes to the Accounts

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2022/23 financial statements in respect of accounting changes that are introduced in the 2021/22 Code are:

IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 financial year)

IAS 16 Property, Plant and Equipment - amendments to proceeds before intended use

Annual Improvements to IFRS Standards 2018-2020

The annual IFRS improvement programme notes 4 changed standards:

IFRS 1 (First-time adoption) - amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

IAS 37 (Onerous contracts) - clarifies the intention of the standard

IFRS 16 (Leases) - amendment removes a misleading example that is not referenced in the Code material

IAS 14 (Agriculture) - one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances

It is unlikely that these will have an impact on the financial statements.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 40, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

- **Future Levels of Government Funding** - There is a high degree of uncertainty around the future levels of funding for local authorities. There is continued economic uncertainty following Britain leaving the European Union, the current high inflation rates and the effects of the Covid-19 pandemic remains a financial challenge for the Council in the short and medium term.

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 the need to close facilities and/or significantly reduce levels of service provision. This judgement is kept under regular review.

**3. 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 earlier statutory deadline for publishing the statements of accounts. There has not, however, been any significant increase in use of estimates in the current Statement of Accounts.

The items in the Balance Sheet at 31 March 2022 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 & Equipment are revalued 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 PP&E assets will be over or under-stated. This would be adjusted when the assets were next revalued.

The value of Property, Plant & Equipment disclosed on the Balance Sheet is £601,850k and further information is contained within Note 13.

Minimum Revenue Provision (MRP)

The Council amended its MRP policy for 2017/18 in relation to supported borrowing. For supported borrowing, the policy was changed to calculate MRP based on 50 years for Council Fund debt on capital expenditure incurred prior to 1 April 2017, and based on expected useful life for capital expenditure incurred after 1 April 2017. The total MRP paid in 2021/22 was £11,542k as per Note 6.

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 £247,726k. Detailed information is contained within Notes 22, 35 and 36.

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 2022 was £3,196k 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 and is regularly reviewed in order to respond appropriately to any changes in the economic climate such as the current Covid-19 crisis.

At 31 March 2022 the Council had a sundry debtor balance of £11,564k. A review of this balance suggested a specific bad debts provision of £945k and a general bad debts provision of £1,287k was appropriate. The Council Tax arrears were £3,559k with a bad debts provision of £1,866k. National Non-Domestic Rates arrears were £527k with a bad debts provision of £177k. Housing Benefit Overpayments had arrears of £1,167k with a bad debts provision of £583k. The figures for Housing Rents are shown in Housing Revenue Account Note 2.

Provisions

The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date.

Reserves

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 use of reserves helps the Council manage fluctuations in Welsh Government funding and allows the Council to save for large items of investment which reduces the need for borrowing. Reserves are reviewed on an annual basis as part of the budget setting process which includes estimated future use of those reserves.

4. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 27 June 2022. 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 2022, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

5. Expenditure and Income Analysed by Nature

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

2020/21 £000		2021/22 £000
	Expenditure	
137,102	Employee benefits expenses	156,400
5,461	Employee expenses of V A schools	5,993
172,483	Other services expenses	178,858
315	Support Service Recharges	298
30,579	Depreciation, impairment & revaluation losses	28,240
17,165	Interest payments	15,866
18,783	Precepts and levies	19,685
1,068	Loss on the disposal of assets	184
382,956	Total Expenditure	405,524
	Income	
(54,718)	Fees, charges and other service income	(62,205)
(513)	Interest and investment income	(529)
(99,424)	Income from council tax and non-domestic rates	(104,630)
(246,841)	Government grants and contributions	(250,261)
(430)	Non-government grants and contributions	(230)
0	Gain on the disposal of assets	(300)
(401,926)	Total income	(418,155)
(18,970)	(Surplus) or Deficit on the Provision of Services	(12,631)

6. Adjustments between Accounting Basis and Funding Basis Under Regulation

This note details the adjustments that are made to the Total Comprehensive Income & 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 the 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.

The presentation of the following tables has been simplified in order to aid the reader in understanding the impact on Unusable Reserves.

Adjustments Between Accounting Basis and Funding Basis Under Regulation	Usable Reserves				Unusable Reserves £000	Relevant Unusable Reserve
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
2021/22						
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year in accordance with statutory requirements:						
• Pension Costs	(15,063)	(614)			15,677	Pensions Reserve
• Financial Instruments	15	0			(15)	Financial Instruments Adjustment Account
• Holiday Pay	(415)	22			393	Accumulated Absences Account
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(6,183)	(712)		(8,266)	15,161	Capital Adjustment Account
Total Adjustments to Revenue Resources	(21,646)	(1,304)	0	(8,266)		
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	1,330	2,300	(3,630)			Deferred Capital Receipts Reserve
Statutory provision for the repayment of debt	8,446	3,096			(16,790)	Capital Adjustment Account
Capital expenditure financed from revenue balances	2,059	3,189				
Total Adjustments between Revenue and Capital Resources	11,835	8,585	(3,630)	0		
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			5,463		(10,269)	Capital Adjustment Account
Application of capital grants to finance capital expenditure				4,806		
Cash payments in relation to deferred capital receipts			(500)		500	Deferred Capital Receipts Reserve
Total Adjustments to Capital Resources	0	0	4,963	4,806		
Total Adjustments	(9,811)	7,281	1,333	(3,460)	4,657	

Adjustments Between Accounting Basis and Funding Basis Under Regulation	Usable Reserves				Unusable Reserves £000	Relevant Unusable Reserve
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
2020/21						
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year in accordance with statutory requirements:						
• Pension Costs	(5,632)	(401)			6,033	Pensions Reserve
• Financial Instruments	16	0			(16)	Financial Instruments Adjustment Account
• Holiday Pay	473	(9)			(464)	Accumulated Absences Account
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(3,054)	(3,129)		(5,853)	12,036	Capital Adjustment Account
Total Adjustments to Revenue Resources	(8,197)	(3,539)	0	(5,853)		
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserves	2,404	120	(2,024)		(500)	Deferred Capital Receipts Reserve
Statutory provision for the repayment of debt	7,982	3,079			(15,666)	Capital Adjustment Account
Capital expenditure financed from revenue balances	1,686	2,919				
Total Adjustments between Revenue and Capital Resources	12,072	6,118	(2,024)	0		
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			377		(2,037)	Capital Adjustment Account
Application of capital grants to finance capital expenditure				1,660		
Cash payments in relation to deferred capital receipts						Deferred Capital Receipts Reserve
Total Adjustments to Capital Resources	0	0	377	1,660		
Total Adjustments	3,875	2,579	(1,647)	(4,193)	(614)	

7. Other Operating Expenditure

2020/21 £000		2021/22 £000
11,704	Police Precept	12,387
4,899	Fire Authority Levy	5,060
2,180	Community Council Precepts	2,238
888	(Gains)/Losses on Held for Sale Assets and the disposal of non-current assets	(173)
512	Pension Administration Costs	531
20,183	Total	20,043

8. Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
9,626	Interest payable and similar charges	9,138
6,528	Net interest on the net defined benefit liability (asset)	6,226
(91)	Interest receivable and similar income	(92)
589	Income & expenditure in relation to Investment Properties & changes in their fair value	65
16,652	Total	15,337

9. Taxation and Non-specific Grant Income

2020/21 £000		2021/22 £000
(69,642)	Council Tax income	(73,020)
(29,782)	Non-domestic rates	(31,610)
(122,828)	Non-ring fenced government grants	(129,392)
(28,884)	Capital grants and contributions	(26,507)
(251,136)	Total	(260,529)

10. Agency Income and Expenditure

The Council acted as an agent on behalf of the following; this expenditure is not included in the Comprehensive Income and Expenditure Statement.

- a) The Council has an agreement with Gwynedd County Council, lead authority for the North & Mid Wales Trunk Road Agency, whereby the Council is responsible for maintaining highways in the County. Gwynedd reimburses Denbighshire County Council for the work including a contribution towards administration costs. Reimbursement for work carried out amounted to £705k (£595k 2020/21).
- b) Welsh Government has provided funding for recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Repayments of £5k were made to Denbighshire County Council during 2021/22, leaving a balance available for new loans of £608k.

- c) The Home Improvement Loan Scheme provide loans for home improvements. No loans were issued or repayments made in 2021/22, leaving a balance available for new loans of £265k.
- d) Due to the impact of the Covid 19 pandemic on the need for additional support for individuals and businesses, there have been a large number of new grants and financial support made available by Welsh Government. The Council has administered a number of these grants during the year on behalf of Welsh Government and are as follows:

	Payments made by Council £000	Grant Received from Welsh Government £000	Balance due (to)/from Welsh Government at 31 March £000
Business Grants	2,471	(3,783)	(1,312)
Freelancer (Cultural) Grants	47	(47)	0
Cost of Living Support	5,671	(5,671)	0
Winter Fuel Support	874	(625)	249
Flooding	14	(14)	0
Tenancy Hardship	3	0	3
Social Care Recognition scheme	3,373	(13)	3,360
Self Isolation Payments	997	(694)	303
SSP Enhancement	172	(57)	115
Visitor Pods	276	(2)	274
Total	13,898	(10,906)	2,992

- e) The Council in partnership with the local business community, has formed a Business Improvement District in Rhyl. A levy is charged on all relevant business rate payers and this is used to develop projects benefitting the local area. Further information is available on their website:

<https://rhylbid.co.uk>.

The Council collects the income and pays this over to Rhyl Bid; £192k in 2021/22 (£119k 2020/21)

11. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Denbighshire County Council, each Community Council and the Office of the Police And Crime Commissioner, North Wales and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts. The tax base was 40,540 in 2021/22 (40,274 in 2020/21).

The basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,797.52 (£1,728.90 in 2020/21) 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 Systems at 31 March 2022	4,089	7,287	14,667	7,911	5,563	3,787	2,031	317	168

Analysis of the net proceeds from Council Tax:

2020/21 £000		2021/22 £000
69,642	Council Tax collectible	73,020
(11,704)	Amount payable to Office of the Police & Crime Commissioner, North Wales	(12,387)
(1,106)	Provision for non-payment of Council Tax	(255)
56,832	Net proceeds from Council Tax	60,378
54,616	Denbighshire County Council split:	
2,180	Denbighshire County Council	58,124
	Community Councils	2,238
36	Discretionary Non-domestic Rate Relief	16
56,832	Total	60,378

12. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 53.5p in 2021/22 (53.5p in 2020/21) 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 £30,001k for 2021/22 (£29,311k for 2020/21) was based on an aggregate rateable value of £72,412k at year-end.

13. Property, Plant and Equipment

	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
2021/22								
Gross cost 1 April 2021	111,587	313,577	17,572	196,729	1,563	5,522	9,553	656,103
less: Depreciation and Impairment	(16,610)	(26,932)	(8,315)	(57,510)	(78)	(1,072)	0	(110,517)
Net Book value 1 April 2021	94,977	286,645	9,257	139,219	1,485	4,450	9,553	545,586
* Technical adjustment - Gross Cost	0	1,063	0	0	0	0	0	1,063
Additions	9,679	7,292	2,397	15,015	0	734	12,033	47,150
Revaluations	34,502	(2,517)	0	0	0	(177)	0	31,808
Depreciation - charge for year	(3,001)	(7,338)	(2,471)	(4,487)	0	0	0	(17,297)
Depreciation - other movements	10,452	1,065	3,432	1	0	163	0	15,113
Impairment - charge for year	(7,639)	(5,747)	(127)	(5,098)	0	(488)	0	(19,099)
Impairment - other movements	6,158	2,030	152	2,631	5	861	0	11,837
Recognitions and disposal	(5,891)	(1,680)	(3,667)	(2,632)	(5)	(341)	0	(14,216)
Transfers and Reclassifications	(163)	932	0	0	0	(1,724)	860	(95)
Net Book Value 31 March 2022	139,074	281,745	8,973	144,649	1,485	3,478	22,446	601,850
Gross Cost 31 March 2021	149,714	318,667	16,302	209,112	1,558	4,014	22,446	721,813
less: Depreciation and Impairment	(10,640)	(36,922)	(7,329)	(64,463)	(73)	(536)	0	(119,963)
Net Book Value 31 March 2022	139,074	281,745	8,973	144,649	1,485	3,478	22,446	601,850
NBV of impairments								
Net impairment to Surplus or								
Deficit on the provision of Services	0	(2,428)	(127)	(5,098)	0	(487)	0	(8,140)
Net impairment to Revaluation Reserve	(7,639)	(3,319)	0	0	0	(1)	0	(10,959)
Net Book Value 31 March 2022	(7,639)	(5,747)	(127)	(5,098)	0	(488)	0	(19,099)

* An adjustment has been made to account for the treatment of a deferred capital receipt.

	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
2020/21								
Gross cost 31 March 2020	110,343	314,691	19,803	174,294	2,563	7,492	7,127	636,313
less: Depreciation and Impairment	(13,343)	(28,523)	(8,726)	(51,359)	(97)	(1,089)	0	(103,137)
Net Book value 31 March 2020	97,000	286,168	11,077	122,935	2,466	6,403	7,127	533,176
Additions	5,894	6,334	1,950	23,456	0	2,859	4,090	44,583
Revaluations	(144)	(6,524)	0	0	0	(566)	0	(7,234)
Depreciation - charge for year	(2,104)	(7,475)	(2,729)	(4,332)	0	(163)	0	(16,803)
Depreciation - other movements	3	6,813	3,241	23	0	1	0	10,081
Impairment - charge for year	(5,894)	(6,264)	(136)	(2,840)	0	(909)	0	(16,043)
Impairment - other movements	4,728	8,517	35	998	19	1,088	0	15,385
Depreciations and disposal	(4,848)	(1,556)	(3,276)	(1,021)	(1,000)	(364)	0	(12,065)
Transfers and Reclassifications	342	632	(905)	0	0	(3,899)	(1,664)	(5,494)
Net Book Value 31 March 2021	94,977	286,645	9,257	139,219	1,485	4,450	9,553	545,586

Gross Cost 31 March 2021	111,587	313,577	17,572	196,729	1,563	5,522	9,553	656,103
less: Depreciation and Impairment	(16,610)	(26,932)	(8,315)	(57,510)	(78)	(1,072)	0	(110,517)
Net Book Value 31 March 2021	94,977	286,645	9,257	139,219	1,485	4,450	9,553	545,586

NBV of impairments								
Net impairment to Surplus or Deficit on the provision of Services	(5,894)	(2,402)	(136)	(2,840)	0	(892)	0	(12,164)
Net impairment to Revaluation Reserve	0	(3,862)	0	0	0	(17)	0	(3,879)
Total	(5,894)	(6,264)	(136)	(2,840)	0	(909)	0	(16,043)

Depreciation

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

- Council Dwellings - 15-75 years
- Other Land & Buildings (including Heritage Assets) - 1-194 years
- Vehicles, Plant, Furniture & Equipment - 3-10 years
- Infrastructure - 40 years
- Surplus Assets - 4-40 years

Voluntary Aided and Voluntary Controlled Schools

Other Land & Buildings includes land only for various voluntary aided and voluntary controlled schools. The new schools, Christ the Word and Ysgol Llanfair DC, are still in the process of being transferred to the Diocese so for 2021/22 they are still shown under Land and Buildings.

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 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment in 2022/23 and future years. The budgeted cost of major commitments is £17,782k as below. Similar commitments at 31 March 2021 were £18,010k.

Project	Contract Estimate £000	Expenditure incurred up to 31 March 2022 £000	Total Future Contract Payments £000
Oaktree Centre, Rhyl - Extension	1,011	143	868
Denbigh, Llwyn Eirin (Plum Grove) - Housing Development	4,570	3,448	1,122
The Dell, Prestatyn - Construction of housing	3,021	0	3,021
Botanical Gardens Depot, Rhyl - Phase 1 New Accommodation	780	0	780
Llys Anwyl, Rhyl - Conversion to housing	1,963	0	1,963
Rhyl, Christ the Word - New School	21,682	21,356	326
Rhyl - External Enveloping Scheme 2021-22	2,425	1,435	990
Pavilion Theatre, Rhyl - Boiler Upgrade	560	0	560
Former library site, Prestatyn - Construction of Apartments	3,455	0	3,455
Ysgol Plas Brondyffryn, Denbigh - Design Phase	1,015	0	1,015
Ysgol Dewi Sant, Rhyl - Window and Door Replacement	209	0	209
Queens Buildings Development, Rhyl - Design/Materials	513	0	513
Llangollen 2020 - Town Centre Highways Improvements	1,045	635	410
Central Rhyl Coastal Defence Scheme - Design	2,452	1,790	662
Central Prestatyn Coastal Defence Scheme - Design	1,392	1,031	361
East Rhyl Coastal Defence Scheme - Construction	19,874	19,423	451
Denbigh, New Waste and Recycling Depot - Baling and Sorting Equipment	601	0	601
Denbigh, New Waste and Recycling Depot - Enabling Works	4,225	3,750	475
Total	70,793	53,011	17,782

Revaluations

As part of the programme to revalue all assets within five years of their previous valuation, a proportion of the freehold and leasehold properties which comprise the authority's property portfolio have been valued as at 1 April 2021 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 October 2021 and June 2022.

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 & Equipment, Infrastructure and Community Assets were held at historic cost. Council dwellings are valued at current value in use as social housing.

In 2021/22 100% of the Housing Stock was revalued as part of our accounting policy on revaluations. This means that assets valued under the Depreciated Replacement Cost basis, not revalued this year, are included in the accounts at their current carrying value (i.e. valuation at last revaluation date less subsequent depreciation charged). Due to the current economic climate and the increase in construction costs it is likely that these assets will be underestimated in the 2021/22 accounts.

Impairment - 123-129 High Street, Rhyl

In March 2022, the above premises was acquired by the Council as it was considered a dangerous structure to the high street. The intention was to demolish and create an open space for public use. The work commenced March 2022 and as at 1 April 2022 the property was substantially demolished and a value of £1 has been given to the site. This has resulted in an impairment of £147k being charged to the Cost of Services within the Income and Expenditure Account.

14. 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:

2020/21 £000		2021/22 £000
7,602	Balance at start of the year	6,311
0	Additions	23
(601)	Net gains/(losses) from fair value adjustments	(70)
(1,200)	Disposals	0
510	Transfers (to)/from Property, Plant & Equipment	0
6,311	Balance at end of the year	6,264

15. Debtors

31 March 2021 £000		31 March 2022 £000
12,135	Trade receivables	9,841
1,916	Prepayments	2,139
33,352	Other receivable amounts	49,116
47,403	Total	61,096

16. Debtors for Council Tax

The past due but not impaired amount for Council Tax can be analysed as follows:

	31 March 2021 £000	31 March 2022 £000
Due within one year	1,670	1,489
More than one year	2,043	2,303
	3,713	3,792

17. Financial Instruments

Categories of Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet:

31 March 2021			31 March 2022	
Long Term £000	Current £000		Long Term £000	Current £000
0	11,800	Investments		
		Financial assets at amortised cost	0	24,204
4,721	35,527	Debtors		
		Financial assets at amortised cost	4,299	48,454
(204,781)	(27,127)	Borrowings		
		Financial liabilities at amortised cost	(197,237)	(34,355)
(3,526)	(31,121)	Creditors		
		Financial liabilities at amortised cost	(3,156)	(41,717)

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 £1,389k during previous years. The balance on this loan as at 31 March 2022 is £581k.

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 Comprehensive Income & Expenditure Statement in relation to Financial Instruments consists of the following items:

2020/21			2021/22		
Financial Liabilities £000	Financial Assets £000		Financial Liabilities £000	Financial Assets £000	Total £000
9,626		Interest Expense Losses on de-recognition	9,138		9,138 0
9,626		Total Expense in Surplus or Deficit on the Provision of Services	9,138		9,138
	(91)	Interest Income Gains on de-recognition		(92)	(92) 0
	(91)	Total Income in Surplus or Deficit on the Provision of Services		(92)	(92)

Fair Values of Assets and Liabilities

The Council's financial assets and liabilities are carried in the Balance Sheet at amortised cost. IFRS 7 requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a Financial Instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2021 and 31 March 2022 consisted entirely of loans from the Public Works Loan Board (PWLB), other local authorities & 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 debt portfolio. Arlingclose Ltd has estimated the Fair Values by calculating the net present value of the remaining contractual cash flows at 31 March 2022.

In the case of the Council's investments, these included deposits with Banks and the Debt Management Office. 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. The 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 2021			31 March 2022	
Carrying Amount £000	Fair Values £000		Carrying Amount £000	Fair Values £000
(231,908)	(325,992)	Financial Liabilities	(231,592)	(290,585)
(3,526)	(3,526)	Long Term Creditors	(3,156)	(3,156)
(235,434)	(329,518)	Total Financial Liabilities	(234,748)	(293,741)
11,800	11,800	Loans & Receivables	24,204	24,204
4,721	4,721	Long Term Debtors	4,299	4,299
16,521	16,521	Total Financial Assets	28,503	28,503

18. Assets Held for Sale

	Current	
	2020/21 £000	2021/22 £000
Balance outstanding at start of year	2,574	3,544
Assets newly classified as Held for Sale:		
from Property, Plant & Equipment	1,800	95
Revaluation losses	(20)	(30)
Revaluation gains	200	87
Assets declassified as Held for Sale:		
to Property, Plant & Equipment	0	0
Assets sold	(1,010)	(2,620)
Balance outstanding at year end	3,544	1,076

19. Creditors

31 March 2021 £000		31 March 2022 £000
(20,404)	Trade payables	(21,063)
(15,489)	Other payables	(26,101)
(35,893)	Total	(47,164)

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 2021/22.

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
Balances held by schools under a scheme of delegation (i)	1,388	32	(7,090)	(5,670)	144	(6,922)	(12,448)
Grant & Capital Related							
Capital Schemes (ii)	(9,975)	2,581	(4,659)	(12,053)	1,835	(3,768)	(13,986)
Modified Loan Reserve (iii)	(4,612)	60	0	(4,552)	66	0	(4,486)
Revenue Grants Unapplied	(745)	180	(684)	(1,249)	920	(2,129)	(2,458)
Service Reserves							
<u>Business Improvement & Modernisation</u>							
Ruthin Gaol Heritage Projects	0	0	(104)	(104)	0	0	(104)
New Ways of Working	0	0	(59)	(59)	0	(122)	(181)
IT Networks Development	(722)	104	(189)	(807)	287	(287)	(807)
IT Systems Development (EDRMS)	(69)	0	0	(69)	0	0	(69)
Resident Survey	(38)	0	0	(38)	0	0	(38)
Schools IT Network Development	(13)	7	(59)	(65)	60	0	(5)
Carbon Zero Project	0	133	(200)	(67)	0	(175)	(242)
<u>Communities & Customers</u>							
Destination Managed Project	0	0	(200)	(200)	0	(200)	(400)
Working Denbighshire	0	0	(14)	(14)	7	(499)	(506)
Urdd	(113)	0	(3)	(116)	41	(3)	(78)
<u>Community Support Services</u>							
Modernising Social Care	(212)	0	0	(212)	212	0	0

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
CESI Pooled Budget	(15)	0	(30)	(45)	0	(64)	(109)
Domiciliary Care Transport	0	0	0	0	0	(332)	(332)
Adult Social Care	0	0	(399)	(399)	0	(2,041)	(2,440)
Health & Social Care Support Workers	(46)	3	0	(43)	5	0	(38)
Social Care Amenity Fund	(14)	0	0	(14)	0	0	(14)
Social Care in Partnership	(11)	1	0	(10)	0	0	(10)
Social Service Improvement Agency	(116)	0	0	(116)	0	0	(116)
Safeguarding Business Unit	(111)	0	(33)	(144)	0	(28)	(172)
Delivering Transformation	(454)	202	0	(252)	0	(579)	(831)
Regional Commissioning Team	(66)	0	(62)	(128)	0	(3)	(131)
<u>Education & Children's Services</u>							
Modernising Education	(122)	0	0	(122)	0	0	(122)
ALN Reforms	(554)	140	0	(414)	0	(279)	(693)
Schools Financial Resilience	(300)	0	0	(300)	0	0	(300)
<u>Finance & Property</u>							
Revenues & Benefits	(464)	144	(418)	(738)	52	(39)	(725)
Finance Systems	(166)	0	0	(166)	0	0	(166)
Health & Safety	(78)	0	0	(78)	0	0	(78)
Design & Development	(120)	0	0	(120)	0	(195)	(315)
External Funding Administration	(142)	26	0	(116)	0	0	(116)
<u>Highways & Environmental Services</u>							
Sustainable Waste Management	(192)	192	0	0	0	0	0
Pont y Ddraig Bridge	(50)	0	(25)	(75)	0	(15)	(90)
Severe Weather (incorporating Winter Maintenance)	(438)	0	0	(438)	100	0	(338)
Facilities	(184)	0	0	(184)	30	0	(154)
Free School Meals	(150)	0	0	(150)	0	0	(150)

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
<u>Legal, HR & Democratic Services</u>							
Training Collaboration	(30)	0	0	(30)	0	0	(30)
Legal	(28)	0	0	(28)	0	0	(28)
N. Wales Schools Framework	(10)	10	(21)	(21)	21	(50)	(50)
<u>Planning & Public Protection</u>							
Town & Country Planning Act (s.106) Requirements	(1,160)	17	0	(1,143)	1	(1)	(1,143)
Ash Die-back	0	52	(200)	(148)	0	(134)	(282)
Bodelwyddan Country Park	0	0	0	0	0	(165)	(165)
Picturesque Project	(152)	0	0	(152)	0	0	(152)
ECA Board	(141)	0	(64)	(205)	0	(35)	(240)
Signing Schemes	(14)	0	(32)	(46)	6	0	(40)
Prosecution/Appeal Costs	(61)	0	0	(61)	0	0	(61)
LDP	(163)	0	(25)	(188)	0	0	(188)
Planning Delivery for Wales	(195)	0	(250)	(445)	150	(22)	(317)
Corporate Reserves							
2017 Corporate Priorities	(968)	415	(589)	(1,142)	881	(54)	(315)
Leisure Strategy	(122)	122	0	0	0	0	0
Growth Bid	(50)	0	0	(50)	0	0	(50)
Elections	(122)	0	(26)	(148)	0	(49)	(197)
Risk Management Fund (iv)	(502)	0	(19)	(521)	0	0	(521)
Superannuation Recovery (v)	(2,630)	0	0	(2,630)	0	0	(2,630)
Travelodge	(18)	0	(41)	(59)	0	(30)	(89)
Leadership Development	(8)	0	(4)	(12)	0	(1)	(13)
Area Member Reserve	(15)	0	0	(15)	0	0	(15)
Budget Mitigation (vi)	(2,111)	1,085	(721)	(1,747)	150	(3,253)	(4,850)
Coroner	(272)	30	(27)	(269)	0	0	(269)
Rhyl Waterfront	(9)	0	(37)	(46)	0	(41)	(87)
Insurance Fund (iv)	(1,280)	325	0	(955)	23	0	(932)

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
<u>Joint Committees</u>							
North Wales Economic Ambition Board	0	0	(92)	(92)	12	(91)	(171)
Clwydian Range & Dee Valley AONB	0	0	(523)	(523)	186	0	(337)
TOTAL	(28,965)	5,861	(16,899)	(40,003)	5,189	(21,606)	(56,420)

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 School Standards Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) Capital Schemes reserve: represents funding committed to approved capital projects.
- (iii) Modified loan reserve: the reserve has been created as a consequence of a temporary gain recognised in the Comprehensive Income & Expenditure Statement following a change in the calculation of the carrying amount of the Council's modified loans as at 1 April 2018 as required by IFRS 9. The reserve will be used to neutralise the impact of higher effective interest charges to the Comprehensive Income & Expenditure Statement over the remaining life of the loans.
- (iv) Insurance and Risk Management reserves: these reserves are held to fund any future liabilities and claims that exceed budget.
- (v) Superannuation Recovery: this reserve is held to offset any increase in pension deficit payments in the forthcoming triennial period.
- (vi) Budget Mitigation: formed as part of the budget strategy to mitigate the effects of future reductions in funding received from the Welsh Government.

21. Usable Reserves

31 March 2021 £000		31 March 2022 £000
(8,858)	Council Fund	(8,302)
(40,003)	Earmarked Reserves (Note 20)	(56,420)
(2,756)	Housing Revenue Account	(2,056)
(8,290)	Capital Receipts Reserve	(6,957)
(7,638)	Capital Grants Unapplied	(11,098)
(67,545)	Total Usable Reserves	(84,833)

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 2021 £000		Transfers (In)/Out £000	31 March 2022 £000
	<u>Council Fund Revenue Balances</u>		
(7,135)	General Balances	0	(7,135)
(1,723)	Earmarked Balances	556	(1,167)
(8,858)	Total Council Fund Balances	556	(8,302)
	<u>Housing Revenue Account</u>		
(2,756)	Balances	700	(2,056)

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.

2020/21		2021/22		
Total £000		Council Fund £000	Housing Revenue Account £000	Total £000
(6,643)		(8,159)	(131)	(8,290)
(1,945)	Plus	(1,178)	(2,300)	(3,478)
0	Receipts - Asset Sales	0	0	
(78)	Receipts - Leases	(152)	0	(152)
0	Receipts - Grants Repaid	(500)	0	(500)
(8,666)	Deferred Capital Receipts	(9,989)	(2,431)	(12,420)
	Less			
286	Applied during year:	3,163	2,300	5,463
90	Finance Capital Expenditure - Other	0	0	0
(8,290)	Debt Redemption	(6,826)	(131)	(6,957)
	Balance at 31 March			

Capital Grants Unapplied

2020/21 £000		2021/22	
		£000	£000
(3,445)	Balance at 1 April		(7,638)
(22,273)	Plus Grants & Contributions received in-year		
(6,611)	- Council Fund	(19,563)	
(2,110)	- HRA	(6,944)	
	- Revenue Expenditure Funded by Capital Under Statute	(2,298)	(28,805)
	Less Grants & Contributions applied in-year		
25,141	- Grants received in-year	20,539	
1,660	- Grants received previous years	4,806	25,345
(7,638)	Balance at 31 March		(11,098)

22. Unusable Reserves

The Authority holds the following Unusable Reserves:

Revaluation Reserve: this contains the gains made by the Council arising from increases in the value of its non-current assets.

Capital Adjustment Account: this 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.

Pensions Reserve: this absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

Financial Instruments Adjustment Account: this 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 benefitting from gains per statutory provisions.

Deferred Capital Receipts Reserve: this records timing differences between gains recognised on the disposal of non-current assets and cash receipts.

Accumulated Absences Account: this 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.

compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

2021/22 Unusable Reserves	Opening Balance £000	* Technical Adjustment £000	Balance at 1 April 2021 £000	Other Comprehensive Income & Expenditure (CI&ES) £000	Adjustments between Accounting & Funding Basis (Note 6)			Other Movements £000	Closing Balance £000
					Adjustments to Revenue Resources £000	Adjustments between Revenue & Capital Resources £000	Adjustments to Capital Resources £000		
Revaluation Reserve	(116,565)	0	(116,565)	(37,056)	0	0	0	7,561	(146,060)
Capital Adjustment Account	(171,622)	1,296	(170,326)	0	15,161	(16,790)	(10,571)	(7,561)	(190,087)
Pensions Reserve	307,532	110	307,642	(75,593)	15,677	0	0	0	247,726
Financial Instruments Adjustment Account	424	0	424	0	(15)	0	0	0	409
Deferred Capital Receipts Reserve	(500)	(2,359)	(2,859)	0	0	0	802	0	(2,057)
Accumulated Absences Account	2,803	0	2,803	0	393	0	0	0	3,196
Total Unusable Reserves	22,072	(953)	21,119	(112,649)	31,216	(16,790)	(9,769)	0	(86,873)

* Adjustments have been made to account for the pension liability relating to Denbighshire County Council's share of the North Wales Economic Ambition Board pension liability £110k and treatment of a deferred capital receipt (£1,063k).

2020/21 Unusable Reserves	Opening Balance £000	* Technical Adjustment £000	Balance at 1 April 2020 £000	Other Comprehensive Income & Expenditure (CI&ES) £000	Adjustments between Accounting & Funding Basis (Note 6)			Other Movements £000	Closing Balance £000
					Adjustments to Revenue Resources £000	Adjustments between Revenue & Capital Resources £000	Adjustments to Capital Resources £000		
Revaluation Reserve	(116,349)	0	(116,349)	(4,661)	0	0	0	4,445	(116,565)
Capital Adjustment Account	(161,510)	0	(161,510)	0	12,036	(15,666)	(2,037)	(4,445)	(171,622)
Pensions Reserve	287,140	(788)	286,352	15,147	6,033	0	0	0	307,532
Financial Instruments Adjustment Account	440	0	440	0	(16)	0	0	0	424
Deferred Capital Receipts Reserve	0	0	0	0	0	(500)	0	0	(500)
Accumulated Absences Account	3,267	0	3,267	0	(464)	0	0	0	2,803
Total Unusable Reserves	12,988	(788)	12,200	10,486	17,589	(16,166)	(2,037)	0	22,072

* An adjustment has been made to account for the pension liability relating to the staff who transferred from Denbighshire County Council to Denbighshire Leisure Limited in 2019/20.

23. Cash Flow Statement - Operating Activities

2020/21 £000		2021/22 £000
(18,970)	Net (Surplus) or Deficit on the Provision of Services	(12,631)
	Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements	
(18)	Increase/(Decrease) in Inventories	322
2,646	Increase/(Decrease) in Long Term Debtors	(422)
4,739	Increase/(Decrease) in Debtors/Payments in Advance	15,579
(2,459)	(Increase)/Decrease in Creditors/Receipts in Advance	(15,282)
109	(Increase)/Decrease in Loan Interest Accrual	55
248	Transfers (to)/from Provisions	(348)
(992)	Bad Debt Provision	(97)
(29,039)	Depreciation & Impairment	(25,509)
(1,360)	Revaluation Losses on Property, Plant & Equipment	(2,674)
(601)	Movements in Market Value of Investment Property	(70)
(6,033)	Pension Fund Adjustments	(15,676)
20,043	Other	23,296
	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing & Financing Activities	
2,023	Sale of Property, Plant & Equipment	4,130
(29,664)	Net cash flows from Operating Activities	(29,327)

The cash flows for Operating Activities include the following items:

2020/21 £000		2021/22 £000
(91)	Interest received	(89)
9,675	Interest paid	9,126

24. Cash Flow Statement - Investing Activities

2020/21 £000		2021/22 £000
44,828	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	48,623
481,900	Purchase of short-term & long-term investments	343,800
164	Other payments for Investing Activities	162
(2,023)	Proceeds from the sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(4,130)
(493,000)	Proceeds from short-term & long-term investments	(331,400)
(32,639)	Other receipts from Investing Activities	(25,382)
(770)	Net cash flows from Investing Activities	31,673

25. Cash Flow Statement - Financing Activities

2020/21 £000		2021/22 £000
(18,000)	Cash receipts of short-term & long-term borrowing	(25,156)
13,673	Other receipts from Financing Activities	(5,661)
39,239	Repayments of short-term & long-term borrowing	25,484
34,912	Net cash flows from Financing Activities	(5,333)

26. Reconciliation of Liabilities Arising from Financing Activities

	2021/22 1 April	Financing Cash Flows	Non-cash changes		2021/22 31 March
	£000	£000	Acquisition £000	Other Non-cash changes £000	£000
Long-term borrowings	(210,150)	7,611			(202,539)
Short-term borrowings	(25,465)	(7,282)			(32,747)
Total liabilities from Financing Activities	(235,615)	329	0	0	(235,286)

27. Pooled Budgets

Pooled Budgets for Health and Social Care

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1 April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22). The transactions for Denbighshire County Council only are included in the Community Support Services line of the Comprehensive Income and Expenditure Statement.

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2022 are as follows; the contributions for Q4 are included for information only and have not been accrued in each partner's accounts. As per the Partnership Agreement, payments will be made in arrears during 2022/23:

2020/21 £000		2021/22 £000
	Expenditure	
93,035	Care Home costs	98,982
93,035	Total Expenditure	98,982
	Funding	
(8,626)	Denbighshire County Council	(9,340)
(13,106)	Conwy County Borough Council	(14,221)
(9,397)	Flintshire County Council	(10,095)
(12,203)	Wrexham County Borough Council	(15,317)
(8,641)	Gwynedd County Council	(9,143)
(5,049)	Isle of Anglesey County Council	(5,209)
(36,013)	Betsi Cadwaladr University Health Board	(35,657)
(93,035)	Total Funding	(98,982)
0	(Surplus)/Deficit transferred to Reserve	0

Other Pooled Budget Arrangements

The Council has entered into two other smaller pooled budget arrangements, both with Betsi Cadwaladr University Health Board.

The first one is for the provision of a Community Equipment store and is hosted by Denbighshire County Council.

The aim of the second pooled budget arrangement is the integrated service provision of Health and Social Care support workers, who support service users in the community. The Council is the host Partner for the arrangement and acts as lead commissioner or provider of the services.

Further information about these other arrangements is contained in Note 32.

28. 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:

2020/21 £000		2021/22 £000
850	Salaries	866
1	Expenses	1
851	Total	867

29. Officers' Remuneration

a) Number of employees whose remuneration, excluding pension contributions, was £60,000 or more

2020/21 Total Employees	Remuneration Band	2021/22			
		School Based Staff	Non- School Staff	Total Employees	Left During Year
17	£60,000 - £64,999	15	5	20	1
11	£65,000 - £69,999	11	3	14	1
8	£70,000 - £74,999	5	4	9	0
3	£75,000 - £79,999	5	3	8	0
1	£80,000 - £84,999	0	1	1	0
4	£85,000 - £89,999	2	0	2	0
5	£90,000 - £94,999	1	6	7	1
1	£95,000 - £99,999	0	0	0	0
0	£100,000 - £104,999	0	0	0	0
1	£105,000 - £109,999	0	0	0	0
3	£110,000 - £114,999	1	1	2	0
0	£115,000 - £119,999	1	0	1	0
0	£120,000 - £124,999	1	0	1	0
1	£125,000 - £129,999	0	1	1	0
1	£240,000 - £249,999	0	0	0	0
56	Total	42	24	66	3

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

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.

Post title	Year	Salary, fees, & allowances £	Compensation for Loss of Office £	Total excluding pension contributions £	Employer's pension contributions £	Total remuneration £
Chief Executive to 06/04/21 Note 1	2021/22	2,272	0	2,272	545	2,817
Chief Executive Note 1	2020/21	145,485	102,234	247,719	32,470	280,189
Chief Executive from 01/08/21 Note 1	2021/22	89,492	0	89,492	21,478	110,970
Corporate Director: Economy & Public Realm to 31/07/21 Note 1	2021/22	37,443	0	37,443	8,986	46,429
Corporate Director: Economy & Public Realm	2020/21	110,670	0	110,670	26,561	137,231
Corporate Director: Communities	2021/22	112,330	0	112,330	26,959	139,289
	2020/21	110,670	0	110,670	26,561	137,231
Head of Community Support Services to 31/12/21 Note 2	2021/22	69,083	0	69,083	16,580	85,663
Head of Community Support Services	2020/21	90,750	0	90,750	21,780	112,530
Head of Legal, HR & Democratic Services	2021/22	92,111	0	92,111	22,107	114,218
	2020/21	90,750	0	90,750	21,780	112,530
Head of Business Improvement & Modernisation	2021/22	92,111	0	92,111	22,092	114,203
	2020/21	90,750	0	90,750	21,746	112,496
Head of Highways, Facilities & Environmental Services	2021/22	92,111	0	92,111	22,107	114,218
	2020/21	90,750	0	90,750	21,780	112,530
Head of Communities & Customers	2021/22	91,420	0	91,420	19,747	111,167
	2020/21	88,716	0	88,716	19,098	107,814
Head of Planning, Public Protection & Countryside Services	2021/22	92,111	0	92,111	22,107	114,218
	2020/21	90,750	0	90,750	21,780	112,530
Head of Finance & Property	2021/22	90,728	0	90,728	21,775	112,503
	2020/21	88,045	0	88,045	21,131	109,176

Post title	Year	Salary, fees, & allowances £	Compensation for Loss of Office £	Total excluding pension contributions £	Employer's pension contributions £	Total remuneration £
Joint Head of Service for Education & Children's (Education) from 29/09/21 Note 3	2021/22	84,358	0	84,358	20,246	104,604
Interim Head of Education Services from 15/06/20 Note 3	2020/21	62,002	0	62,002	14,880	76,882
Joint Head of Service for Education & Children's (Children's Social Care) from 29/09/21 Note 3	2021/22	78,252	0	78,252	18,699	96,951
Interim Head of Children's Services from 15/06/20 Note 3	2020/21	52,293	0	52,293	11,554	63,847
Joint Interim Head of Community Support Services from 01/11/21 Note 2	2021/22	33,109	0	33,109	7,946	41,055
Joint Interim Head of Community Support Services from 01/11/21 Note 2	2021/22	32,880	0	32,880	7,891	40,771

Note 1

The Chief Executive left the Council on the 6th April 2021. An exit payment was approved by Senior Remuneration Panel and Full Council of £102,234 which included payment for loss of office and contractual entitlements such as pay in lieu of notice.

Transitional arrangements were put in place whereby the two Corporate Directors took over leadership responsibilities until the appointment of a new Chief Executive from 1st August 2021. The successful applicant to that post was the Corporate Director: Economy & Public Realm.

Note 2

The Head of Community Support Services left the Authority on 31st December 2021. As from 1st November 2021 two joint Interim Heads of Community Support Services are covering the responsibilities for this post.

Note 3

On 2nd August 2020 the Head of Education and Children's Services vacated their post. Interim arrangements were put in place from 15th June 2020 to allow sufficient time for handover from the Head of Education and Children's Services to the Interim Head of Education Services and the Interim Head of Children's Services, who officially took on their posts from 1st September 2020.

Following an external recruitment campaign, both the Interim Head of Education Services and the Interim Head of Children's Services were appointed as Joint Heads of Service for Education & Children's from 29th September 2021.

Note 4

The Chief Executive, Corporate Director: Communities and Head of Legal, HR & Democratic Services have received remuneration for their role as Returning Officer and Deputy Returning Officer for local and national elections (with costs reimbursed for all with exception of County Council elections).

2020/21: The previous Chief Executive received £1,079 plus superannuation costs of £259, with reimbursement of £1,059.

2021/22: The Chief Executive received £170 plus superannuation costs of £41.

The Corporate Director: Communities received £3,441 plus superannuation costs of £302, which were fully reimbursed.

The Head of Legal, HR & Democratic Services received £1,960, with reimbursement of £1,759.

These payments are not included in the analysis presented.

- 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	
	2020/21	2022/22	2020/21	2022/22	2020/21	2022/22	2020/21	2022/22
£0 - £40,000	6	9	26	20	32	29	£253,988	£204,903
£40,001 - £80,000	0	2	0	0	0	2	£0	£138,111
£80,001 - £120,000	0	1	1	0	1	1	£102,234	£84,508
Total	6	12	27	20	33	32	£356,222	£427,522

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.

The bandings have been revised and combined in line with Code requirements to ensure that individual exit packages cannot be identified.

- 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 2021/22 was £91,764. The median remuneration of the workforce was £23,953. The ratio was therefore 3.83:1 (6.18:1 in 2020/21). In 2021/22, remuneration for staff ranged from £12,656 to £117,504. The remuneration includes salary and does not include severance payments or employer contributions.

30. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and performance audit work provided by the authority's external auditors:

2020/21 £000		2021/22 £000
274	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	284
32	Fees payable to the Auditor General for Wales for the certification of grant claims & returns	48
0	Fees payable in respect of any other services provided by the appointed auditor over & above the duties described above	
306	Total External Audit Costs	332

31. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2021/22:

2020/21 £000		2021/22 £000
	Credited to Taxation & Non-specific Grant Income	
(501)	Other Grants and Contributions	(1,571)
0	Contributions to Waste Project	(2,410)
(2,134)	Welsh Government - HRA Optimised Retrofit Programme	(3,288)
(4,413)	Welsh Government - Flood alleviation and Coastal Defence Grants	(2,707)
(3,004)	Welsh Government - General Capital Grant and Additional Capital Grant	(5,398)
(2,237)	Welsh Government - Targeted Regeneration Investment (TRI) Programme	(1,922)
(3,865)	Welsh Government - MRA, IHG and other Housing Grants	(3,341)
0	Welsh Government - 21st Century Schools Grant and Welsh Medium Grant	(859)
0	Welsh Government - Active Travel	(1,213)
(1,727)	Welsh Government - February 2020 Floods and Resilient Roads Fund	(63)
(6,474)	Welsh Government - Collaborative Change Programme and Waste Grants	0
(794)	Welsh Government - Public Highways Refurbishment Grant	(791)
(1,716)	Welsh Government - Schools Maintenance Grant	(1,504)
(2,019)	Other Welsh Government grants	(1,440)
(28,884)	Total Grants Credited to Taxation & Non-specific Grant Income	(26,507)

2020/21 £000		2021/22 £000
	Credited to Services	
(3,568)	Welsh Government Sixth Forms Grant	(4,070)
(1,853)	Welsh Government Flying Start Grant	(2,082)
(1,085)	Welsh Government Families First Grant	(1,137)
(1,528)	Welsh Government Revenue Maintenance Grant	0
(1,110)	Recruit, Recover & Raise Standards Grant	0
(505)	Continuity of Learning	(2,301)
(2,518)	Other Education grants from Welsh Government	(4,532)
(5,592)	Welsh Government Supporting People Grant	(7,313)
(1,328)	Welsh Government AHW Social Services Support	(3,313)
(1,221)	Transformation Fund	(844)
(946)	Other Social Services grants from Welsh Government	(2,494)
(967)	Welsh Government Concessionary Fares Grant	(1,830)
(5,776)	Other Welsh Government grants	(6,107)
	Covid Related:	
(676)	Council Tax Reduction Scheme Grant	0
(12,025)	Hardship Fund	(8,423)
(11,164)	Loss of Income Grant	(3,731)
(1,857)	Bus Emergency Support Funding	(226)
(141)	Other Covid Related Grants	(1,731)
(53,860)	Total Welsh Government grants	(50,134)
(3,511)	Pupil Development Grant	(3,970)
(3,791)	Education Improvement Grant	(4,279)
(19,143)	DWP Rent Allowances Subsidy	(16,481)
(8,306)	DWP Rent Rebates Subsidy	(7,828)
(348)	DWP Housing Benefit/Council Tax Benefit Admin Grant	(326)
(3,324)	Various grants received from Betsi Cadwaladr University Health Board	(3,955)
(2,846)	Other Government grants	(7,389)
(95,129)	Total Government grants	(94,362)
(430)	Other non-government grants	(230)
(95,559)	Total Grants Credited to Services	(94,592)

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 shown in the following table.

2020/21 £000		2021/22 £000
(3,156)	Capital Grants Receipts in Advance: Commutated Sums	(3,440)
(2,000)	North Wales Economic Denbighshire County Council share of Joint Ambition Board Committee	(4,513)
(5,156)		(7,953)
	Revenue Grants Receipts in Advance:	
(476)	Welsh Government LG Roads Maintenance	(476)
(262)	Education Grants	(394)
(291)	Supporting People	(291)
(174)	Transformation Fund	0
(21)	WEFO West Wales ESF	(95)
(72)	Covid Loss of Income	(72)
(84)	Other	(86)
0	Community Renewals Fund	(1,104)
0	DWP	(1,078)
(176)	North Wales & Mid-Wales Trunk Road Agency	(481)
(18)	Pupil Development Grant	(15)
(166)	Other Non-government grants	(152)
(1,740)	Total Revenue Grants Receipts in Advance	(4,244)

32. 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 31.

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 of the Elected Members.

The following material declarations have been made for 2021/22:

- Ownership of a Day Nursery to which the Council paid £32k
- Provision of fostering services to the Council to whom the Council paid £48k
- Trustee and Chair of Denbigh Youth Project to which the Council paid £179k
- Chair of Denbighshire Music Co-operative to which the Council paid £339k
- Trustee for a Community Partnership to which the Council paid £17k
- The Council purchased an ex-Right-to-Buy property from an Elected Member at £117k

A list of Elected Members' interests is maintained by the Head of Legal, HR & 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.

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. There were no material declarations made for 2021/22.

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 35.

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 36.

Community, Town & City Councils

Total precepts paid to the 37 community, town and city councils are included in Note 7 and amounted to £2,238k (£2,180k in 2020/21).

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 £17,447k (£16,603k in 2020/21). A breakdown is provided in Note 7.

Betsi Cadwaladr University Health Board

The authority has three pooled budget arrangements with Betsi Cadwaladr University Health Board details of which are set out in Note 27. Denbighshire County Council's contribution to the largest, in respect of the provision of care home accommodation for older people, was £9,340k (£8,626k in 2020/21). The authority's contribution to the Community Equipment Store was £219k (£219k in 2020/21) and £50k was contributed to the Health and Social Care Support Workers Service (£50k in 2020/21).

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

The Council is a member of the LGA/WLGA to which payments of £82k were made in 2021/22 (£80k in 2020/21). The Council received £907k from LGA/WLGA in 2021/22 (£545k received in 2020/21).

Welsh Joint Education Committee (WJEC)

The WJEC is an examination board, providing qualifications and exam assessment to Denbighshire schools. In 2021/22 Denbighshire County Council made payments of £376k and owed £11k at year-end to the WJEC (£425k was paid in 2020/21 and £8k owed).

Local Government Data Unit - Wales

An Elected Member is a current Director at the Local Government Data Unit - Wales. Within 2021/22 expenditure of £28k was undertaken with Denbighshire County Council (£28k in 2020/21).

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.

During 2019 Denbighshire County Council established a wholly owned Local Authority Trading Company known as Denbighshire Leisure Ltd which became operational in April 2020. The Board of Directors is composed of the Company's Managing Director, two Independent Directors, a Denbighshire County Council Corporate Director and three of the elected members.

Group Accounts have been prepared to combine the Council's financial statements with those of Denbighshire Leisure Ltd.

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), 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.

2020/21 £000		2021/22 £000
282,840	Opening Capital Financing Requirement	284,311
0	Technical Adjustment	2,359
	Capital Investment	
44,583	Property, Plant & Equipment	47,150
0	Investment Properties	24
2,664	Revenue Expenditure Funded from Capital Under Statute	4,085
	Sources of Finance	
(376)	Capital Receipts	(5,765)
(26,801)	Government grants & other contributions	(25,345)
(2,716)	Transfer to Denbighshire Leisure Ltd	0
	Sums set aside from revenue:	
(4,605)	Direct revenue contributions	(5,249)
(11,278)	MRP & Long-term Debtors	(12,320)
284,311	Closing Capital Financing Requirement	289,250

2020/21 £000	Explanation of movements in year	2021/22 £000
0	Technical Adjustment	2,359
1,311	Increase in underlying need to borrow (supported by government financial assistance)	0
14,244	Increase in underlying need to borrow (unsupported by government financial assistance)	15,202
(11,278)	MRP & Long-term Debtors	(12,320)
(90)	Set aside Capital Receipts	(302)
(2,716)	Transfer to Denbighshire Leisure Ltd	0
1,471	Increase/(decrease) in Capital Financing Requirement	4,939

34. 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.

Rhyl Travelodge Leases

The Council sold a car park to a developer in Rhyl to construct a Travelodge hotel as part of the strategic objective to regenerate the Rhyl Waterfront. This development was completed by January 2019 and the developer leased the structure back to the Council over a 25 year period for an annual rental payment of £274k. The Council sub-leased the property to Travelodge for an annual rental payment of £305k. Both leases commenced on 18 January 2019 and the rental payments began from 19 July 2019 following a six month rent free period. The Council agreed to act as a guarantor between the funder and the hotel operator to secure this development by entering into these back-to-back lease agreements through the receipt of an annual profit rent of £31k. This profit will be placed into a reserve which will accrue funds to be used to mitigate the Council's future financial risk. In order to protect its position in the face of Covid 19, Travelodge has put forward terms for a Company Voluntary Agreement (CVA) to all

landlords. The CVA has resulted in a reduction in the rent receivable (30% reduction for 2021 and a return to full rental from 2022 onwards).

Authority as Lessee

Finance Leases

The Council has some properties under finance leases.

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

31 March 2021 £000		31 March 2022 £000
4,103	Other Land & Buildings	4,001

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 2021 £000		31 March 2022 £000
1,124	Not later than 1 year	1,145
4,180	Later than 1 year and not later than 5 years	4,020
5,927	Later than 5 years	6,640
11,231		11,805

35. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. 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 2021/22, the County Council paid £8,882k to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £8,404k and 23.68%. In addition, payments in respect of premature retirements were made of £354k (£357k in 2020/21). No contributions remained

payable at year end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 36.

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

The Clwyd Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees.

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

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

For further details regarding the governance and investment principles of the Clwyd Pension Fund please refer to <https://mss.clwydpensionfund.org.uk/> or contact the Clwyd Pension Fund at:

Clwyd Pension Fund
County Hall
Mold
Flintshire
CH7 6NA

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from

the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the Council Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
<u>Comprehensive Income & Expenditure Statement</u>				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	19,724	26,252		
• Past Service Costs/(Gains)	138	347		
• (Gain)/Loss from Settlements	(3,786)	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	512	531		
<i>Financing & Investment Income and Expenditure</i>				
• Net Interest Expense	6,387	6,109	141	117
<i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	22,975	33,239	141	117
<i>Other Post Employment Benefits Charged to the Comprehensive Income & 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]	(85,948)	(56,826)		
• * Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions [B]	0	(6,291)	0	(48)
• * Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions [C]	114,873	(14,571)	323	34
• * Other [D]	(14,006)	2,118	(94)	16
<i>Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>	37,894	(42,331)	370	119
<u>Movement in Reserves Statement</u>				
• Reversal of net charges made to the Surplus of Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(22,975)	(33,239)	(141)	(117)
<i>Actual amount charged against the Council Fund Balance for pensions in the year</i>				
• Employer's contributions payable to the scheme	16,372	17,032		
• Retirement benefits payable to pensioners			710	680

* A + B + C + D = Remeasurement of the Net Defined Benefit Liability/(Asset) as quoted in the Comprehensive Income & Expenditure Statement (£75,568k) 2021/22; (£15,148k) 2020/21

North Wales Economic Ambition Board

The Council currently participates in the North Wales Economic Ambition Board Joint Committee along with neighbouring North Wales authorities. The breakdown of Denbighshire's share of transactions relating to the joint committee defined

benefit pension scheme is not included in the tables within this disclosure.

Denbighshire's share of post employment benefits charged to the Surplus or Deficit on the Provision of Services amounted to £31k in 2021/22.

The amount of post employment benefits charged to the Comprehensive Income and Expenditure Statement was (£25k).

The opening balance of the net liability arising from the defined benefit obligation was £110k resulting in a closing liability of £116k relating to the North Wales Economic Ambition Board within the accounts of Denbighshire County Council.

Further information regarding the North Wales Economic Ambition Board Statement of Accounts can be found at [North Wales Economic Ambition Board](#)

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	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Present value of the defined benefit obligation	805,893	814,286	5,893	5,332
Fair value of plan assets	(504,254)	(572,010)		
Sub-total	301,639	242,276	5,893	5,332
Other movements in the liability (asset)				
Net liability arising from defined benefit obligation	301,639	242,276	5,893	5,332

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

	Local Government Pension Scheme	
	2020/21 £000	2021/22 £000
Opening fair value of scheme assets	417,551	504,254
* Technical adjustment	(1,119)	0
Fair value of scheme assets at 1 April	416,432	504,254
Interest income	9,875	10,644
Administration expenses	(512)	(531)
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	85,948	56,826
• Other		
The effect of changes in foreign exchange rates		
Contributions from employer	16,372	17,032
Contributions from employees into the scheme	4,014	4,160
Benefits paid	(20,518)	(20,375)
Other	(7,357)	0
Closing value of scheme assets	504,254	572,010

* An adjustment has been made to account for the pension liability relating to the staff who transferred from Denbighshire County Council to Denbighshire Leisure Limited in 2019/20.

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening balance of scheme liabilities	698,456	805,893	6,233	5,893
Technical adjustment	(1,907)	0	0	0
Opening balance at 1 April	696,549	805,893	6,233	5,893
Current service cost	19,724	26,252		
Interest cost	16,262	16,753	141	117
Contributions from scheme participants	4,014	4,160		
Remeasurement (gains) and losses:				
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(6,291)	0	(48)
• Actuarial (gains) and losses arising on changes in financial assumptions	114,873	(14,571)	323	34
• Other	(14,006)	2,118	(94)	16
Past service cost				
Losses/(gains) on curtailment	138	347		
Liabilities assumed on entity combinations				
Benefits paid	(20,518)	(20,375)	(710)	(680)
Liabilities extinguished on settlement	(11,143)	0		
Closing balance at 31 March	805,893	814,286	5,893	5,332

Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2020/21 £000	2021/22 £000
Cash & cash equivalents	8,572	18,304
Equities		
• UK quoted	0	0
• Global quoted	53,450	61,205
• Global unquoted	0	0
• US	0	0
• Japan	0	0
• Europe	0	0
• Emerging markets	53,451	51,481
• Frontier	0	0
• Far East	0	0
Sub-total Equity	106,901	112,686
Bonds		
• Overseas other bonds	57,989	57,201
• LDI	123,038	145,863
Sub-total Bonds	181,027	203,064
Property		
• UK	25,213	28,601
• Overseas	5,043	5,720
Sub-total Property	30,256	34,321
Alternatives		
• Hedge Funds	33,785	37,181
• Private equity	50,930	60,633
• Infrastructure	23,700	27,456
• Timber & Agriculture	4,034	2,860
• Private credit	11,598	12,012
• DGF	53,451	63,493
Sub-total Alternatives	177,498	203,635
Total Assets	504,254	572,010

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 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21	2021/22	2020/21	2021/22
Mortality assumptions				
Longevity at 65 for current pensioners:				
• Men	22.6 years	22.5 years	22.6 years	22.5 years
• Women	25.0 years	24.9 years	25.0 years	24.9 years
Longevity at 65 for future pensioners:				
• Men	24.2 years	24.0 years		
• Women	27.0 years	26.9 years		
Rate of inflation	2.70%	3.30%	2.70%	3.50%
Rate of increase in salaries	3.95%	4.55%		
Rate of increase in pensions	2.80%	3.40%	2.80%	3.60%
Rate of discounting scheme liabilities	2.10%	2.80%	2.10%	2.80%

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 2022	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000
Longevity (increase in 1 year)	24,533
Rate of inflation (increase by 0.1%)	14,022
Rate of increase in salaries (increase by 0.1%)	1,519
Rate for discounting scheme liabilities (increase by 0.1%)	(13,786)
Investment returns (decrease by 1%)	(5,746)

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 11 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

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 £16,959k expected contributions to the scheme in 2022/23

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2021/22 (17 years 2020/21).

37. 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 2021/22 on 23 February 2021. 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 following table 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 31/03/2022	Balance Invested at 31/03/2022 £000	Maturity Date			
				0-3 Months £000	4-6 Months £000	7-9 Months £000	10-12 Months £000
UK Banks	Bank of Scotland	A+	3,000	3,000			
	NatWest	A+	1,500	1,500			
	UK Government Debt Management Office	AA-u	24,200	24,200			
	Total		28,700	28,700	0	0	0

Definitions		
Long-term Ratings	AA	Very high credit quality Expectation of very low credit risk. Very strong capacity for payment of financial commitments, which is not significantly vulnerable to foreseeable events.
	A	High credit quality Expectation of low credit risk. Strong capacity for payment of financial commitments, which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

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Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loans 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 2022 was as follows:

	Years	31 March 2021 £000	31 March 2022 £000	%
Short-term Borrowing	Less than 1 year	(25,301)	(32,563)	13.88
Long-term Borrowing	Over 1 under 6	(36,276)	(35,303)	15.04
	Over 6 under 10	(24,863)	(23,077)	9.83
	Over 10 under 15	(31,396)	(35,016)	14.92
	Over 15 under 20	(23,221)	(14,796)	6.30
	Over 20 under 25	(6,000)	(6,000)	2.56
	Over 25 under 30	0	(4,000)	1.70
	Over 30 under 35	(62,130)	(69,630)	29.67
	Over 35 under 40	(25,820)	(14,320)	6.10
	Over 40 under 45	0	0	0.00
Total Long-term Borrowing		(209,706)	(202,142)	86.12
Total Borrowing at Nominal Amount		(235,007)	(234,705)	100.00
Accrued Interest		(1,662)	(1,607)	
Deferred Premium				
IFRS 9 Adjustment		5,369	5,303	
Total Borrowing at Amortised Cost		(231,300)	(231,009)	

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 2021 and 31 March 2022, 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.

38. Heritage Assets

Reconciliations of the carrying value of Heritage Assets held by the authority:

2021/22	Plas Newydd £000	Ruthin Gaol £000	Nantclwyd y Dre £000	Total Heritage Assets £000
Cost or Valuation 01 April 2021	1,895	7,266	5,840	15,001
Additions				0
Revaluation Gains				0
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services				0
Depreciation	(10)	(31)	(31)	(72)
31 March 2022	1,885	7,235	5,809	14,929

2020/21	Plas Newydd £000	Ruthin Gaol £000	Nantclwyd y Dre £000	Total Heritage Assets £000
Cost or Valuation 01 April 2020	1,905	7,298	5,870	15,073
Additions				0
Revaluation Gains				0
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services				0
Depreciation	(10)	(32)	(30)	(72)
31 March 2021	1,895	7,266	5,840	15,001

Scheduled Ancient Monuments

The Council has a number of scheduled ancient monuments and listed buildings classified by CADW as Heritage Assets but these have no valuations attached. Included in these is Castell Dinas Bran, which is a medieval castle standing high on a hill above the town of Llangollen and is the site of an Iron Age hill fort. Others include Jubilee Tower, Moel Fenlli, Moel y Gaer Llanbedr, Caer Drewyn and Prestatyn Roman Bath House. Further information is available from CADW or Clwyd Powys Archaeological Trust.

Civic Regalia

Most of the Civic Regalia is still in the ownership of each Town Council, with a very small number of objects being cared for by the Heritage Service, due to them requiring professional care and storage or due to their historical value. However, Civic Regalia has not been included on the Balance Sheet as further information and consolidation of the

collections held is required.

Heritage Buildings

Denbighshire has the following Heritage Buildings. The buildings were revalued in 2018/19 as part of the five-yearly revaluation programme. At the moment there is no valuation 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 became 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.

Nantclwyd y Dre - Grade 1 Building and Listed Gardens*

The premises were purchased by Clwyd County Council in 1984. They were derelict but had a programme to renew and safeguard the external parts, which was completed in the mid 1990's. The premises were fully restored and opened to the public in June 2007 as a museum due to its historic merit.

The property comprises a circa 14th century house extended substantially. The property is a grade 1 listed structure with a registered historical garden, a grade 1 listed gazebo and listed garden walls. The majority of items on display are either replica or purchased from an unknown source outside Denbighshire. However, any objects directly related to the history of the house, which have since come to light and been 'gifted' have been accessioned into the Denbighshire Heritage Service.

Denbighshire Heritage Service Collections

The collections date 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

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 in 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 the Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. Plas Newydd, Ruthin Gaol and Rhyl Museum all have Museum Accreditation.

A full object audit took place 2018/19 at Plas Newydd, Ruthin Gaol and Rhyl Museum. Objects relating to Denbigh Museum and Hospital, which had been on long-term loan to the Denbigh Volunteer Museum, were returned in 2021. Work continues at the Museum Store to condition check, re-label, photograph and physically move each object to improve object care and storage capacity. A Collections Management Database holds all object information and the Curator post fully satisfies the requirements of Museum 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.

39. Contingent Liabilities

A developer is in dispute with the Council due to loss of business and may issue a claim of compensation against the Council. Based on the outcome of any mediation or formal proceedings, the Council could have to pay all, some or none of the resulting claim.

40. Accounting Policies**i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales)(Amendment) Regulations 2018. Those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021/22' (the Code), supported by International Financial Reporting Standards (IFRS).

The Accounts have been prepared on a historical cost basis with the exception of certain categories of non-current assets that are measured at current value and financial instruments, which are now carried within the Balance Sheet at fair value as defined by the Code. The Statement of Accounts has been prepared on a going concern basis.

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 and 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

The accounts are maintained on an accruals basis in accordance with the Code.

Accruals are made in respect of grants claimed or claimable for Revenue and Capital purposes. Some grant claims are finalised after the accounts have been completed and in this case the grant is accrued on the basis of the best estimate available, and any differences are accounted for in the following year.

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 and 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 borrowing 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 amortisation. 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 / HRA Balance 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

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the

relevant service line of the Comprehensive Income & Expenditure Statement.

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 & 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 Pension Scheme, administered by Flintshire County Council.

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

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

The Local Government Pension Scheme

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

- The liabilities of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market value yields at the reporting date on high quality corporate bonds.
- 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 & 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 & 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 & Investment Income & Expenditure line of the Comprehensive Income & 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 contributions 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 & 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 & 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
- 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. 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 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 borrowing 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 & 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 modified loan and the write-down to the Comprehensive Income & Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. However in 2018/19 with the introduction of IFRS 9, the Council had to recalculate the carrying amount of the modified loan as at 1 April 2018 using the original effective interest rate. The change resulted in a credit to the CI&ES and a new reserve being set up. The increase in interest charges over the remainder of the loan period will mean that the reserve will be used to fund this increase.

Where premiums and discounts have been charged to the Comprehensive Income & 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 & 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- amortised cost

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- 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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 & 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 most of the financial assets held by the authority, 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 & 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 & Investment Income and Expenditure line in the Comprehensive Income & 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.

ix. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income & 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 the conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation & Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income & Expenditure Statement.

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

x. Heritage Assets

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

The Council's Heritage Assets are held at a number of sites, including Rhyl Museum (within Rhyl Library). Nantclwyd-y-Dre, Ruthin Gaol and 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.

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 & 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 procedure.

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.

xi. 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 & Investment Income 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 £10k) the Capital Receipts Reserve.

xii. Joint Operations

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

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

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 & Investment Income and Expenditure line in the Comprehensive Income & 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 & Expenditure Statement as an expense of the services benefitting 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 & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income & 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 & 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 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 & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement).

The gain credited to the Comprehensive Income & 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 & 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 & Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant & 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 & 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
- an 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 carried in the Balance Sheet using the following measurement bases:

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

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

Where non-property assets 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 2021/22. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income & Expenditure Statement where they arise from a 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 on the Revaluation Reserve or an insufficient balance, the carrying amount of the assets is written down against the relevant service line(s) in the Comprehensive Income & 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, 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 & Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & 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 & Equipment assets in the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable 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 using the following bases:

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

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

Componentisation

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

- superstructure and substructure
- internal finishes and fittings
- services

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the 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 & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income & 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 & 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 £10k 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 and Contingent Liabilities

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 & 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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain

future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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 & Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so 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.

Section 4: Supplementary Statements and Notes to the Supplementary Statements**Housing Revenue Account Income and Expenditure Statement**

2020/21 £000		Note	2021/22 £000
	Expenditure		
4,700	Repairs & maintenance		5,383
2,396	Supervision & management		2,418
5	Rents, rates, taxes & other charges		19
9,596	Depreciation & impairment of non-current assets	5	5,656
31	Debt management costs		36
145	Movement in bad debt provision		174
16,873	Total Expenditure		13,686
	Income		
(15,783)	Dwelling rents (gross)		(15,926)
(175)	Non-dwelling rents (gross)		(177)
(15,958)	Total Income		(16,103)
915	Net Expenditure of HRA Services as included in the Comprehensive Income & Expenditure Statement		(2,417)
58	HRA share of Corporate Expenditure		58
973	Net Expenditure of HRA Services		(2,359)
	HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement		
18	Pension administration costs	6	19
24	(Gain) or loss on sale of HRA non-current assets		(300)
2,727	Interest payable & similar charges		2,678
(1)	Interest & investment income		(2)
227	Net interest on the net defined benefit liability/(asset)	6	221
(6,611)	Capital grants & contributions receivable		(6,944)
(2,643)	(Surplus) or Deficit for the Year on HRA Services		(6,687)

Movement on the HRA Statement

2020/21 £000		2020/21 £000	
(2,667)	Balance on the HRA at 1 April		(2,756)
(2,643)	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	(6,687)	
2,579	Adjustments between accounting basis & funding basis under statute (see below)	7,281	
(64)	Net (increase) or decrease before transfers to or from reserves		594
(25)	Transfers to or (from) reserves		106
(89)	(Increase) or decrease in year on the HRA		700
(2,756)	Balance on the HRA at 31 March		(2,056)

Adjustments between accounting basis & funding basis under statute:			
Adjustments primarily involving the Capital Adjustment Account			
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>			
(9,596)	Charges for depreciation, impairment & revaluation losses of non-current assets	(5,656)	
6,611	Capital grants & contributions applied	6,944	
(144)	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	(2,000)	
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>			
3,079	Statutory provision for the financing of capital investment	3,096	
2,919	Capital expenditure charged against HRA balances	3,189	5,573
Adjustments involving the Capital Receipts Reserve			
120	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement	2,300	2,300
Adjustments primarily involving the Financial Instruments Adjustment Account			
0	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	0
Adjustments primarily involving the Pensions Reserve			
(946)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement	(1,188)	
545	Employer's pension contributions payable in the year	574	(614)
Adjustments involving the Accumulated Absences Account			
(9)	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	22	22
2,579	Total Adjustments		7,281

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

The Council's total housing stock was as follows:

2020/21 No. of Properties		2021/22 No. of Properties
1,812	Houses	1,818
944	Flats	883
616	Bungalows	612
3,372	Total	3,313

During the year 13 former Right to Buy properties were purchased, 7 properties were removed from the housing stock and 65 properties were de-commissioned (Sun Terrace and Maes Emlyn).

2. Rent Arrears

At the 31 March 2022, tenants' rent arrears were £1,097k, (£958k as at 31 March 2021), which represented 6.89% of the net rent income due in the year. Arrears totalling £46k were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £174k was made during the year and the balance at year end was £869k.

3. Capital Receipts

A capital receipt of £2.3m was received from a sale of land in 2021/22, £120k for a dwelling in 2020/21.

4. Analysis of Housing Revenue Account Capital Expenditure

During 2021/22 capital expenditure of £15,715k 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 several sources: the Major Repairs Allowance (a government grant), Direct HRA revenue contributions, Prudential Borrowing and other grants and contributions as detailed in the following table.

2020/21 £000	Housing Capital Expenditure	2021/22 £000
175	Quality Performance Management - IT Project	4
3,577	Acquisitions	7,668
5,982	Improvement/Planned Works	8,033
0	Gypsy & Traveller Expenditure	10
9,734	Total In-year Expenditure	15,715
	<i>Financed by:</i>	
2,401	Major Repairs Allowance (Grant)	2,381
55	Usable Capital Receipts	2,300
2,919	Direct HRA Revenue Contributions	3,190
886	Prudential Borrowing	5,894
2,824	Other grants	1,887
649	Contributions	63
9,734	Total Financing	15,715

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 & revaluation losses for 2021/22 are shown below:

2020/21 £000		2021/22 £000
2,105	Operational Assets - Dwellings	3,001
171	Operational Assets - Equipment & Infrastructure	64
2,276	Total Depreciation	3,065
7,320	Impairment & Revaluation Losses	2,591
9,596	Total HRA Depreciation, Impairment & Revaluation Losses	5,656

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 & Expenditure Statement and Movement on the HRA Statement during the year:

2020/21 £000	<u>Comprehensive Income & Expenditure Statement</u>	2021/22 £000
	<u>Net Cost of Services</u>	
701	Current Service Cost	948
0	Past Service Costs	0
	<u>Net Operating Expenditure</u>	
18	Pension Administration Expenses	19
227	Net Interest Expense	221
946	Net charge to the Comprehensive Income & Expenditure Statement	1,188

<u>Movements on the HRA Statement</u>		
(946)	Reversal of net charges made for retirement benefits in accordance with the Code	(1,188)
545	Employer's contribution payable to the Clwyd Pension Fund Scheme	574

Section 5: Group Accounts

The Code requires that a local authority with material interests in subsidiaries, associates and joint ventures should prepare Group Accounts in addition to single entity accounts.

A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent.

For Group Accounts purposes the Council has consolidated the accounts of Denbighshire Leisure Limited.

The Group Accounts include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

Denbighshire Leisure Limited

Denbighshire Leisure Limited was established on 28 August 2019 to manage and deliver a number of leisure related facilities, functions and activities.

Denbighshire Leisure Limited is a not for profit Local Authority Trading Company limited by guarantee that is wholly owned by the Council, established under section 95 of the Local Government Act 2003. The Council has a high level of control over Denbighshire Leisure Limited as the single shareholder approving:

- the alteration in any respect of its articles of association
- any changes to the nature of the business or the commencement of any new business
- annual business plan
- any advancement of loans or granting of any credit
- any borrowing against assets
- appointment or removal of directors to or from the board

Further information on Denbighshire Leisure Limited is available on its website

<https://denbighshireleisure.co.uk/>

Denbighshire Leisure Limited currently leases seven leisure centres, the SC2 visitor attraction, 1891 Restaurant and Bar, Rhyl Pavilion Theatre, Rhyl Town Hall, North Wales Bowls Centre, Nova, Ruthin Craft Centre & Café R and Llangollen Pavilion at a peppercorn rent off the Council. Their mission is to maintain high levels of health and wellbeing within Denbighshire by providing quality, accessible leisure opportunities.

Risk Management

The relationship between the Council and Denbighshire Leisure Limited includes business plans which are developed by the company and approved by the Council's Cabinet. This provides the Cabinet with the ability to understand the broad risk environment in which the company operates, consider specific risks that the company may face and assess the way in which the company manages and mitigates those risks. This provides assurance to the Council that risks are appropriately managed and mitigated and that the Council's own exposure to risk is therefore minimised. The Council is continuing to work with Denbighshire Leisure Limited to manage and mitigate specific risks arising from the impact of Covid 19.

The performance of Denbighshire Leisure Limited is scrutinised by the appropriate Council scrutiny board. The company is subject to Internal Audit by the Council's internal audit team, which also helps provide assurance that risk is being managed and that control mechanisms are in evidence and operating effectively.

Accounting Policies

The accounting policies for Denbighshire Leisure Limited follow those adopted by Denbighshire County Council in the single entity statements detailed on pages 80 to 96 with the exception of the following:.

Charges to Income and Expenditure

Denbighshire Leisure Limited apply depreciation to assets procured during the year.

Where the accounting policies of Denbighshire Leisure Limited are different, adjustments have been made on consolidation to align any difference in accounting treatment to those of Denbighshire County Council.

Group Movement in Reserves Statement

2021/22	Council Fund Reserves £000	Other Usable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Reserves £000	Total Group Reserves £000
Balance at 31 March 2021	(8,858)	(58,687)	(67,545)	22,072	(45,473)	2,991	(42,482)
* Technical adjustments				(953)	(953)	(1,240)	(2,193)
Balance at 1 April 2021	(8,858)	(58,687)	(67,545)	21,119	(46,426)	1,751	(44,675)
Total Comprehensive Income & Expenditure	(10,521)	(6,687)	(17,208)	(112,649)	(129,857)	(51)	(129,907)
Adjustments Between Group Accounts and authority accounts	4,577	0	4,577	0	4,577	0	4,577
Net (Increase)/Decrease before Transfers	(5,944)	(6,687)	(12,631)	(112,649)	(125,280)	(51)	(125,331)
Adjustments between accounting and funding basis under regulations	(9,811)	5,154	(4,657)	4,657	0	0	0
Transfers to/from Earmarked Reserves	16,311	(16,311)	0	0	0	0	0
(Increase)/Decrease in 2021/22	556	(17,844)	(17,288)	(107,992)	(125,280)	(51)	(125,331)
Balance at 31 March 2022	(8,302)	(76,531)	(84,833)	(86,873)	(171,706)	1,700	(170,006)

2020/21	Council Fund Reserves	Other Usable Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Subsidiary Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	(7,469)	(41,720)	(49,189)	12,988	(36,201)	0	(36,201)
* Technical adjustments	0	0	0	(788)	(788)	1,141	353
Balance at 1 April 2020	(7,469)	(41,720)	(49,189)	12,200	(36,989)	1,141	(35,848)
Total Comprehensive Income & Expenditure	(25,433)	(2,643)	(28,076)	10,486	(17,590)	1,814	(15,775)
Adjustments Between Group Accounts and authority accounts	9,106	0	9,106	0	9,106	35	9,141
Net (Increase)/Decrease before Transfers	(16,327)	(2,643)	(18,970)	10,486	(8,484)	1,850	(6,634)
Adjustments between accounting and funding basis under regulations	3,875	(3,261)	614	(614)	0	0	0
Transfers to/from Earmarked Reserves	11,063	(11,063)	0	0	0	0	0
(Increase)/Decrease in 2020/21	(1,389)	(16,967)	(18,356)	9,872	(8,484)	1,850	(6,634)
Balance at 31 March 2021	(8,858)	(58,687)	(67,545)	22,072	(45,473)	2,991	(42,482)

* An adjustment of (£788k) has been made to account for the pension liability relating to the staff who transferred from Denbighshire County Council to Denbighshire Leisure Limited in 2019/20.

An adjustment of £1,141k has been made to bring in Denbighshire Leisure Limited's opening balance as group accounts were not required to be prepared in 2019/20.

Group Comprehensive Income and Expenditure Statement

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
14,909	(8,664)	6,244	Leisure - ADM	16,735	(10,141)	6,594
5,043	(1,410)	3,633	Communities & Customers	4,227	(1,735)	2,492
35,698	(17,606)	18,092	Education & Children's Services	39,486	(21,284)	18,202
83,066	(11,064)	72,002	Schools	91,467	(15,455)	76,012
6,128	(549)	5,579	Business Improvement & Modernisation	6,295	(384)	5,911
3,491	(851)	2,640	Legal, HR & Democratic Services	3,718	(855)	2,863
41,062	(32,817)	8,245	Corporate & Miscellaneous	42,534	(27,415)	15,119
7,519	(3,433)	4,086	Finance & Property	10,105	(3,755)	6,349
38,345	(13,168)	25,177	Highways, Facilities & Environmental Services	39,989	(11,602)	28,387
21,222	(10,644)	10,578	Planning & Public Protection	27,740	(16,250)	11,490
74,473	(35,490)	38,983	Community Support Services	81,193	(38,300)	42,893
16,921	(15,957)	964	Local Authority Housing (HRA)	13,744	(16,103)	(2,359)
347,877	(151,653)	196,224	Cost of Services	377,233	(163,281)	213,952

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
20,363	(180)	20,183	Other Operating Expenditure	20,400	(357)	20,043
17,295	(482)	16,813	Financing & Investment (Income) & Expenditure	15,992	(132)	15,860
	(251,136)	(251,136)	Taxation & Non-Specific Grant Income	0	(260,529)	(260,529)
385,535	(403,451)	(17,916)	(Surplus) or Deficit on Provision of Services	413,625	(424,298)	(10,674)
		0	Tax expenses of subsidiary			(607)
		(17,916)	Group (Surplus)/Deficit			(11,281)
		(8,541)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			(48,015)
		3,879	Impairment Losses on Non-current Assets Charged to Revaluation Reserve			10,959
		0	Tax relating to other comprehensive income			395
		15,909	Remeasurement of the Net Defined Benefit Liability/(Asset)			(77,388)
		11,247	Other Comprehensive (Income) & Expenditure			(114,049)
		(6,669)	Total Comprehensive (Income) & Expenditure			(125,330)

Group Balance Sheet

31 March 2021 £000		Note	31 March 2022 £000	31 March 2022 £000
94,977	<i>Council Dwellings</i>		139,074	
286,645	<i>Other Land & Buildings</i>		281,745	
12,107	<i>Vehicles, Plant, Furniture & Equipment</i>		12,602	
139,219	<i>Infrastructure</i>		144,649	
1,485	<i>Community Assets</i>		1,485	
9,553	<i>Assets Under Construction</i>		22,446	
4,450	<i>Surplus Assets not Held for Sale</i>		3,478	
548,436	Property, Plant & Equipment		605,479	
15,001	Heritage Assets		14,929	
6,311	Investment Property		6,264	
0	Long Term Investments		0	
2,442	Long Term Debtors		2,356	
572,190	Long Term Assets			629,028
11,800	Short Term Investments		24,204	
3,544	Assets Held for Sale (<1yr)		1,076	
1,260	Inventories		1,643	
45,888	Short Term Debtors		60,618	
3,947	Cash & Cash Equivalents		5,181	
0	Current tax asset		0	
66,439	Current Assets			92,722
(27,127)	Short Term Borrowing		(34,355)	
(36,698)	Short Term Creditors		(49,539)	
(363)	Provisions		(162)	
(2,803)	Provision for Accumulated Absences		(3,196)	
(1,740)	Revenue Grants Receipts in Advance		(4,244)	
(5,156)	Capital Grants Receipts in Advance		(7,953)	
0	Current tax liability		0	
(73,887)	Current Liabilities			(99,449)
(3,524)	Long Term Creditors		(1,352)	
(222)	Provisions		(378)	
(204,781)	Long Term Borrowing		(197,237)	
(313,733)	Other Long Term Liabilities		(253,328)	
0	Deferred tax liability		0	
(522,260)	Long Term Liabilities			(452,295)
42,482	Net Assets			170,006

31 March 2021 £000		Note	31 March 2022 £000	31 March 2022 £000
(8,858)	Council Fund		(8,302)	
(40,003)	Earmarked Reserves		(56,420)	
(2,756)	Housing Revenue Account		(2,056)	
(8,290)	Capital Receipts Reserve		1,700	
(7,638)	Capital Grants Unapplied		(6,957)	
2,991	Profit and loss reserve		(11,098)	
(64,554)	Usable Reserves			(83,133)
(116,565)	Revaluation Reserve		(146,060)	
307,532	Pensions Reserve		247,726	
(500)	Deferred Capital Receipts Reserve		(2,057)	
(171,622)	Capital Adjustment Account		(190,087)	
424	Financial Instruments Adjustment Account		409	
2,803	Short Term Accumulating Compensated Absences Account		3,196	
22,072	Unusable Reserves			(86,873)
(42,482)	Total Reserves			(170,006)

Group Cash Flow Statement

2020/21 £000		2021/22 £000
(17,916)	Net (Surplus) or Deficit on the Provision of Services	(11,316)
(19,274)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements	(22,489)
2,084	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are investing and financing activities	4,838
(35,106)	Net cash flows from Operating Activities	(28,967)
2,448	Investing Activities	33,066
32,267	Financing Activities	(5,333)
(391)	Net (increase) or decrease in Cash & Cash Equivalents	(1,234)
3,556	Cash & Cash Equivalents at the beginning of the period	3,947
391	Increase/(Decrease) in Cash	1,234
3,947	Cash & Cash Equivalents at the end of the reporting period	5,181

Section 6: The independent auditor's report of the Auditor General for Wales to the Members of Denbighshire County Council will appear here



Section 7 - Annual Governance Statement 2021 - 2022

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Introduction

Denbighshire County Council (the Council) is responsible for making sure that its business is carried out in accordance with the law and proper standards. The Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018) require the Council to conduct a review on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The statement has been prepared in accordance with the guidance produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) – ‘Delivering Good Governance in Local Government Framework’ (2016). This is to show that the Council:

- Conducts its business in accordance with relevant laws and regulations;
- Properly accounts for and safeguards public money;
- Uses its resources economically, efficiently and effectively to achieve agreed priorities that benefit local people.

The Council has adopted the ‘Core Principles’ which underpin the CIPFA / SOLACE framework to form its Corporate Governance Framework. The seven core principles are set out below:

- A. Behave with integrity
- B. Engage with stakeholders
- C. Define outcomes
- D. Ensure planned outcomes are achieved
- E. Develop capacity, capability and leadership
- F. Manage risks and performance effectively
- G. Demonstrate transparency and accountability

The review against the CIPFA/SOLACE framework highlights if there are opportunities to improve the Council’s arrangements. Where this is the case, an action plan is included to ensure that the necessary action is taken.

The Governance Framework

Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law

The Council's Constitution includes the Codes of Conduct for members and officers and demand a high standard of behaviour. Mandatory training for officers has been deployed to ensure that staff are aware of the code of conduct and other key policies. These are supported by more detailed guidance such as the Strategy for the Prevention and Detection of Fraud, Corruption and Bribery, Whistleblowing Policy, Financial Regulations and Contract Procedure Rules. The Head of Legal, HR & Democratic Services (Monitoring Officer) and Head of Finance & Property Services (Section 151 Officer) both have responsibilities to ensure that Council decisions meet legal requirements.

Principle B - Ensuring openness and comprehensive stakeholder engagement

The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. Stakeholder engagement in response to Covid-19 has developed to ensure coordinated response involving multiple organisations and agencies.

The resident survey was replaced this year by the Stakeholder Survey to meet the requirements of the Local Government and Elections (Wales) Act 2021 and inform the Council's Self-Assessment of performance against its functions. The engagement was carried out during September and October 2021, and the results have been published within the Self-Assessment.

The Council publishes information on the website and all Council meetings are now webcast. Online meetings have been set up to maintain social distancing in response to Covid-19 and all council meetings are now held virtually.

Communication channels involve press releases and online releases through social media channels (Facebook and Twitter) and the County Conversation portal.

The Council has continued to make shielding calls to persons vulnerable to Covid-19 in response to the pandemic and these calls have been well received by members of the community.

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

The strategic vision for Denbighshire is set out in its Corporate Plan. Within it, the Council defines specific priorities and outcomes to be achieved and this is overseen by the Corporate Plan Programme Board.

During 2021 to 2022, the majority of Corporate Plan projects have been able to recover from delays caused by the pandemic. The Corporate Plan Board formerly closed the programme in March, with projects either having already delivered and closed; ending imminently with their funding; or continuing as usual business within services. A separate programme board is focused on ensuring the Council's finances and services are sustainable.

A Wellbeing Impact Assessment is completed to inform significant decisions this has been updated to consider impact on Climate Change and Socio-economic equality duty.

Transaction are increasingly made available online with a superfast broadband project in progress to increase the availability to Denbighshire households and businesses.

The Council's Climate and Ecological Change Strategy sets out how the Council will achieve its ambition of becoming a net carbon zero authority by 2030. Work is underway to ensure that this is embedded throughout the council's decision making processes and systems.

Principle D - Determining the intervention necessary to achieve intended outcomes

Senior Management and Members (via Scrutiny committees and the Governance & Audit Committee), ensure the Council remains focussed on achieving its objectives and priorities. A new Chief Executive has been appointed and he is currently looking at

Annual Governance Statement

restructuring the Corporate Executive Team (CET) and Senior Leadership Team (SLT). The Council has approved the new CET structure and next year will see the Council move from two to three Corporate Directors.

The council's Self-Assessment of Performance for 2021-22 is being drafted, and continues to include an assessment against our governance functions, as recommended by the statutory guidance for the Local Government & Elections (Wales) Act 2021, which came into effect in May 2022. The Quarterly Performance Reports that make up the Self-Assessment have also continued to catalogue the activity of our principle meetings (Council, Cabinet, Scrutiny, and Governance and Audit), key news items, and reports by our internal audit and external regulators.

Principle E - Developing capacity, including the capability of leadership and individuals within the Council

Development is directed by the leadership strategy, apprenticeship schemes and an e-learning portal is used to develop staff at all levels.

The Council also works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. A partnership (Alternative Service Delivery model) toolkit has been approved to set out key requirements and tools for ensuring partnerships are managed effectively.

The new ways of working for staff and members has now been imbedded over the last 12 months and home working is now seen as the norm with ICT support in place.

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

Corporate risk registers are updated twice yearly, with significant risks brought to the attention of senior management and members. Risk Appetite statement has been defined and reviewed with members and senior management to ensure acceptable level of risk is being taken and recently updated to set the risk appetite for safeguarding and

environmental risk. Internal Audit assess the overall quality of risk management, governance and internal control and agree actions for improvement as necessary.

The Council has a strong track record in financial management, delivering services within budget and timely production of the accounts in response to the early closure requirements. Despite limited restrictions caused by the pandemic, the Council has managed to close its accounts for 2020/21 in keeping with the original deadline.

The Covid-19 response, including increased expenditure (e.g. PPE) and loss of income (leisure, parking etc) has caused significant pressure on the Council's financial situation, with administration of Welsh Government grants relating to business rates, social care bonus payments and free school meals at speed. Welsh Government support has enabled the council to continue its essential services and, in doing so, support its communities and businesses. The council undertook a review against the Financial Management Code to meet new requirements.

While information governance was considered to be sound overall; the pandemic has exposed instances of weaknesses caused in part by different working practices (e.g. majority of staff working from home) that previously were not considered a concern; revised Data Protection e-learning training has been deployed to refresh staff awareness.

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

The external assessment of Internal Audit confirms it conforms to the Public Sector Internal Audit Standards. External regulators provide independent assessments, notably: Audit Wales, Care Inspectorate Wales, Estyn and Ombudsman for Wales; overall positive results with no significant issues raised.

The Council provides clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. The website has been updated to meet Accessibility Standards. Minutes of meetings and key decisions are published on the Council's website.

Council meetings are carried out online and are now also available to the public in accordance with legislative requirements.

Covid-19 Impact on Governance

The Covid-19 pandemic has continued to cause an impact to the Council and our residents, requiring us to adapt the way we deliver services to our residents as well as creation of new services. The Council had a significant role in responding to the pandemic under the Civil Contingencies Act. This has resulted in changes to governance arrangements, with council meetings moving to online, and prioritisation of service delivery to cope with changing demand. The Council continues to work in partnership with Welsh Government, NHS Wales and Public Health Wales to take necessary action in containing and delaying the spread of the virus. The Council established the Strategic Emergency Management Team (SEMT) comprising senior management, HR, ICT and Lead Members to monitor and respond to the emergency situation.

As reported in last year's Annual Governance Statement:

"Social distancing requirements mean that all Council meetings are now carried out online and comply with the legislative requirements and the Local Authorities (Coronavirus)(Meetings)(Wales) Regulations 2020 under powers granted to Welsh Government under the Coronavirus Act 2020.

As indicated in last year's Annual Governance Statement, alternative arrangements were initially introduced as agreed between Cabinet and Group Leaders to ensure proactive engagement of the wider elected membership. Group Leaders met remotely with the Chief Executive, Leader, Monitoring Officer and s151 Officer met on a regular basis for a briefing on the management of the crisis and proposals for recovery. Group Leaders could then brief their respective groups and call upon Lead Members and Lead Officers to attend Group Leaders' meetings or Group meetings where further information or discussion is required. Formal call-in arrangements were also available should the requisite number of members wish to challenge a decision.

The Council now has simultaneous translations to virtual meetings which are now able to be webcast to allow public access and increase transparency and openness.

The council's response also included the following:

- The Council implemented, with some adaptation, its emergency management processes and was represented on the regional emergency infrastructure.
- Enactment of business continuity processes through identification of essential services and redeployment of staff from non-critical services to support where there were capacity shortages.
- Delivery of core services has continued throughout the pandemic.
- As restrictions have been lifted, the Council implemented new rules to allow key employees access to work from a council office. The Council has also left shielding arrangements for employees classed as high risk.
- Communications arrangements put in place to support providing public health advice and information and council service and support to reach key audiences e.g. residents and businesses.
- A Covid-19 Financial Recovery Strategy covering the council's response to the significant financial pressures caused by Covid-19.
- Implementing processes at speed in response to Welsh Government grants for financial support to small businesses, and those in retail, hospitality and leisure sectors. Also, social care bonus payments, free school meal payments.
- Communications and support to staff with health messages to ensure that health and wellbeing was actively considered and managed.

The impact that Covid-19 has had on our communities including businesses will continue to be reviewed as the economy re-opens and restrictions are lifted. The Council is committed to ensuring it responds appropriately to the opportunities, challenges and issues Covid-19 presents.

Key contributors to developing and maintaining the Governance Framework

Key Contributors	Contribution
Council	<ul style="list-style-type: none"> • Approves the Corporate Plan • Endorses the Constitution • Approves the policy and financial frameworks
Cabinet	<ul style="list-style-type: none"> • Primary decision making body of the Council • Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios
Governance & Audit Committee	<ul style="list-style-type: none"> • Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors
Standards Committee	<ul style="list-style-type: none"> • Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct
Programme & Project Boards	<ul style="list-style-type: none"> • Track efficiencies, highlighting risk and mitigating actions to achievement • Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery • Plan communication and engagement activity
Scrutiny Committees	<ul style="list-style-type: none"> • Review and scrutinise the decisions and performance of Council, Cabinet, and Committees • Review and scrutinise the decisions and performance of other public bodies including partnerships
Licensing and Planning Committees	<ul style="list-style-type: none"> • Licensing Committee considers issues relating to taxis, entertainment, alcohol, food premises and miscellaneous licensing functions. • Planning Committee makes decisions on development control issues, including applications for planning permissions.
Corporate Executive Team, Senior Leadership Team & Managers	<ul style="list-style-type: none"> • Responsible for developing, maintaining and implementing the Council's governance, risk and control framework

Key Contributors	Contribution
	<ul style="list-style-type: none"> • Contribute to the effective corporate management and governance of the Council
Internal Audit	<ul style="list-style-type: none"> • Provide an independent opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements • Delivers a programme of risk based audits, including counter fraud and investigation • Identifies areas for improvement in the management of risk
External Audit	Audit and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources

[Caption; Key contributors to developing and maintaining the Governance Framework]

The Governance Framework above have now resorted back to pre-pandemic arrangements, with the exception of meetings taking place face to face. Meetings are now carried out online and webcast to allow the public to attend. Members and Officers have adapted to the new way of working and it ensures transparency and openness.

Review of Effectiveness

The effectiveness of governance arrangements is measured in several ways, and in 2020/21, the first year in which the Council has prepared group accounts, the Council has considered its relationship with its group entities, i.e. Denbighshire Leisure Limited, in conducting its review.

The Corporate Governance Officer's Group reviewed the Council's arrangements against the CIPFA/Solace Framework in March and April 2021 and confirmed that governance arrangements such as the Code of Conduct, Financial Regulations, and other corporate processes have broadly operated as intended during the year; there were instances of non-compliance as highlighted by Internal Audit reviews. The Corporate Governance Framework is updated to reflect the current arrangements and will continue to be updated to reflect developments and any further implications due to the Covid-19 pandemic.

Internal Sources of Assurance

The [Annual Performance Report 2020-21](#) is the first report to present information responding to the new duty, under the Local Government and Elections (Wales) Act 2021, for the council to self-assess its performance. This summarises performance against seven governance areas: Corporate Planning, Financial Planning, Performance Management, Risk Management, Workforce Planning, Assets, and Procurement. Our Self-Assessment report for 2021 to 2022 will be going through committees in June, before final approval by Council in July.

Internal Audit Annual Opinion

One of the key assurance statements, in reviewing effectiveness, is the annual report and opinion of the Chief Internal Auditor. Internal Audit operates a flexible audit plan which enables it to refocus on changing priorities during the year. The focus of Internal Audit work in 2021/22 was to again audit areas considered to be a higher risk due to the pandemic and the resultant changes to control processes. The Chief Internal Auditor's opinion is that the council's governance, risk management and internal control arrangements in the areas audited continue to operate satisfactorily. While the scope of assurance work was reduced due to the pandemic and redeployment of audit staff,

reasonable assurance can be given that there have been no major weaknesses noted in relation to the internal control systems operating within the Council. Improvement in the following areas were recommended:

Internal Audit Low Assurance Reports Issued in 2021/22	Agreed actions relating to significant risks/issues
<p>Exceptions, Exemptions and Variations from Contract Procedure Rules (CPRs)</p>	<p>Presentation (awareness for new managers and refresher) to be delivered by all Procurement Business Partners at various DMG (or equivalent); and whole Service meetings where appropriate.</p> <p>Procurement Business Partners to support Services on improved awareness and understanding of CPRs and highlight at service management meetings areas of noncompliance or poor practice.</p> <p>Quick Guide (already produced) to be used as a starting point in any presentation.</p> <p>Amend the Quick Guide if necessary to give greater clarity on sequence of legal/procurement comments in advance of Authorised Signatories.</p> <p>Utilise LINC and other methods to highlight good practices.</p> <p>Variation Form – to be amended to include a section asking if previous variations have been sought and attaching copies of such signed variations; amend to reflect sequence of legal/procurement comments.</p>

Contract Management follow up	<p>Report to SLT highlighting the weakness identified with contract management and non-compliance with CPRs with a view to SLT reviewing arrangements in their own services to ensure:</p> <ul style="list-style-type: none"> <input type="checkbox"/> All contracts are recorded on the Proactis contract management module or other suitable systems (until a decision is taken to replace it); <input type="checkbox"/> Signed contracts are obtained for all contracts over £25,000 and held on the Proactis system (or suitable approved contract management system); <input type="checkbox"/> Contract management activity is recorded in the contract management module within Proactis, or other method as agreed corporately; <input type="checkbox"/> Ensure that the delivery of community benefits is monitored; <input type="checkbox"/> Ensure appropriate performance indicators are included within contracts with suitable monitoring of the contractor's performance; <p>Ensure staff involved with managing contracts are suitably trained. Training will be rolled out across the council to all staff who are involved in contract management and delivered in two parts:</p> <ol style="list-style-type: none"> 1.Proactis Contract Management module 2.Contract management principles (to explore the use of e-learning). <p>Contract Management framework will be produced to document the stages of contract management and include a task list with the minimum recommended activities to undertaken. Scope to develop standard templates at a later stage.</p> <p>Contract Managers Forum to be set up to share best practice.</p> <p>Once framework circulated and e-learning and training provided, guidance notes to be developed to provide staff with additional information around contract management.</p> <p>Procurement business partners to run a Proactis report showing a list of contracts by service area and share with service management teams in order for the Heads of Service to ensure that contracts are appropriately uploaded.</p>
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	<p>Scope to include contract risk categorisation score down the line once the contract management framework is launched.</p> <p>A review of the current contract management system (Proactis) to be undertaken to establish if the system is still fit for purpose. If the current system is considered unfit, then a business case will be formed to justify replacement.</p> <p>Review the commissioning form to include a section on KPIs to prompt for their inclusion in relevant contracts e.g. high and medium risk/strategic contracts.</p> <p>Proactis has the potential to send out reminders if monitoring is not completed/uploaded through creation of tasks. This will be included as part of the Proactis contract management training (see action 2.1).</p> <p>Review of the contract management system confirms it has the functionality to record contract risks. Mandatory field to be added to Proactis to capture the information and enable reporting</p> <p>All risks associated with operating a contract need to be recorded on a pre-contract risk form.</p> <p>A Contract Management framework will be taken to SLT for approval with the view for it to be adopted for all new contracts and applied by all services.</p> <p>Contract risk scores will be picked up in Proactis reports generated for service management teams to review and Heads of Service to ensure that the framework is applied appropriately.</p> <p>See also action 1.1, Heads of Service to ensure that any contracts deemed as a significant risk to the service or council are captured on the service risk register where appropriate.</p> <p>Community Benefit Hub will monitor all community benefits centrally to coordinate and ensure that they are delivered. Links to Internal Audit review of Section 106 agreements</p>
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[Caption; Issues identified by internal Audit 2021/22 and agreed actions to mitigate the issues.]

Chief Finance Officer Statement on Compliance with the Financial Management Code

The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for local authorities.

The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium- and long-term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

Each local authority must demonstrate that the requirements of the Code are being satisfied.

As Section 151 Officer I have the Statutory Responsibility (supported by the Corporate Leadership Team and Elected Members) for ensuring compliance with the FM Code. I have carried out a full assessment of Denbighshire's compliance with the FM Code, as part of the annual review of the Annual Governance Statement and I can confirm that in my opinion Denbighshire is compliant with the code in the majority of areas. However, areas of improvement have been identified, many of which are already underway, including:

- Review and document complete Capital Process including SIG Terms of Reference, clear decision making, accounting and project management processes.
- Development a clear long-term capital strategy.
- Monitor on-going impact of Covid on services.
- Further develop the Budget Process to embed long term decision-making and consultation as core principles
- We will continue to lobby for multi-year indicative settlement figures from Welsh Government.
- Complete the annual review of the Medium Term Financial Strategy.

- Include Unearmarked Reserves figure in the Corporate Dashboard to compliment the annual outturn projections.

Key indicators

The adequacy of governance arrangements can also be gauged using several key outcome indicators:

Key performance indicators	Outcomes 2021/22
Statutory reports issued by the Monitoring Officer (Section 5 - Local Government and Housing Act 1989)	None issued
Proven frauds by councillors or members of staff	None in 2021/22
Ombudsman referrals 2021/22	No complaints upheld
Internal audit reports	2 low assurance reviews
Complaints about elected members	2 in 2021/22
Number of negative reports from our External Regulators	None in 2021/22

Assurances from External Regulators:

Audit Wales

The Council's external auditor, Audit Wales, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The Auditor General gave an unqualified true and fair opinion on the council's financial statements on 29 November 2021.

Annual Audit Summary Report 2021 provided a summary of their audit work which included:

- Continuous Improvement – The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year

2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

- Financial Sustainability - In Denbighshire County Council we concluded that the Council is well placed to maintain its financial sustainability over the medium term – it has a good track record of managing its budget and continues to work to further improve its financial position.
- Recovery Plan - Denbighshire County Council's recovery from the impact of the pandemic benefited from proactive engagement at both a regional and local level and the Council's planning and decision-making processes showed strong and consistent collective leadership. The Council's approach to recovery benefited from positive officer/member relations and addressed the challenges posed by the pandemic. Some actions taken during the response to the crisis, such as maintaining a focus on its climate change ambitions and well-established financial reporting arrangements were particularly positive.
- Delivering Environmental Ambitions - We concluded in our report that the Council is making excellent progress in embedding its environmental ambitions. We noted that the Council has moved quickly to embed its environmental ambitions in its strategic planning frameworks, it is communicating its ambitions well and has put baseline measures in place using an established performance framework. The full cost of the ambition is not yet known, more comprehensive stakeholder mapping would further strengthen engagement, and reporting over the next year will help the environmental ambitions to embed and the measures to evolve.
- Commissioning Older Peoples Care Home Placements - In concluding this work, we recognised that responsibility for the current challenges in the commissioning arrangements was widespread. The Welsh Government sets the national framework which is complex, and local partners have responsibility for the way that national policy and guidance are implemented. We have therefore reported locally to councils and the Health Board, and nationally to the Welsh Government, recommending actions that these bodies should take.

Estyn and Care Inspectorate Wales

The Council is subject to Statutory External Inspections from various bodies including ESTYN and Care Inspectorate Wales (CIW). Recent work is summarised below:

- CIW and Healthcare Inspectorate Wales published their joint National review of the use of Deprivation of Liberty Safeguards (DoLS) in Wales.
- In November 2021, CIW also published its national overview report of assurance checks in Wales and Let me flourish, a national review of early help, care and support and transition for disabled children in Wales.
- In November 2021, CIW published its Assurance Check letter for the Council which summarises the findings of the CIW assurance check carried out in June and July 2021.

Action Taken in Response to 2020/21 Annual Governance Statement

Last year's Annual Governance Statement highlighted seven areas for improvement. The table below sets out the action taken to address these issues during 2021/22:

Improvement areas identified in 2020/21	Progress to date
Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.	<p>This is still ongoing as the service over the last year has gone through a number of changes and has struggled with recruiting staff.</p> <p>It has been agreed at the HoS meeting in March 2022 that this would be rolled over into 2022/23.</p>
Continuing budget pressures and uncertainty over funding. Also, address any actions arising from the review of the Financial Management Code	<p>Welsh Government provided multi-year indicative settlement figures in 2021/22 for 2023/24 and 2024/25 and we will lobby for this practice to continue.</p> <p>We reviewed the Medium Term Financial Strategy and will continue to review on an annual basis.</p> <p>Work on the following areas are continuing and will be rolled over to 2022/23:</p> <ul style="list-style-type: none"> • Review and document complete Capital Process including SIG Terms of Reference, clear decision making, accounting and project management processes. • Develop a clear long-term capital strategy. • Monitor on-going impact of Covid on services. • Further develop the Budget Process to embed long term decision-making and consultation as core principles <p>Include Unearmarked Reserves figure in the Corporate Dashboard to compliment the annual outturn projections.</p>
Address contract management weaknesses highlighted by Internal Audit.	<p>Internal audit completed the follow up review and the outcome was improvements had been made and the low assurance has been changed to a medium assurance rating. The next follow up has been scheduled for June 2022.</p>

Improvement areas identified in 2020/21	Progress to date
Implement requirements of the Local Government & Elections (Wales) Act 2021.	The Head of Legal, HR & Democratic Services and Strategic Planning & Performance Manager have completed this task.
Workforce capacity and resilience and reliance on key positions	<p>The appointment of the appointed of a new Chief Executive has been completed and on 14 March 2022 the Chief Executive took a report to Full Council to consider the strategic direction of the Council, including a proposal to restructure the Council's Senior Leadership Team (SLT).</p> <p>The report was approved by Council and going forward the Council will have three Corporate Directors, one is already in post and the other two will be appointed in 2022/23.</p> <p>The HOS for Education & Children Services post has been split into a Head of Education Services and Head of Children Services and have both been filled.</p> <p>The review and update of the workforce plan is still ongoing as the service has been through a number of recruitments including filling the HR Manager post following a secondment. This process has been made harder as the team have struggled to recruit staff into the vacant positions.</p> <p>Internal Audit has not carried out the workforce planning process review, but has agreed with the Head of Legal, HR, & Democratic Services in March 2022, to put the review back to the end of quarter 2, so that the service has sufficient time to carry out the review.</p> <p>As the Council is now moving out of the Pandemic and staff are slowly returning to the office, the emphasis is now on developing the New Ways of Working Project.</p>
Review the Whistleblowing Policy	This review has not been completed and has been agreed to roll into the following year.
Uncertainty over future funding arrangements following EU Exit.	Resources and processes put in place to ensure that the Council maximises the opportunities in relation to the new UK Funding Initiatives including the UK Levelling Up Fund, UK

Improvement areas identified in 2020/21	Progress to date
	<p>Community Renewal Fund and the forthcoming UK Shared Prosperity Fund. Also, ensure coordination with other funding streams e.g. WG Transforming Towns Fund.</p> <p>Matrix team established and work will continue to maximise opportunities from these new initiatives.</p>

[Caption; Areas of improvements for 2020/21 and progress to date]

Improvement Actions Arising from 2021-22 Annual Governance Statement

Looking ahead, the following areas for improvement have been identified to be addressed in 2022/23. This takes into consideration the continued impact of the coronavirus pandemic on governance:

Improvement areas identified for 2022/23	Agreed action
Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.	<p>Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.</p> <p>Revised system to capture officer declaration of interests and gifts and hospitality.</p> <p>Strategic HR Manager by 31/03/2023.</p>
Workforce capacity and resilience and reliance on key positions	<p>Recruit vacant Senior Management Team positions i.e. Two Corporate Directors.</p> <p>CET / Strategic HR Manager, Leader & Director Communities by 31/07/2022.</p> <p>Review and update the workforce plan and coordinate an assessment with services.</p> <p>Strategic HR Manager by 30/09/2022.</p> <p>Internal Audit review of workforce planning process.</p> <p>Chief Internal Auditor by 31/10/2022.</p> <p>New Ways of Working Project includes a work-stream developing new HR policies to support future work patterns.</p> <p>Head of Customer, Communications & Marketing / Head of Legal, HR & Democratic Services by 30/09/2022.</p>
Review the Whistleblowing Policy	Update the policy capturing lessons learned from recent concerns raised.

Improvement areas identified for 2022/23	Agreed action
	Head of Legal, HR & Democratic Services by 31/03/2023.
Address exceptions, exemptions and variations from Contract Procedure Rules (CPRs)	Internal Audit will review progress in quarter 2, when the first follow up review is completed and findings will be reported to the next Governance & Audit committee.
Continuing budget pressures and uncertainty over funding. Also, address any actions arising from the review of the Financial Management Code	<p>Welsh Government provided multi-year indicative settlement figures in 2021/22 for 2023/24 and 2024/25 and we will lobby for this practice to continue.</p> <p>We reviewed the Medium Term Financial Strategy and will continue to review on an annual basis.</p> <p>Work on the following areas are continuing and will be rolled over to 2022/23:</p> <ul style="list-style-type: none"> • Review and document complete Capital Process including SIG Terms of Reference, clear decision making, accounting and project management processes. • Develop a clear long-term capital strategy. • Monitor on-going impact of Covid on services. • Further develop the Budget Process to embed long term decision-making and consultation as core principles. <p>Include Unearmarked Reserves figure in the Corporate Dashboard to compliment the annual outturn projections.</p>


[Caption; Areas of improvements for 2022/23 and agreed actions]


The areas for improvement that we have identified will be monitored by the Governance & Audit Committee and the Corporate Governance Officers Group. This plan also includes any issues raised in last year's action plan that have not yet been fully addressed.

Annual Governance Statement

Certification

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.

Name	Cllr Jason McLellan, Leader of the Council
Signed	
Dated	

Name	Graham Boase, Chief Executive
Signed	
Dated	

Section 8: Glossary

ACCOUNTING PERIOD - The period of time covered by the accounts, typically a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

ACCOUNTING POLICIES - The specific principles, bases, conventions, rules & practices applied by the Council in preparing & presenting its financial statements.

ACCRUALS - Amounts included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES - For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have varied.

AGENCY ARRANGEMENTS - An arrangement between two organisations where one will act as an agent, collecting money on behalf of the other party, to whom the money is then paid over. An example of this is NNDR collections, where the Council is acting as the billing agent for central government, collecting money from tax payers on behalf of central government and then paying it over to them.

AMORTISATION - The gradual elimination of a liability, such as a loan, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal & interest.

ASSET - An item having value to the authority in monetary terms. Assets are classed as either current or non current:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **non current** asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

AUDIT OF ACCOUNTS - An independent review of the Authority's financial affairs.

BALANCE SHEET - A statement of the recorded assets, liabilities and reserves at the end of the accounting period.

BUDGET - The anticipated net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE - Expenditure on the procurement of a non current asset, which will be used in providing services beyond the current accounting period or expenditure that adds to, and not merely maintains, the value of an existing non current asset.

CAPITAL FINANCING - Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME - The capital schemes the Council intends to carry out over a specified period of time.

CAPITAL RECEIPT - The income from the disposal of land or other non current assets. Proportions of Housing capital receipts can be used to finance new capital expenditure,

within rules set down by the Government, but they cannot be used to finance revenue expenditure except for Revenue Expenditure Funded from Capital Under Statute.

CASH - Comprises cash on hand & demand deposits.

CASH EQUIVALENTS - Short-term, highly liquid investments that are readily convertible to known amounts of cash & which are subject to an insignificant risk of changes in value.

CASH FLOWS - Inflows & outflows of cash & cash equivalents.

CIPFA - The Chartered Institute of Public Finance and Accountancy.

COMMUNITY ASSETS - Assets that the Council plans to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

CONTINGENT ASSET - A contingent asset is a likely asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

CONTINGENT LIABILITY - A contingent liability is either:

- a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR - Amount owed by the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS) - The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR - Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME - Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATED REPLACEMENT COST (DRC) - A method of valuation which gives a recognised approximation for the market value of specialised properties. It is an estimate of the market value for the existing use of the land, plus the current gross replacement costs for the building less an allowance for physical deterioration of the asset to its current equivalent physical state.

DEPRECIATION - The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Authority's non current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

DISCRETIONARY BENEFITS (PENSIONS) - Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as The Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007.

EFFECTIVE INTEREST RATE - This is the rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition.

EMPLOYEE BENEFITS - All forms of consideration given by the Council in exchange for service rendered by its employees.

EVENTS AFTER THE BALANCE SHEET DATE - Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS - Material items which derive from affairs or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXISTING USE VALUE (EUV) - The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. It assumes that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

EXPECTED RETURN ON PENSION ASSETS - For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS - Material items, having a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE - The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

FINANCE LEASE - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee.

FINANCIAL INSTRUMENT - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

FINANCING ACTIVITIES - Activities that result in changes in the size & composition of the principal received from or repaid to external providers of finance.

GOING CONCERN - The concept that the statement of accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS - Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. Grants may be specific to a particular scheme or may support the revenue or capital spend (respectively) of the Authority in general.

HOUSING BENEFITS - A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA) - A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

IMPAIRMENT - A reduction in the value of a non current asset to below its carrying amount on the balance sheet. Impairment may be caused by a consumption of economic benefit (economic benefit impairment) or a general fall in prices.

INCOME - Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

INCOME AND EXPENDITURE ACCOUNT - The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS - Non current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS - An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets most frequently found in local authorities are computer software.

INTEREST COST (PENSIONS) - For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVENTORIES - Items of raw materials and stores an authority has procured and holds in expectation of future use.

INVESTING ACTIVITIES - The acquisition & disposal of long-term assets & other investments not included in cash equivalents.

INVESTMENT PROPERTY - Property that is held solely to earn rentals or for capital appreciation or both.

INVESTMENTS (PENSION FUND) - The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

LEASE - An agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for a period of time.

LIABILITY - A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

MATERIALITY - The concept that the Statement of Accounts should contain all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP) - The minimum amount, which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

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.

Report to	Governance and Audit Committee
Date of meeting	27 July 2022
Lead Member / Officer	Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance
Title	1. Annual Treasury Management (TM) Report 2021/22 (Appendix 1) 2. TM Update Report 2022/23 (Appendix 2)

1 What is the report about?

- 1.1 The Annual TM Report 2021/22 (Appendix 1) is about the Council's investment and borrowing activity during 2021/22. 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 2022/23 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 2022 was £234.7m at an average rate of 3.77% and the Council held £28.7m in investments at an average rate of 0.47%.

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 Governance and Audit 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 2021/22.

2.2 Role of Governance and Audit Committee

2.2.1 The TM team will provide reports to the Governance and Audit Committee in accordance with the timetable below:

Committee	Date	Report Title	Report Content
Governance & Audit	January	TM Update	<ul style="list-style-type: none"> - External environment - Risks - Activity - Controls - Future Activity
Governance & Audit	January	TM Strategy	<ul style="list-style-type: none"> - Policy - Strategy - Prudential Indicators
Council	February	TM Strategy	As above
Governance & Audit	July	TM Update	As TM Update above
Governance & Audit	July	TM Review	<ul style="list-style-type: none"> - 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 Governance and Audit 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. The Council's treasury advisers, Arlingclose

Ltd, will also be providing a training session for members shortly to cover these areas in greater depth.

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 2021/22 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2021/22 (Appendix 1).
- 3.2 That members note the TM update report (Appendix 2) for performance to date in 2022/23.
- 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 2021/22;
 - 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 It is a requirement of the CIPFA Code of Practice on TM for this committee to receive an update on the TM activities twice a year and to review an Annual TM Report.

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.

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Appendix 1

DENBIGHSHIRE COUNTY COUNCIL

ANNUAL TREASURY MANAGEMENT REPORT 2021/22

Steve Gadd
Head of Finance

CONTENTS

Section	Title
1	Background
2	Economic Background
3	Borrowing Activity
4	Investment Activity
5	Compliance with Prudential Indicators
6	Money Laundering Update
	Annex A - PWLB borrowing rates and UK Money Market rates
	Annex B – Compliance with Prudential Indicators 2021/22
	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 Governance and Audit 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 continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.
- 2.2 Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.
- 2.3 Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.
- 2.4 In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in

2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

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 01/04/2021 £000	Maturing loans £000	Premature repayments £000	New Borrowing £000	Balance at 31/03/2022 £000
Fixed rate loans – Public Works Loan Board (PWLB)	220,006	10,300	0	0	209,706
Total borrowing	220,006	10,300	0	0	209,706

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

3.3 As a result of this borrowing, the average rate on the Council's debt decreased from 3.95% at 1 April 2021 to 3.77% at 31 March 2022.

3.4 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 £28.7m at the end of 2021/22. 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 01/04/2021 £000	Investments Raised £000	Investments Repaid £000	Balance at 31/03/2022 £000
Investments	17,800	375,600	364,700	28,700

- 4.4 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 2021/22 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

- 4.5 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.
- 4.6 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

- 4.7 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

- 4.8 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

- 4.9 The Council sought to achieve the best return balanced against its objectives of security and liquidity. The UK Bank Rate remained at 0.1% until December 2021 at which point it was increased to 0.25% with further increases to follow up to 0.50% in February and 0.75% in March. Short term money market rates remained at very low levels which had a significant impact on investment income.
- 4.10 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 2021/22, which were set in February 2021 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 2021/22. 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 has a Money Laundering Policy and maintains procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that relevant staff are properly trained. This policy is due to be reviewed and updated in view of new regulations.
- 6.2 The Section 151 Officer is the Money Laundering Reporting Officer with the Deputy Section 151 Officer as the Deputy. 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 2021/22

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

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

Start Date	Length of Loan		
	1yr %	19½-20 yrs %	49½-50 yrs %
01-Apr-21	0.99	2.35	2.19
30-Sep-21	1.18	2.37	2.17
31-Mar-22	2.11	2.86	2.59

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

Date	Bank Rate %	7-day Investment Rates %	1-month Investment Rates %	6-month Investment Rates %
01-Apr-21	0.10	0.05	0.02	0.09
30-Sep-21	0.10	0.05	0.03	0.16
31-Mar-22	0.75	0.70	0.61	1.33

Compliance with Prudential Indicators 2021/22

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	2021/22 Estimated February 2021 £000	2021/22 Revised February 2022 £000	2021/22 Outturn March 2022 £000
Non-HRA	56,031	41,751	35,544
HRA	20,663	24,448	15,715
Total	76,694	66,199	51,259

- 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 2022/23.

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	2021/22 Estimated February 2021 £000	2021/22 Revised February 2022 £000	2021/22 Outturn March 2022 £000
Financing Costs	15,246	15,515	15,515
Net Revenue Stream	216,818	216,818	216,818
Non-HRA Ratio	7.03%	7.16%	7.16%
Financing Costs	6,498	6,219	5,807
Net Revenue Stream	16,743	16,365	16,365
HRA Ratio	38.81%	38.00%	35.48%

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 2021/22 is demonstrated in the following table:

Capital Financing Requirement	2021/22 Estimated February 2021 £000	2021/22 Revised February 2022 £000	2021/22 Outturn March 2022 £000
Non-HRA	240,511	216,900	216,974
HRA	84,394	76,251	70,879
Total	324,905	293,151	287,853
Borrowing	279,705	239,705	234,706

NB The outturn figures are taken from the pre-audited Statement of Accounts 2021/22 so they may be subject to change.

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

Summary Table:

2021/22	31/03/2022 £000
External Borrowing	234,706
Internal Borrowing	53,147
Operational Boundary	275,000
Authorised Limit	280,000

- 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 £243.7m. In addition to external borrowing, the Council uses its own reserves and balances to fund capital expenditure and this is known as internal borrowing as shown in the table above.

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

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

	2021/22 Estimated %	2021/22 Actual Peak Exposure %
Upper Limit for Fixed Rate Exposure	100	100
Upper Limit for Variable Rate Exposure	40	0

6 Maturity Structure of Fixed Rate borrowing

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

Maturity structure of fixed rate borrowing	Upper limit %	Lower limit %	Actual Borrowing as at 31/03/2022 £000	Percentage of total as at 31/03/2022 %
under 12 months	30	0	32,563	13.87
12 months and within 24 months	30	0	7,503	3.20
24 months and within 5 years	30	0	21,209	9.04
5 years and within 10 years	30	0	29,668	12.64
10 years and above	100	50	143,762	61.25
Total			234,705	100.00

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 2021/22 this limit was set at £10m. The Council did not have any investments which exceeded 364 days during 2021/22.

8 Adoption of the CIPFA Treasury Management Code

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

GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

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

COVERED BOND

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

GILT

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

REPO

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

FTSE 100

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

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Treasury Management (TM) Update Report

1 Changes in the external environment

Economic Outlook

- 1.1 The economic outlook remains uncertain following the impact of the coronavirus and the war in Ukraine. In view of this uncertainty, the Council will continue to take a cautious approach in relation to its investments.

2 Investment Strategy

- 2.1 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has placed a far greater emphasis on investing with the UK Government's Debt Management Office (DMO) in order to minimise these risks. The majority of our investment cash is therefore placed with the DMO on a short term basis to meet monthly outgoings and the remainder with two instant access call accounts up to a maximum limit of £3m with each.
- 2.2 Although the Council's current cash flow position remains healthy, the position is reviewed constantly with a view to undertake temporary borrowing if required later in the year as the level of our investment cash decreases.

3 Borrowing Strategy

- 3.1 The Council currently has 4 temporary loans from other local authorities for £22m in total over periods up to 1 year. This total is made up of £15m which is repayable in October and £7m in November. At that time, the Council will review its cash flow position and will either repay those loans or continue the loans for a further period if the cash is required. Local authority loans remain a readily available source of cash at historically low rates so the Council will therefore continue to undertake temporary borrowing from other local authorities in the future as required to cover short-term cash flow requirements.
- 3.2 Although the Council hasn't borrowed from the Public Works Loan Board (PWLB) since March 2020, the Council will 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.
- 3.3 At the last strategy meeting with the Council's treasury advisers, Arlingclose Ltd, the analysis of the Balance Sheet projections showed that the Council is likely to have a significant borrowing requirement in the future. Despite this, it was agreed that temporary local authority

borrowing continues to be the best strategy. They advised against borrowing too far in advance of need given the ongoing high cost of carry from having expensive borrowing that is invested for the short term at extremely low rates.

4 PWLB Borrowing Update

- 4.1 Following the PWLB's recent review of its borrowing terms, we have been required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. In particular, we had to confirm that we were not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. We were able to give this assurance so we can continue to take advantage of PWLB borrowing at low rates.

5 Controls

Prudential Indicators

- 5.1 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 2022/23 as stated in the TM Strategy Statement and the Capital Strategy Report agreed by Council in February 2022. The Council has not deviated from the Capital related indicators either.
- 5.2 From 2019/20, the Capital related Prudential Indicators have been excluded from the Treasury Management Strategy Statement (TMSS) and included in the Capital Strategy Report which is a new report introduced by the 2017 edition of the Prudential Code. It is intended to give a high level, concise and comprehensible overview to all elected members of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.
- 5.3 The Capital Strategy Report was included with the Capital Plan report to Council in February 2022 and included the following Capital related Prudential Indicators:

Estimates of Capital Expenditure and Financing
Ratio of Financing Costs to Net Revenue Stream
Capital Financing Requirement
Authorised Limit and Operational Boundary for External Debt

5.4 Audit Reviews

The last Internal Audit review was undertaken in January 2021 and found that there are effective controls in place with good examples of working practices identified. A medium assurance rating was awarded with 3 recommendations made to review risk registers, the documentation of procedures and the recording of Treasury Management decisions. All of these recommendations have been implemented.

6 Future

6.1 TM Strategy for next six months

As planned capital expenditure is incurred or delayed in some cases as a result of the pandemic, the Council will continue to monitor its cash flow position to ensure that temporary borrowing is undertaken if required. The Council will also monitor market conditions and interest rate levels to ensure that external PWLB borrowing is undertaken at the optimal time in line with the TM strategy.

6.2 Staffing Changes

One member of the TM team retired at the end of June and his replacement will be trained so that he can be included on the rota for covering TM duties in the future. Two new employees have also been added to the TM rota to provide additional cover and they have received training and have recently started their TM duties.

6.3 Medium Term Capital Strategy

Work is currently underway to develop a medium term strategy for capital. This will help identify projects that we are planning to develop and invest in over a 5 to 10 year period, but have not yet gone through the approval process. This will impact on the level of borrowing that the Council will require to undertake over the coming years. A detailed model is currently being developed with our Treasury Management advisers to help inform the decision making process to ensure that the correct balance is maintained between the need to invest in our assets and continue to deliver an ambitious investment programme and ensuring the plans remain prudent and affordable.

6.4 Reports

The Annual TM Report 2021/22 will be submitted to Cabinet in September following a review by the Governance and Audit Committee. The next reports to the Governance and Audit Committee will be the Treasury Management Strategy Statement and Prudential Indicators 2023/24 and the TM Update Report 2022/23 in January.

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Annual Treasury Management Report 2021/22: 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 2021/22

Date Completed: 17/06/2022 13:05:36 Version: 23

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

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

2 out of 4 stars

Actual score : 23 / 36.

Summary for each Sustainable Development principle

Long term

The impact of this report is neutral in this particular area.

Prevention

The impact of this report is neutral in this particular area.

Integration

The impact of this report is neutral in this particular area.

Collaboration

The impact of this report is neutral in this particular area.

Involvement

The impact of this report is neutral in this particular area.

Summary of impact

Well-being Goals	Overall Impact
A prosperous Denbighshire	Positive
A resilient Denbighshire	Positive
A healthier Denbighshire	Neutral
A more equal Denbighshire	Neutral
A Denbighshire of cohesive communities	Neutral
A Denbighshire of vibrant culture and thriving Welsh language	Neutral
A globally responsible Denbighshire	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.

The likely impact on Denbighshire, Wales and the world.

A prosperous Denbighshire

Overall Impact

Positive

Justification for impact

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.

Further actions required

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:

A low carbon society

Not applicable

Quality communications, infrastructure and transport

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.

Economic development

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.

Quality skills for the long term

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.

Quality jobs for the long term

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.

Childcare

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:

A low carbon society

Not applicable

Quality communications, infrastructure and transport

Not applicable

Economic development

Not applicable

Quality skills for the long term

Not applicable

Quality jobs for the long term

Not applicable

Childcare

Not applicable

A resilient Denbighshire

Overall Impact

Positive

Justification for impact

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.

Further actions required

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:

Biodiversity and the natural environment

Not applicable

Biodiversity in the built environment

Not applicable

Reducing waste, reusing and recycling

Good investment decisions will help the Council to develop more efficient working practices which will use less resources.

Reduced energy/fuel consumption

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.

People's awareness of the environment and biodiversity

Not applicable

Flood risk management

Not applicable

Negative impacts identified:

Biodiversity and the natural environment

Not applicable

Biodiversity in the built environment

Not applicable

Reducing waste, reusing and recycling

Not applicable

Reduced energy/fuel consumption

Not applicable

People's awareness of the environment and biodiversity

Not applicable

Flood risk management

Not applicable

A healthier Denbighshire

Overall Impact

Neutral

Justification for impact

Proposals have little or no direct impact on the vast majority of residents as the strategy involves managing the Council's investments and borrowing.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

A social and physical environment that encourage and support health and well-being

Not applicable

Access to good quality, healthy food

Not applicable

People's emotional and mental well-being

Not applicable

Access to healthcare

Not applicable

Participation in leisure opportunities

The strategy contributes to the overall financial health of Denbighshire and therefore supports the delivery of the annual budget.

Negative impacts identified:

A social and physical environment that encourage and support health and well-being

Not applicable

Access to good quality, healthy food

Not applicable

People's emotional and mental well-being

Not applicable

Access to healthcare

Not applicable

Participation in leisure opportunities

Not applicable

A more equal Denbighshire

Overall Impact

Neutral

Justification for impact

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

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

Not applicable

People who suffer discrimination or disadvantage

Not applicable

People affected by socio-economic disadvantage and unequal outcomes

An efficient treasury management strategy contributes to the financial resilience of the Council and supports service delivery.

Areas affected by socio-economic disadvantage

Not applicable

Negative impacts identified:

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

Not applicable

People who suffer discrimination or disadvantage

Not applicable

People affected by socio-economic disadvantage and unequal outcomes

Not applicable

Areas affected by socio-economic disadvantage

Not applicable

A Denbighshire of cohesive communities

Overall Impact

Neutral

Justification for impact

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Safe communities and individuals

Not applicable

Community participation and resilience

Not applicable

The attractiveness of the area

Not applicable

Connected communities

Not applicable

Rural resilience

Not applicable

Negative impacts identified:

Safe communities and individuals

Not applicable

Community participation and resilience

Not applicable

The attractiveness of the area

Not applicable

Connected communities

Not applicable

Rural resilience

Not applicable

A Denbighshire of vibrant culture and thriving Welsh language

Overall Impact

Neutral

Justification for impact

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

People using Welsh

Not applicable

Promoting the Welsh language

Not applicable

Culture and heritage

Not applicable

Negative impacts identified:

People using Welsh

Not applicable

Promoting the Welsh language

Not applicable

Culture and heritage

Not applicable

A globally responsible Denbighshire

Overall Impact

Neutral

Justification for impact

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Local, national, international supply chains

Not applicable

Human rights

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.

Broader service provision in the local area or the region

All borrowing is undertaken from central Government as detailed in the strategy and in line with other local authorities.

Reducing climate change

Not applicable

Negative impacts identified:

Local, national, international supply chains

Not applicable

Human rights

Not applicable

Broader service provision in the local area or the region

Not applicable

Reducing climate change

Not applicable

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Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
21 Sept 22	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Internal Auditor
	4	Forward Work Programme			Democratic Services
		Reports			
	5	Annual Corporate Health and Safety report	To consider the Health & Safety management within DCC during 2021-2022.		Corporate Health and Safety Manager – Gerry Lapington
	6	Fire Safety Report	To receive the annual report on the Fire Safety programme and performance.		Fire Safety Manager – Dawn Jones
	7	Approval of the Statement of Accounts 2021/22	To receive the audited accounts	Yes	Head of Finance – Steve Gadd
	8	Audit of Accounts Report 2021-22			Head of Finance – Steve Gadd
	9	Follow up – Project Management of Queen's building Rhyl	To receive a follow up report following a low assurance Internal Audit review.		Chief Internal Auditor

Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
	10	CIW Inspection Report – Children’s Services	To receive an update report		Rhiain – Morrille – Head of Children’s Services
	11	Audit Wales Report - Delivering Sustainable Improvement			Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	12	Annual Whistleblowing Report			Gary Williams, Head of Legal, HR & Democratic Services
23 Nov 22	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			
	4	Corporate Risk Register	To receive a review of the Corporate Risk Register.		Strategic Planning & Performance Team Leader - Iolo McGregor
	5	Care Inspectorate Wales – Assurance Check 2021- Update	To receive an update report on the actions (Confirm if ready)		Nicola Stubbins – Corporate Director
	6	Annual SIRO Report			Barry Eaton/ Nicola Kneale
	7	Queens Building Project – Contingency Report			Head of Finance – Steve Gadd
	8	Budget Process Update			Head of Finance – Steve

Meeting	Item (description / title)	Purpose of report	Decision required (yes/no)	Author – contact officer
				Gadd

FUTURE ITEMS			
	1	Audit Wales report- Update	Nicola Stubbins – Audit Wales
	2	Updates of Commissioning of older peoples care home placements.	Nicola Stubbins – To present to committee when an update is available.

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.

Date Updated : 13/6/2022 SJ

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Report to	Governance and Audit Committee
Date of meeting	27 th July 2022
Lead Member / Officer	Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance and Property
Title	Audit Enquiries 2021/22

1. What is the report about?

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

2. What is the reason for making this report?

Audit Wales (AW), as DCC's appointed external auditors, have a duty to obtain evidence of how management and those charged with governance (in DCC this is the Governance and Audit Committee) are discharging their responsibilities for preventing and detecting fraud. The details of the responses and the letter setting out the requirements are included as **Appendix 1 and 2**. The responses relate to 2021/22 financial year and therefore the previous Governance and Audit Committee Chair was asked to review the Council's proposed response.

3. What are the Recommendations?

That the Governance and Audit Committee note that the responses included in Appendix 2 to this report have been approved by the previous Chair of the Governance and Audit Committee on 4th May 2022 and submitted to Audit Wales on 6th May 2022.

4. Report details

The details of the responses of both management (Steve Gadd, Head of Finance and Property, and Bob Chowdhury, Chief Internal Auditor) and Governance & Audit Committee (Cllr Barry Mellor, Chair of G&AC) are set out in Appendix 2. In summary the responses set out the Council's approach to the following areas of governance:

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

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

The annual external audit process underpins the financial stewardship and governance of the council and therefore supports all council services and priorities.

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

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

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

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

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

Wales Audit Office sought responses from Steve Gadd as Head of Finance and Property and Section 151 Officer and Cllr Barry Mellor as Chair of the Governance and Audit Committee. Bob Chowdhury, Chief Internal Auditor was also consulted.

9. Chief Finance Officer Statement

It is important that the Council discharges its responsibility for preventing and detecting fraud in all aspects of its work. The assurances sought by AW in relation to fraud form a useful check to ensure that there are appropriate processes are in place to identify and mitigate against the risk of fraud.

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

The risk is that fraud could lead to the misappropriation of the Council's assets or the manipulation or misstatement of the financial statements. The responses from management and the Governance and Audit Committee help demonstrate that there are processes in place for identifying and responding to the risk of fraud and that adequate internal controls are in place to mitigate those risks.

11. Power to make the decision

The International Standard for Auditing (UK and Ireland) 240 (ISA 240) sets out that the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for DCC is the Corporate Governance Committee. The ISA 240 also sets out the requirement for external audit to obtain an understanding of how the Council discharges its responsibilities.

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Reference: CGC/MW/DCC
Date: 5 April 2022

Mr Steve Gadd – Chief Finance Officer (S151)
Mr Barry Mellor – Chair of the Governance and Audit Committee
Via email

Dear Steve and Councillor Mellor

Denbighshire County Council 2021-22

Audit enquiries to those charged with governance and management

As I'll set out in my 2022 Audit Plan, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It will also set out the respective responsibilities of auditors, management and those charged with governance.

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

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

1. Management processes in relation to:

- Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud
- Identifying and responding to risks of fraud in the organisation

- Communication to employees of views on business practice and ethical behaviour; and
 - Communication to those charged with governance the processes for identifying and responding to fraud
2. Management's awareness of any actual or alleged instances of fraud
 3. How management gain assurance that all relevant laws and regulations have been complied with.
 4. Whether there is any potential litigation or claims that would affect the financial statements.
 5. Managements processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2021-22 financial statements.

I would be grateful if you could complete the attached tables covering the period 1 April 2021 to 31 March 2022 in **Appendices 1 – 3** and return by 30 April 2022. For information purposes, where applicable, this table also includes the responses provided in 2020-21.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance. If you have queries, please contact me on 02920 829389 or by email at mike.whiteley@audit.wales.

Yours sincerely



Mike Whiteley
Audit Manager – For and on behalf of the Auditor General

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

Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and ‘those charged with governance’. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures, we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

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

We also need to understand how those charged with governance exercises oversight of management’s processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected, or alleged fraud, for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?</p>	<p>Low Risk – reasons set out below:</p> <ul style="list-style-type: none"> • Checks and balances in place within Finance and financial systems. • All entries and notes within the published statements are subject to a tight control and checking process. • Financial systems subject to annual internal audit reviews. • Segregation of duties built into systems and procedures. • Bank reconciliation process separate from other activity. • Robust monthly budget monitoring and reporting. • Well defined procurement processes – contract procedure rules. • Delegation schemes and approval processes built into ordering and payment systems. • Expenditure approval processes linked to the above – thresholds set within delegation schemes. • Tight controls over journal processing • Treasury management policies and procedures well established with clear segregation built into the investment and payment processes. • Minimal cash transactions. • Professionally qualified and experienced staff. • National Fraud Initiative (NFI) participation. • Internal Audit provides an objective review of financial systems and procedures. • Current review of guidance on use of purchasing cards 	

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>Council has the following procedures in place, and these are kept under regular review.</p> <ul style="list-style-type: none"> • Anti-fraud & corruption policy. • Investigation procedures. • Whistle-blowing policy. • IA programme of work-based risk assessment. • IA projects consider potential for fraud and carry out appropriate tests. • Horizon scanning by Internal Audit to identify trends in frauds to develop a corporate fraud plan. • Financial systems reviews include annual data interrogation of payroll and creditor payments records. • Systems and procedures / checks and balances in Finance. • Reporting benefit and CT Fraud. • National Fraud initiative data matching and resulting investigations. • Internal Audit perform objective review of financial systems and procedures. • Risk of fraud captured in the corporate risk register and service risk registers where perceived to be a fraud risk. This includes mitigating controls relevant to the risk. 	
<p>3. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p>	<ul style="list-style-type: none"> • Requirement to report to the Chief Internal Auditor and Section 151 Officer in Financial Regulations and Disciplinary procedures. • Governance and Audit Committee's terms of reference include requirement for annual report on fraud work. 	

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
	<ul style="list-style-type: none"> • Internal Audit reports will raise issues as appropriate or escalate them for further formal investigation. • Issues would also be raised in the Annual Governance Statements if they identified a particular governance weakness. • Quarterly counter fraud updates to Governance and Audit Committee summarising progress with investigations and outcomes as part of internal audit update reports. • Internal Audit reviewed the Council's fraud management arrangements against CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Summary of the two reports highlighting fraud risks and issues were presented to Governance and Audit Committee as part of the Internal Audit update reports. Members also received a copy of the full reports separately. 	
<p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>Management have communicated expectations in respect of ethical governance and standards of conduct and behaviour via:</p> <ul style="list-style-type: none"> • References in the Constitution • Financial Regulations • Code of Conduct (members and staff) • Declaration of interests / related party declarations • Policies and procedures, financial procedures • Some services have specific codes of confidentiality / declarations of interest • E-learning module on Code of Conduct and Whistleblowing rolled out and mandatory completion of staff and forms part of induction process. 	

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?	All known or suspected fraud that Internal Audit have been made aware of have been investigated, records, maintained and Corporate Governance and Audit Committee are updated quarterly as part of the Internal Audit progress update. Although there have been individual investigations carried out by Internal Audit, there have been no material level frauds identified.	

Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response	2021-22 Response
1. How does the Audit and Governance Committee exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	<p>The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances. Governance & Audit Committee have a role in reviewing the Strategy for the Prevention & Detection of Fraud, Corruption & Bribery and Fraud Response Plan.</p> <p>Governance & Audit Committee maintains oversight of the Corporate Risk Register which includes a corporate risk relating to fraud.</p>	
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.	

Appendix 2

Matters in relation to laws and regulations

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

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

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

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

What are we required to do?

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

Enquiries of management – in relation to laws and regulations

Question	2020-21 Response	2021-22 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances.	
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2021-22 financial statements?	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.	
3. Are there any potential litigations or claims that would affect the financial statements?	The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances.	
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.	

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

Question	2020-21 Response	2021-22 Response
<p>1. How does the Audit and Governance Committee in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?</p>	<p>Through numerous reports throughout the year from both internal and external regulators and assurance provided through the governance framework underpinned by council standing orders, financial regulations, and other key policies. The Annual Governance Statement also gives assurance in this regard.</p>	
<p>2. Are you aware of any instances of non-compliance with relevant laws and regulations?</p>	<p>No. The G&AC is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee.</p>	

Appendix 3

Matters in relation to related parties

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

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

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

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties

Question	2020-21 Response	2021-22 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of the CIPFA code of accounting practice.</p>	
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<ul style="list-style-type: none"> • Declaration of interest forms and related party disclosure forms • Related Party forms now online submissions which has improved the timeliness of returns and help ensure a complete set of returns • Disclosures included within the statement of accounts (Head of Finance and Property) • Draft accounts reviewed by the G&AC • Policies, procedures and controls around the authorisation of any expenditure are well controlled, as evidenced in regulatory reports. 	

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

Question	2020-21 Response	2021-22 Response
1. How does the Audit and Governance Committee in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	The Governance and Audit Committee receive the Statement of Accounts and seek assurances from officers regarding their accuracy. Members are able to challenge / query any aspect of the statement of accounts. Independent assurance is provided by regulators supporting the robustness of internal control systems with respect to individual transactions.	

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Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance'. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures, we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

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

We also need to understand how those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected, or alleged fraud, for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?</p>	<p>Low Risk – reasons set out below:</p> <ul style="list-style-type: none"> • Checks and balances in place within Finance and financial systems. • All entries and notes within the published statements are subject to a tight control and checking process. • Financial systems subject to annual internal audit reviews. • Segregation of duties built into systems and procedures. • Bank reconciliation process separate from other activity. • Robust monthly budget monitoring and reporting. • Well defined procurement processes – contract procedure rules. • Delegation schemes and approval processes built into ordering and payment systems. • Expenditure approval processes linked to the above – thresholds set within delegation schemes. • Tight controls over journal processing • Treasury management policies and procedures well established with clear segregation built into the investment and payment processes. • Minimal cash transactions. • Professionally qualified and experienced staff. • National Fraud Initiative (NFI) participation. • Internal Audit provides an objective review of financial systems and procedures. • Current review of guidance on use of purchasing cards 	<p>Low Risk – reasons set out below:</p> <ul style="list-style-type: none"> • Checks and balances in place within Finance and financial systems. • All entries and notes within the published statements are subject to a tight control and checking process. • Financial systems subject to annual internal audit reviews. • Segregation of duties built into systems and procedures. • Bank reconciliation process separate from other activity. • Robust monthly budget monitoring and reporting. • Well defined procurement processes – contract procedure rules. Renewed emphasis on procurement and contract management including additional resources to help services manage contracts better and minimise the use of exception reports. • Delegation schemes and approval processes built into ordering and payment systems. • Expenditure approval processes linked to the above – thresholds set within delegation schemes. • Tight controls over journal processing • Treasury management policies and procedures well established with clear segregation built into the investment and payment processes. • Minimal cash transactions. • Professionally qualified and experienced staff. • National Fraud Initiative (NFI) participation.

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
		<ul style="list-style-type: none"> • Internal Audit provides an objective review of financial systems and procedures. • Further review of guidance on use of purchasing cards following expansion due to Covid and move away from cash • Internal Audit involved in setting up the procedures for administering the Covid-related grants on behalf of Welsh Government.
<p>2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>Council has the following procedures in place, and these are kept under regular review.</p> <ul style="list-style-type: none"> • Anti-fraud & corruption policy. • Investigation procedures. • Whistle-blowing policy. • IA programme of work-based risk assessment. • IA projects consider potential for fraud and carry out appropriate tests. • Horizon scanning by Internal Audit to identify trends in frauds to develop a corporate fraud plan. • Financial systems reviews include annual data interrogation of payroll and creditor payments records. • Systems and procedures / checks and balances in Finance. • Reporting benefit and CT Fraud. • National Fraud initiative data matching and resulting investigations. • Internal Audit perform objective review of financial systems and procedures. • Risk of fraud captured in the corporate risk register and service risk registers where perceived to be a fraud risk. This includes mitigating controls relevant to the risk. 	<p>Council has the following procedures in place, and these are kept under regular review.</p> <ul style="list-style-type: none"> • Anti-fraud & corruption policy. • Investigation procedures. • Whistle-blowing policy. • IA programme of work-based risk assessment. • IA projects consider potential for fraud and carry out appropriate tests. • Horizon scanning by Internal Audit to identify trends in frauds to develop a corporate fraud plan. • Financial systems reviews include annual data interrogation of payroll and creditor payments records. • Systems and procedures / checks and balances in Finance. • Reporting benefit and CT Fraud. • National Fraud initiative data matching and resulting investigations. • Internal Audit perform objective review of financial systems and procedures. • Risk of fraud captured in the corporate risk register and service risk registers where perceived to be a fraud risk. This includes mitigating controls relevant to the risk.

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>3. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p>	<ul style="list-style-type: none"> • Requirement to report to the Chief Internal Auditor and Section 151 Officer in Financial Regulations and Disciplinary procedures. • Governance and Audit Committee's terms of reference include requirement for annual report on fraud work. • Internal Audit reports will raise issues as appropriate or escalate them for further formal investigation. • Issues would also be raised in the Annual Governance Statements if they identified a particular governance weakness. • Quarterly counter fraud updates to Governance and Audit Committee summarising progress with investigations and outcomes as part of internal audit update reports. • Internal Audit reviewed the Council's fraud management arrangements against CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Summary of the two reports highlighting fraud risks and issues were presented to Governance and Audit Committee as part of the Internal Audit update reports. Members also received a copy of the full reports separately. 	<ul style="list-style-type: none"> • Requirement to report to the Chief Internal Auditor and Section 151 Officer in Financial Regulations and Disciplinary procedures. • Governance and Audit Committee's terms of reference include requirement for annual report on fraud work. • Internal Audit reports will raise issues as appropriate or escalate them for further formal investigation. • Issues would also be raised in the Annual Governance Statements if they identified a particular governance weakness. • Quarterly counter fraud updates to Governance and Audit Committee summarising progress with investigations and outcomes as part of internal audit update reports. • Internal Audit reviewed the Council's fraud management arrangements against CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Summary of the two reports highlighting fraud risks and issues were presented to Governance and Audit Committee as part of the Internal Audit update reports. Members also received a copy of the full reports separately.
<p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>Management have communicated expectations in respect of ethical governance and standards of conduct and behaviour via:</p> <ul style="list-style-type: none"> • References in the Constitution • Financial Regulations • Code of Conduct (members and staff) • Declaration of interests / related party declarations • Policies and procedures, financial procedures 	<p>Management have communicated expectations in respect of ethical governance and standards of conduct and behaviour via:</p> <ul style="list-style-type: none"> • References in the Constitution • Financial Regulations • Code of Conduct (members and staff) • Declaration of interests / related party declarations • Policies and procedures, financial procedures

Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
	<ul style="list-style-type: none"> Some services have specific codes of confidentiality / declarations of interest E-learning module on Code of Conduct and Whistleblowing rolled out and mandatory completion of staff and forms part of induction process. 	<ul style="list-style-type: none"> Some services have specific codes of confidentiality / declarations of interest E-learning module on Code of Conduct and Whistleblowing rolled out and mandatory completion of staff and forms part of induction process.
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?	<p>All known or suspected fraud that Internal Audit have been made aware of have been investigated, records, maintained and Corporate Governance and Audit Committee are updated quarterly as part of the Internal Audit progress update.</p> <p>Although there have been individual investigations carried out by Internal Audit, there have been no material level frauds identified.</p>	<p>All known or suspected fraud that Internal Audit have been made aware of have been investigated, records, maintained and Corporate Governance and Audit Committee are updated quarterly as part of the Internal Audit progress update.</p> <p>Although there have been individual investigations carried out by Internal Audit, there have been no material level frauds identified.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response	2021-22 Response
1. How does the Audit and Governance Committee exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	<p>The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances. Governance & Audit Committee have a role in reviewing the Strategy for the Prevention & Detection of Fraud, Corruption & Bribery and Fraud Response Plan.</p> <p>Governance & Audit Committee maintains oversight of the Corporate Risk Register which includes a corporate risk relating to fraud.</p>	<p>The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances. Governance & Audit Committee have a role in reviewing the Strategy for the Prevention & Detection of Fraud, Corruption & Bribery and Fraud Response Plan.</p> <p>Governance & Audit Committee maintains oversight of the Corporate Risk Register which includes a corporate risk relating to fraud.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response	2021-22 Response
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.

Appendix 2

Matters in relation to laws and regulations

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

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

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

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

What are we required to do?

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

Enquiries of management – in relation to laws and regulations

Question	2020-21 Response	2021-22 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances.	The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2021-22 financial statements?	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.
3. Are there any potential litigations or claims that would affect the financial statements?	The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances.	The Governance and Audit Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances. As part of preparing the Statement of Accounts the Section 151 Officer and Monitoring Officer formally assess whether there are any potential litigations which could materially affect the financial statements.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.	Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.

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

Question	2020-21 Response	2021-22 Response
<p>1. How does the Audit and Governance Committee in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?</p>	<p>Through numerous reports throughout the year from both internal and external regulators and assurance provided through the governance framework underpinned by council standing orders, financial regulations, and other key policies. The Annual Governance Statement also gives assurance in this regard.</p>	<p>Through numerous reports throughout the year from both internal and external regulators and assurance provided through the governance framework underpinned by council standing orders, financial regulations, and other key policies. The Annual Governance Statement also gives assurance in this regard.</p>
<p>2. Are you aware of any instances of non-compliance with relevant laws and regulations?</p>	<p>No. The G&AC is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee.</p>	<p>No. The G&AC is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee.</p>

Appendix 3

Matters in relation to related parties

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

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

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

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties

Question	2020-21 Response	2021-22 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of the CIPFA code of accounting practice.</p>	<p>The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of the CIPFA code of accounting practice.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<ul style="list-style-type: none"> • Declaration of interest forms and related party disclosure forms • Related Party forms now online submissions which has improved the timeliness of returns and help ensure a complete set of returns • Disclosures included within the statement of accounts (Head of Finance and Property) • Draft accounts reviewed by the G&AC • Policies, procedures and controls around the authorisation of any expenditure are well controlled, as evidenced in regulatory reports. 	<ul style="list-style-type: none"> • Declaration of interest forms and related party disclosure forms • Related Party forms now online submissions which has improved the timeliness of returns and help ensure a complete set of returns • Disclosures included within the statement of accounts (Head of Finance and Property) • Draft accounts reviewed by the G&AC • Policies, procedures and controls around the authorisation of any expenditure are well controlled, as evidenced in regulatory reports.

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

Question	2020-21 Response	2021-22 Response
<p>1. How does the Audit and Governance Committee in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>The Governance and Audit Committee receive the Statement of Accounts and seek assurances from officers regarding their accuracy. Members are able to challenge / query any aspect of the statement of accounts. Independent assurance is provided by regulators supporting the robustness of internal control systems with respect to individual transactions.</p>	<p>The Governance and Audit Committee receive the Statement of Accounts and seek assurances from officers regarding their accuracy. Members are able to challenge / query any aspect of the statement of accounts. Independent assurance is provided by regulators supporting the robustness of internal control systems with respect to individual transactions.</p>