

**STATEMENT  
OF  
ACCOUNTS  
2016/17**

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**Denbighshire County Council**  
**Statement of Accounts**  
**2016/17**

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## **Introduction**

Denbighshire County Council is a Welsh unitary authority with a population of around 95,000. The County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle, and the tiny cathedral city of St. Asaph. There are 47 councillors elected to represent the various wards of the county. The Council employs around 4,500 staff.

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

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

Should you have any queries on the accounts please contact the Chief Financial Officer, Denbighshire County Council, PO Box 62, Ruthin, LL15 9AZ. In addition, you have a legal right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

## **The Statement Of Accounts**

The Council produces the annual Statement of Accounts each year in line with legal requirements, the Chartered Institute of Public Finance and Accountancy and the Code of Practice on Local Authority Accounting (the Code) in the United Kingdom with the following aims:

- Complying with legal and professional requirements.
- Providing service users, electors, business ratepayers, local tax payers, Councillors and other interested parties with information about the Council's finances.
- Demonstrating stewardship of public money.

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

The Statement of Accounts contains the following sections:

## **Section 1- Narrative Report**

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

## **Section 2 - Statement of Responsibilities**

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

## **Section 3 - Main Financial Statements and Notes to the Accounts**

The 2016 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

### **Movement in Reserves Statement**

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

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

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

### **Balance Sheet**

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2017. It sets out the value of the items it owns (assets) and the value of what it owes to others (liabilities). It incorporates all the Council's funds, both capital and revenue.

### **Cash Flow Statement**

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

### **Expenditure and Funding Analysis**

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

### **Notes to the Accounts**

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

## **Section 4 - Supplementary Financial Statements and Notes**

### **Housing Revenue Account (HRA)**

Councils are required to account separately for the cost of the council housing service by way of a HRA Income and Expenditure Account and a Statement of Movement on the HRA balance. This account shows where money is spent in maintaining and managing council houses and how these costs are met from rents and other income.

The **Statement of Movement on HRA Balances** brings together all of the movements in HRA reserves.

**Section 5 - External Auditor's Report**

The accounts are subject to an independent external audit by an auditor appointed by the Auditor General for Wales and their report is included in this section.

**Section 6 – Annual Governance and Improvement Statement**

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

**Section 7 – Glossary**

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

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## **Section 1: Narrative Report**

### **1.1 Review Of The Year – Revenue Expenditure**

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

By the end of the year, the Council had spent £2.2m more than it budgeted for on services and corporate budgets.

### **Balances, Provisions and Reserves**

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

The Council's general balances now stand at £7.1m. The Council must make sure it keeps enough money in these balances so it can be sure it is able to deal with any unexpected problems it faces.

Details of all provisions and reserves are contained within the Notes to the Statement of Accounts.

### **How We Report Our Budget**

Each month a budget report is given to the Council's Cabinet (a group of 8 Councillors during 2016/17 who make many of the decisions on behalf of the Council) which explains how services are spending their money compared to their budget. At the end of the year, a final report (known as the outturn) shows the year-end position.

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

The table below shows the final revenue position as reported and approved by Cabinet in June 2017.

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

## 1.2 Review Of The Year – Capital Expenditure

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

The table below shows how much the Council spent on its assets per service block in 2016/17 and how the expenditure was funded:

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

Expenditure on major Projects undertaken during the year includes:

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

### 1.3 Other Issues

#### **Pensions**

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

International accounting standards require that councils account for the cost of pension entitlements earned in the year, rather than the cost of the contributions paid to the pension fund. The pension fund has to work out how much money it would owe if all of the individual members became entitled to immediate payment of their pension. It then has to work out how much money it has in investments. Returns on investments are impacted by the wider national and international economic environment and taken with the fact that people are generally living



longer, the pension fund has less in investments than the theoretical amount it would have to pay out. This is known as a deficit. Although it is highly unlikely that the Council would ever have to pay out this money, it must show this deficit in its accounts. The notes to the accounts show further details.

### **Housing Stock Business Plan**

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

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

### **Borrowing & Investments**

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

### **Accounting Policies & International Financial Reporting Standards (IFRS)**

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

### **Statutory Functions**

There were no significant changes to the Council's statutory functions during 2016/17.

### **The Corporate Plan 2012-2017**

During 2016/17 the Council continued its commitment to delivering an ambitious Corporate Plan which aims to deliver investment of over £92m in schools, social care facilities and roads. External funding will contribute to the overall cost of investment in schools and roads but the Plan relies upon internal resources to fund borrowing and to provide cash. Such a significant investment will help improve key services but does not come without risk and therefore measures are in place to continually assess the delivery and affordability of the Plan.

In 2016/17, individual projects within the Corporate Plan continued to be delivered, including investment in highways and schools. Significant projects completed during the year included a new high school in Rhyl, an extension to Ysgol Glan Clwyd in St. Asaph and the extension and refurbishment of Bodnant Community School in Prestatyn. Expenditure on Corporate Plan

projects was £19.7m in 2016/17. While the current five-year Plan runs to 2017, it was always envisaged that some of the major investment projects within it would be delivered over a longer timeframe – therefore planned investment of £58m will roll forward into the next two years. These projects include schools in the Ruthin area and a new faith school in Rhyl.

### **Looking Ahead**

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

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

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

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

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

**Richard Weigh**  
**Chief Financial Officer (Section 151 Officer)**

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

The County Council is required to:

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

**Authority's Certificate**

I approve the Statement of Accounts of Denbighshire County Council.

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

**Chair Of Corporate Governance Committee**

**Responsibilities of the Chief Financial Officer**

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

The Chief Financial Officer has also:

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

**Certificate: Chief Financial Officer**

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

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

**Richard Weigh**  
**Chief Financial Officer (Section 151 Officer)**

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

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### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 Re-stated				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,449	(157)	3,292	Customers, Communication & Marketing	3,197	(189)	3,008
24,744	(11,148)	13,596	Education & Childrens' Services	24,913	(11,546)	13,367
83,261	(9,488)	73,773	Schools	83,472	(8,440)	75,032
4,813	(468)	4,345	Business Improvement & Modernisation	5,398	(234)	5,164
2,964	(428)	2,536	Legal, HR & Democratic Services	2,737	(394)	2,343
52,600	(36,715)	15,885	Corporate & Miscellaneous	49,699	(35,714)	13,985
23,609	(10,551)	13,058	Facilities, Assets & Housing	18,963	(10,186)	8,777
4,900	(2,316)	2,584	Finance	4,304	(1,477)	2,827
34,288	(10,259)	24,029	Highways & Environment	34,589	(11,289)	23,300
9,741	(6,842)	2,899	Planning & Public Protection	9,651	(4,828)	4,823
52,315	(19,912)	32,403	Community Support Services	52,145	(20,318)	31,827
19,631	(13,392)	6,239	Local Authority Housing (HRA)	10,505	(13,771)	(3,266)
40,045	0	40,045	HRA Settlement Payment*	0	0	0
7,433	0	7,433	PFI Termination Payment**	0	0	0
363,793	(121,676)	242,117	Cost of Services	299,573	(118,386)	181,187

2015/16 Re-stated				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
16,189	(21)	16,168	Other Operating Expenditure (Note 10)	17,048	(40)	17,008
21,675	(553)	21,122	Financing and Investment Income and Expenditure (Note 11)	16,987	(577)	16,410
0	(209,445)	(209,445)	Taxation and non-specific grant income (Note 12)	0	(212,693)	(212,693)
401,657	(331,695)	69,962	(Surplus) or Deficit on Provision of Services	333,608	(331,696)	1,912
		(25,126)	(Surplus) or Deficit on revaluation of property, plant and equipment assets			(12,701)
		4,960	Impairment losses on non-current assets charged to the Revaluation Reserve			7,510
		(23,053)	Remeasurement of the net defined benefit liability/(asset)			62,251
		(43,219)	Other Comprehensive Income & Expenditure			57,060
		<b>26,743</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>58,972</b>

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

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



## Movement in Reserves Statement

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

	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
Balance at 31 March 2016		(8,752)	(31,819)	(2,604)	(2,228)	(1,576)	(46,979)	(36,703)	(83,682)
<b>Movement in reserves during 2016/17</b>									
(Surplus) or deficit on the provision of services	CI & ES	4,135		(2,223)			1,912		1,912
Other Comprehensive Income & Expenditure	CI & ES							57,060	57,060
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>4,135</b>	<b>0</b>	<b>(2,223)</b>	<b>0</b>	<b>0</b>	<b>1,912</b>	<b>57,060</b>	<b>58,972</b>
Adjustments between accounting basis & funding basis under regulations	9	(180)		2,137	(2,618)	(2,231)	(2,892)	2,892	0
Net Increase/Decrease before Transfers to Earmarked Reserves		<b>3,955</b>	<b>0</b>	<b>(86)</b>	<b>(2,618)</b>	<b>(2,231)</b>	<b>(980)</b>	<b>59,952</b>	<b>58,972</b>
Transfers to/from Earmarked Reserves	23	(2,752)	2,609	143			0		0
Increase/Decrease in 2016/17		<b>1,203</b>	<b>2,609</b>	<b>57</b>	<b>(2,618)</b>	<b>(2,231)</b>	<b>(980)</b>	<b>59,952</b>	<b>58,972</b>
Balance at 31 March 2017		<b>(7,549)</b>	<b>(29,210)</b>	<b>(2,547)</b>	<b>(4,846)</b>	<b>(3,807)</b>	<b>(47,959)</b>	<b>23,249</b>	<b>(24,710)</b>

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

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016 £000		Note	31 March 2017 £000	31 March 2017 £000
100,283	<i>Council Dwellings</i>		107,835	
226,507	<i>Other Land &amp; Buildings</i>		218,835	
6,853	<i>Vehicles, Plant, Furniture &amp; Equipment</i>		7,809	
117,782	<i>Infrastructure</i>		118,352	
2,489	<i>Community Assets</i>		2,489	
5,093	<i>Assets Under Construction</i>		18,570	
1,432	<i>Surplus Assets not Held for Sale</i>		1,490	
460,439	Property, Plant & Equipment	15	475,380	
8,968	Heritage Assets	42	8,912	
7,599	Investment Property	16	7,360	
1	Long Term Investments	17	1	
770	Long Term Debtors	17	721	
<b>477,777</b>	<b>Long Term Assets</b>			<b>492,374</b>
5,013	Short Term Investments	17	0	
2,740	Assets Held for Sale (<1yr)	20	3,305	
1,168	Inventories		1,136	
18,331	Short Term Debtors	18	21,245	
6,592	Cash and Cash Equivalents	19	839	
<b>33,844</b>	<b>Current Assets</b>			<b>26,525</b>
(6,968)	Short Term Borrowing	17	(6,058)	
(21,741)	Short Term Creditors	21	(24,606)	
(571)	Provisions	22	(342)	
(2,384)	Provision for Accumulated Absences	22	(3,134)	
(1,168)	Revenue Grants Receipts in Advance	34	(1,976)	
(1,877)	Capital Grants Received in Advance	34	(2,008)	
<b>(34,709)</b>	<b>Current Liabilities</b>			<b>(38,124)</b>

31 March 2016 £000		Note	31 March 2017 £000	31 March 2017 £000
(1,429)	Long Term Creditors	17	(2,340)	
(422)	Provisions	22	(248)	
(183,991)	Long Term Borrowing	17	(179,618)	
(207,388)	Other Long Term Liabilities	25	(273,859)	
<b>(393,230)</b>	<b>Long Term Liabilities</b>			<b>(456,065)</b>
<b>83,682</b>	<b>Net Assets</b>			<b>24,710</b>
(8,752)	Council Fund	24	(7,549)	
(31,819)	Earmarked Reserves	23	(29,210)	
(2,604)	Housing Revenue Account	24	(2,547)	
(2,228)	Capital Receipts Reserve	24	(4,846)	
(1,576)	Capital Grants Unapplied	24	(3,807)	
<b>(46,979)</b>	<b>Usable Reserves</b>			<b>(47,959)</b>
(94,101)	Revaluation Reserve		(93,371)	
207,388	Pensions Reserve		273,859	
(152,732)	Capital Adjustment Account		(160,730)	
358	Financial Instruments Adjustment Account		357	
2,384	Short Term Accumulating Compensated Absences Account		3,134	
<b>(36,703)</b>	<b>Unusable Reserves</b>	25		<b>23,249</b>
<b>(83,682)</b>	<b>Total Reserves</b>			<b>(24,710)</b>

## 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.

2016/17	Final Outturn Report (Management Accounts) £000	Technical adjustments to Management Accounts £000	Net Expenditure Chargeable to the Council Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Customers, Communication & Marketing	2,928	(213)	2,715	293	3,008
Education & Children's Services	14,131	(791)	13,340	27	13,367
Schools	67,608	(335)	67,273	7,759	75,032
Business Improvement & Modernisation	4,436	578	5,014	150	5,164
Legal, HR & Democratic Services	2,396	3	2,399	(56)	2,343
Corporate & Miscellaneous	18,019	(3,723)	14,296	(311)	13,985
Facilities, Assets & Housing	6,302	(102)	6,200	2,577	8,777
Finance	2,864	(2)	2,862	(35)	2,827
Highways & Environment	17,352	(628)	16,724	6,576	23,300
Planning & Public Protection	2,795	350	3,145	1,678	4,823
Community Support Services	31,279	425	31,704	123	31,827
Local Authority Housing (HRA)	0	(5,813)	(5,813)	2,547	(3,266)
HRA Settlement Payment	0	0	0	0	0
PFI Termination Payment	0	0	0	0	0
<b>Net Cost of Services</b>	<b>170,110</b>	<b>(10,251)</b>	<b>159,859</b>	<b>21,328</b>	<b>181,187</b>
Other Income and Expenditure	0	(155,990)	(155,990)	(23,285)	(179,275)
<b>Surplus or Deficit</b>	<b>170,110</b>	<b>(166,241)</b>	<b>3,869</b>	<b>(1,957)</b>	<b>1,912</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(43,175)</b>		
<b>Less/Plus Surplus or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>3,869</b>		
<b>Closing Council Fund and HRA Balance at 31 March*</b>			<b>(39,306)</b>		

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

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

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

## Cash Flow Statement

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

2015/16 £000		Note	2016/17 £000
69,962	Net (surplus) or deficit on the provision of services		1,912
(83,871)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		(20,390)
1,083	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		3,897
<b>(12,826)</b>	<b>Net cash flows from Operating Activities</b>	26	<b>(14,581)</b>
44,996	Investing Activities	27	17,350
(36,389)	Financing Activities	28	2,984
<b>(4,219)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>5,753</b>
2,373	Cash and cash equivalents at the beginning of the reporting period		6,592
4,219	Increase/(Decrease) in Cash		(5,753)
6,592	Cash and cash equivalents at the end of the reporting period	19	839

## **Notes to the Accounts**

### **1. Accounting Policies**

#### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17' (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

#### **ii. Accounting for Local Authority Schools**

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

#### **iii. Accruals of Income and Expenditure**

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

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



**iv. Cash and Cash Equivalents**

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

**v. Charges to Revenue for Non-Current Assets**

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

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

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

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

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

**Termination Benefits**

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

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

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

### **Post Employment Benefits**

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

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

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

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

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

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

- The liabilities of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5%.
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

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

Remeasurements comprising:

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

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

### **Discretionary Benefits**

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

### **vii. Events after the Reporting Period**

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

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

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

### viii. Fair Value Measurement

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

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

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

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

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

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

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

### ix. Financial Instruments

#### Financial Liabilities

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

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

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

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

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

### **Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

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

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

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

### **Soft Loans**

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

**x. Government Grants and Contributions**

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

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

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

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

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

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

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

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

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

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

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

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

## **xii. Inventories**

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

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

## **xiii. Investment Property**

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

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

From 1 April 2015, a de minimis valuation level has been set and only properties valued above £30k should be included as Investment Properties.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **xiv. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint

operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

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

#### xv. Leases

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

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

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

#### The Council as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

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

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

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



### Operating Leases

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

### **The Council as Lessor**

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

## **xvi. Non Exchange Revenue**

### **Recognition of Revenue from Non-Exchange Transactions**

Assets and revenue arising from non exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of

Government Assistance, except where interpreted or adapted to fit the public sector are detailed in the Code and/or IPSAS 23, "Revenue from Non- Exchange Transactions (Taxes and Transfers)."

### **Taxation transactions**

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

### **Non-taxation transactions**

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

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

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

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

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

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

### **xvii. 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.

### **xviii. Property, Plant and Equipment**

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

**Recognition**

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

From 1 April 2015, a de minimis valuation level has been set and only properties valued above £30k should be included as Property, Plant and Equipment. This de minimis level excludes vehicles and the asset registers will be reviewed as part of an on-going exercise.

Expenditure on Property, Plant and Equipment during the year, below £30k is also impaired in year.

**Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

### **Componentisation**

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

cost of the asset, and categorised as follows based on significance, useful life and depreciation method:

- Superstructure and Substructure
- Internal Finishes and Fittings
- Services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Provision for Back Pay Arising from Unequal Pay Claims**

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

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

**xx. Reserves**

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

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

#### **xxi. 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.

#### **xxii. VAT**

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

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

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

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

### **3. Critical Judgements in Applying Accounting Policies**

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

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

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

The Statement of Accounts contains some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is some risk of adjustment in the forthcoming financial year are as follows:

**Property, Plant & Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to some of the assets. If the useful life of the asset is reduced, depreciation increases and the carrying amount of the asset falls. Property, plant and equipment are re-valued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the council's valuers. If the actual results differ from the assumptions, the value of PPE assets will be over or understated. This would be adjusted when the assets were next re-valued.

The value of Property, Plant and Equipment disclosed on the Balance Sheet is £475,380k and further information is contained within Note 15.

**Pension Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The value of the pension liability and corresponding pension reserve disclosed on the Balance Sheet is £273,859k. Detailed information is contained within Notes 25, 38 and 39.

**Employee Benefit Accrual**

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31 March 2017 was £3,134k and is detailed in Note 25.

**Arrears**

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

The council makes a general provision for bad debts and specific provisions in relation to Council Tax (Note 13), National Non-Domestic Rates (Note 14) and Housing Rents (Housing Revenue Account Note 2).



**5. Material Items of Income and Expense**

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

**6. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer in June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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## 7. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2016/17				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pension Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Customers, Communication & Marketing	331	(47)	9	293
Education & Children's Services	199	(201)	29	27
Schools	8,385	(1,204)	578	7,759
Business Improvement & Modernisation	230	(79)	(1)	150
Legal, HR & Democratic Services	4	(60)	0	(56)
Corporate & Miscellaneous	566	(878)	1	(311)
Facilities, Assets & Housing	2,727	(238)	88	2,577
Finance	0	(46)	11	(35)
Highways & Environment	6,789	(206)	(7)	6,576
Planning & Public Protection	1,768	(100)	10	1,678
Community Support Service	434	(350)	39	123
Local Authority Housing (HRA)	2,609	(56)	(6)	2,547
<b>Net Cost of Services</b>	<b>24,042</b>	<b>(3,465)</b>	<b>751</b>	<b>21,328</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(30,968)</b>	<b>7,685</b>	<b>(2)</b>	<b>(23,285)</b>
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provisions of Services</b>	<b>(6,926)</b>	<b>4,220</b>	<b>749</b>	<b>(1,957)</b>

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

**Note 1 Adjustments for Capital Purposes**

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

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

**Note 2 Net Change for the Pensions Adjustment**

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

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

**Note 3 Other Differences**

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

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

## 8. Expenditure and Income Analysed by Nature

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

2015/16 £000		2016/17 £000
	<b>Expenditure</b>	
125,528	Employee benefits expenses	125,707
4,979	Employee expenses of V A schools	4,907
192,845	Other services expenses	145,540
0	Support services recharges	0
41,686	Depreciation, amortisation and impairment	24,818
21,376	Interest payments	16,579
15,215	Precepts and levies	15,463
28	Loss on the disposal of assets	594
<b>401,657</b>	<b>Total expenditure</b>	<b>333,608</b>
	<b>Income</b>	
(54,658)	Fees, charges and other service income	(54,361)
(135)	Interest and investment income	(60)
(82,978)	Income from council tax and non-domestic rates	(85,365)
(193,750)	Government grants and contributions	(191,799)
(153)	Non-government grants and contributions	(71)
(21)	Gain on the disposal of assets	(40)
<b>(331,695)</b>	<b>Total income</b>	<b>(331,696)</b>
69,962	<b>Surplus or Deficit on the Provision of Services</b>	1,912

## 9. Adjustments between Accounting Basis and Funding Basis under Regulation

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

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

### Council Fund Balance

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

### Housing Revenue Account Balance

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

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

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2016/17	Usable Reserves			
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b> Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
• Pension Costs	(4,020)	(200)		
• Financial Instruments	3	(2)		
• Holiday pay	(756)	6		
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(12,605)	(2,657)		(2,402)
<b>Total Adjustments to Revenue Resources</b>	<b>(17,378)</b>	<b>(2,853)</b>	<b>0</b>	<b>(2,402)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,926	971	(3,897)	
Administrative costs of non-current asset disposal				
Payments to the government housing receipts pool				
Statutory provision for the repayment of debt	7,503	2,522		
Capital expenditure financed from revenue balances	6,769	1,497		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>17,198</b>	<b>4,990</b>	<b>(3,897)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure			1,279	
Application of capital grants to finance capital expenditure				171
Cash payments in relation to deferred capital receipts				
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,279</b>	<b>171</b>
<b>Total Adjustments</b>	<b>(180)</b>	<b>2,137</b>	<b>(2,618)</b>	<b>(2,231)</b>

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



**10. Other Operating Expenditure**

<b>2015/16 £000</b>		<b>2016/17 £000</b>
9,121	Police Precept	9,338
4,361	Fire Authority Precept	4,364
1,733	Community Council Precepts	1,761
668	(Gains)/losses on Held for Sale Assets and the disposal of non-current assets	884
285	Pension Administration Costs	661
<b>16,168</b>	<b>Total</b>	<b>17,008</b>

**11. Financing and Investment Income and Expenditure**

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

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

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

**13. Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Denbighshire County Council, each Community Council and the Office of the Police and Crime Commissioner, North Wales and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts. The tax base is 38,888 in 2016/17 (38,738 in 2015/16).

This basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,444.75 (£1,422.40 in 2015/16) and is multiplied by the proportion specified for the particular band to give the individual amount due.

Council tax bills were based on the following multipliers for bands A to I:

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of Properties in Council Tax System at 31 March 2017	3,958	7,168	14,299	7,701	5,364	3,622	1,978	310	166

#### Analysis of the net proceeds from Council Tax:

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

#### 14. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 48.6p in 2016/17 (48.2p in 2015/16) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) of £22,962k for 2016/17 (£23,129k for 2015/16) was based on an aggregate rateable value of £58,624k for the year.

#### Analysis of the net proceeds from non-domestic rates:

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

## 15. Property, Plant and Equipment

2016/17	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2016	112,975	251,277	18,487	151,893	2,564	1,432	5,093	543,721
Additions	7,804	7,695	3,151	5,039	0	0	15,971	39,660
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(4,159)	4,084	19	0	0	0	0	(56)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,409)	(862)	0	0	0	0	0	(2,271)
Derecognition – disposals	(971)	(2,873)	(55)	0	0	0	0	(3,899)
Derecognition – other	0	0	(3,667)	(184)	0	0	0	(3,851)
Assets reclassified (to)/from Held for Sale	0	(1,225)	0	0	0	(150)	0	(1,375)
Transfers	2,320	(276)	0	0	0	400	(2,494)	(50)
<b>At 31 March 2017</b>	<b>116,560</b>	<b>257,820</b>	<b>17,935</b>	<b>156,748</b>	<b>2,564</b>	<b>1,682</b>	<b>18,570</b>	<b>571,879</b>

2016/17	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2016	(12,692)	(24,770)	(11,634)	(34,111)	(75)	0	0	(83,282)
Depreciation charge	(2,099)	(6,922)	(2,189)	(3,838)	0	0	0	(15,048)
Depreciation written out to Revaluation Reserve	12,692	65	0	0	0	0	0	12,757
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	27	0	0	0	0	0	27
Impairment losses/(reversals) recognised in the Revaluation Reserve	(6,091)	(1,227)	0	0	0	(192)	0	(7,510)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(535)	(6,304)	0	(631)	0	0	0	(7,470)
Derecognition - disposals	0	50	31	0	0	0	0	81
Derecognition – other	0	3	3,666	184	0	0	0	3,853
Derecognition – Held for Sale	0	43	0	0	0	0	0	43
Transfers	0	50	0	0	0	0	0	50
<b>At 31 March 2017</b>	<b>(8,725)</b>	<b>(38,985)</b>	<b>(10,126)</b>	<b>(38,396)</b>	<b>(75)</b>	<b>(192)</b>	<b>0</b>	<b>(96,499)</b>
<b>Net Book Value</b>								
At 31 March 2017	107,835	218,835	7,809	118,352	2,489	1,490	18,570	475,380
At 31 March 2016	100,283	226,507	6,853	117,782	2,489	1,432	5,093	460,439

2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2015	134,107	242,405	18,386	152,113	2,716	2,172	13,698	565,597
Additions	3,941	24,384	2,914	9,086	6	0	4,156	44,487
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,487)	14,502	0	0	0	(603)	0	11,412
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,662)	(12,633)	0	0	(158)	(893)	0	(21,346)
Derecognition – disposals	(585)	(104)	(134)	0	0	0	0	(823)
Derecognition - other	(3,465)	(2,853)	(2,142)	(98)	0	0	0	(8,558)
Transfers	0	8,082	0	0	0	(491)	(11,116)	(3,525)
Assets reclassified (to)/from Held for Sale	0	250	0	0	0	1,265	0	1,515
Other movements in cost or valuation	(10,874)	(22,756)	(537)	(9,208)	0	(14)	(1,645)	(45,034)
<b>At 31 March 2016</b>	<b>112,975</b>	<b>251,277</b>	<b>18,487</b>	<b>151,893</b>	<b>2,564</b>	<b>1,436</b>	<b>5,093</b>	<b>543,725</b>

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

### Depreciation

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

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

### Voluntary Aided and Voluntary Controlled Schools

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

### Asset Register Review

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

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

### Capital Commitments

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

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

### Revaluations

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

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

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

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
Carried at historical cost			7,809		7,809
Valued at current value as at:					
31 March 2017	107,835				107,835
31 March 2016		39,851		1,490	41,341
31 March 2015		114,725			114,725
31 March 2014		29,250			29,250
31 March 2013		35,009			35,009
<b>Total Cost or Valuation</b>	<b>107,835</b>	<b>218,835</b>	<b>7,809</b>	<b>1,490</b>	<b>335,969</b>

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

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

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

### **Impairment Losses**

#### General

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

#### In Year

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

## **16. Investment Properties**

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



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

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

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

## 17. Financial Instruments

### Categories of Financial Instruments

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

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

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

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The

Council received a loan of £181k during 2011/12, £15k during 2013/14, £226k during 2015/16 and £221k during 2016/17. The balance on this loan at 31 March 2017 is £451k.

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

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

### Income Expense, Gains and Losses

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

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

### Fair Values of Assets and Liabilities

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. IFRS requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2016 and 31 March 2017 consisted entirely of loans from the Public Works Loan Board (PWLB) and the Salix Energy Efficiency Scheme. The Council's treasury management advisers, Arlingclose Ltd has provided the Council with Fair Value amounts in relation to its debt portfolio. Arlingclose Ltd has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates.

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

The Fair Value is greater than the carrying amount because the Council's loans are running at rates that were fixed at the time they were taken out. This commitment to pay interest at rates that are higher than the equivalent new borrowing rates at the Balance Sheet Date

means that the Council would have to pay more than the carrying amount if it chose to prematurely redeem its loans at that date.

The fair values calculated are as follows:

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

#### 18. Debtors

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

#### 19. Cash and Cash Equivalents

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

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

## 20. Assets Held for Sale

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

## 21. Creditors

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

## 22. Provisions

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

An additional Provision on the Balance Sheet is the Provision for Accumulated Absences of (£3,134k), ((£2,384k) in 2015/16). This relates to the provision required for the benefits which employees have accumulated but which remain untaken at the Balance Sheet date. As this is a notional provision and the movement must not be recognised in the revenue account, the balances have been excluded from the table above.

**Insurance Fund**

The internal insurance fund was established to finance the estimated cost of settling self insured risks.

As at 31 March 2017 a £571k provision has been set aside for the full estimated cost of meeting insurance liabilities.

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

We expect £329k to be settled within the next twelve months with the remainder of £242k to be settled within the next one to five years. The Authority may be reimbursed by its insurers but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above our excess limits.

**Equal / Back Pay Claims**

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

All other provisions are individually insignificant.

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**23. Movements in Earmarked Reserves**

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2016/17.

	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation (i)	(3,538)	2,283	(307)	(1,562)	2,904	(286)	1,056
<u>Reserves held as part of the Council Corporate Plan (v)</u>							
Strategic Investment 21 <sup>st</sup> Century Schools	(15,120)	17,004	(2,171)	(287)	0	(2,088)	(2,375)
Strategic Investment Extra Care Housing	(2,294)	931	(400)	(1,763)	22	(400)	(2,141)
Town Plans/Economic Development	(708)	219	(134)	(623)	432	0	(191)
<u>Specific Grants Reserves</u>							
PFI Grant	(7,065)	8,499	(1,434)	0	0	0	0
Revenue Grants Unapplied	(653)	237	(177)	(593)	343	(210)	(460)
Sustainable Waste Management (iv)	(4,068)	968	(247)	(3,347)	0	0	(3,347)
<u>Reserves held for Legal Cases</u>							
Town & Country Planning Act (s.106) Requirements	(1,411)	198	(15)	(1,228)	63	(9)	(1,174)
Single Status	(370)	76	0	(294)	0	0	(294)
<u>Other Major Reserves</u>							
Budget Mitigation (ii)	0	0	(1,511)	(1,511)	0	(1,000)	(2,511)
Adult Social Care (iii)	(2,992)	386	0	(2,606)	1,866	(1,378)	(2,118)
Capital Schemes (v)	(1,216)	12,986	(20,808)	(9,038)	5,930	(2,355)	(5,463)
Specialist Placements	(890)	299	0	(591)	569	(500)	(522)
Superannuation Recovery	(925)	19	(156)	(1,062)	5	(875)	(1,932)
Insurance Fund	(733)	0	(10)	(743)	0	(91)	(834)
Risk Management Fund	(221)	0	(51)	(272)	0	(59)	(331)
Delivering Change	(568)	371	(305)	(502)	382	(505)	(625)

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

	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Care Home fees	(358)	0	0	(358)	0	0	(358)
Social Care Amenity fund	(14)	0	0	(14)	0	0	(14)
Resident Survey	(17)	2	0	(15)	0	(22)	(37)
Channel Shift	(252)	127	0	(125)	53	(5)	(77)
Local Safeguarding Children's Board	(104)	7	0	(97)	97	0	0
Modernising Social Care	(300)	88	0	(212)	0	0	(212)
Children with Disabilities	(158)	158	(104)	(104)	34	(9)	(79)
Health & Social Care Support Workers	(44)	0	(1)	(45)	0	(2)	(47)
Digitisation Project	(46)	23	0	(23)	23	0	0
Fire Service Pension	(142)	142	0	0	0	0	0
Health & Safety	(177)	177	0	0	0	0	0
Facilities	0	0	(184)	(184)	0	0	(184)
Picturesque Project	0	0	(152)	(152)	0	0	(152)
Rhyl Waterfront	0	0	0	0	0	(150)	(150)
<b>TOTAL</b>	<b>(47,669)</b>	<b>45,840</b>	<b>(29,990)</b>	<b>(31,819)</b>	<b>13,452</b>	<b>(10,843)</b>	<b>(29,210)</b>

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

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



## 24. Usable Reserves

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

## Revenue Balances

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

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

## Capital Receipts Reserve

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

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

## Capital Grants Unapplied

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

## 25. Unusable Reserves

31 March 2016 £000		31 March 2017 £000
(94,101)	Revaluation Reserve	(93,371)
(152,732)	Capital Adjustment Account	(160,730)
358	Financial Instruments Adjustment Account	357
207,388	Pensions Reserve	273,859
2,384	Accumulated Absences Account	3,134
<b>(36,703)</b>	<b>Total Unusable Reserves</b>	<b>23,249</b>

**Revaluation Reserve**

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

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

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

2015/16 £000		2016/17	
		£000	£000
(77,190)	<b>Balance at 1 April</b>		<b>(94,101)</b>
(25,859)	Upward revaluation of assets	(18,117)	
733	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	5,416	
(25,126)	Total Revaluation	(12,701)	
4,960	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	7,510	
(20,166)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(5,191)
2,581	Difference between fair value depreciation & historical cost depreciation	3,334	
639	Accumulated gains on assets sold or scrapped	2,587	
35	Write off of balances following reclassification to Investment Properties	0	
3,255	Amount written off to the Capital Adjustment Account		5.921
<b>(94,101)</b>	<b>Balance at 31 March</b>		<b>(93,371)</b>

### Capital Adjustment Account

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

2015/16 £000		2016/17 £000	2016/17 £000
(197,429)	<b>Balance at 1 April</b>		(152,732)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
21,422	• Charges for depreciation & impairment of non-current assets	22,574	
20,264	• Revaluation losses on Property, Plant & Equipment	2,244	
661	• Revaluation losses/gains on Held for Sale	330	
3,893	• Revenue expenditure funded from capital under statute	3,304	
40,045	• HRA settlement payment	0	
967	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement	4,323	
87,252			32,775
(3,255)	Adjusting amounts written out of the Revaluation Reserve		(5,921)
83,997	Net written out amount of the cost of non-current assets consumed in the year		
	Capital Financing applied in the year:		
(1,870)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,279)	
(17,039)	• Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(15,281)	
(349)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(171)	
(9,383)	• Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(10,025)	
(15,056)	• Capital expenditure charged against the Council Fund & HRA balances	(8,266)	
(43,697)			(35,022)
4,397	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		170
<b>(152,732)</b>	<b>Balance at 31 March</b>		<b>(160,730)</b>

**Financial Instruments Adjustment Account**

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

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

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

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
<b>224,336</b>	<b>Balance at 1 April</b>	<b>207,388</b>
(23,053)	Remeasurements of the net defined benefit liability/(asset)	62,251
22,729	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	20,916
(16,624)	Employer's pension contributions payable in the year	(16,696)
<b>207,388</b>	<b>Balance at 31 March</b>	<b>273,859</b>

**Accumulated Absences Account**

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

2015/16 £000		2016/17 £000	2016/17 £000
2,834	<b>Balance at 1 April</b>		2,384
(2,834)	Settlement or cancellation of accrual made at the end of the preceding year	(2,384)	
2,384	Amounts accrued at the end of the current year	3,134	
(450)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		750
2,384	<b>Balance at 31 March</b>		3,134

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

2015/16 £000		2016/17 £000
69,962	<b>Net (surplus) or deficit on the provision of services</b>	1,912
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	
(96)	Increase/(Decrease) in Inventories	(32)
(145)	Increase/(Decrease) in Long Term Debtors	(49)
(10,139)	Increase/(Decrease) in Debtors/Payments in Advance	(1,057)
(73)	Increase/(Decrease) in Investment interest accrual	(13)
5,665	(Increase)/Decrease in Creditors/Receipts in Advance	211
(27)	(Increase)/Decrease in Loan Interest accrual	26
663	Transfers (to)/from Provisions	(347)
715	Bad Debt Provision	366
(41,686)	Depreciation & Impairment	(24,818)
(661)	Revaluations Losses on Property, Plant and Equipment	(331)
(4,398)	Movements in Market Value of Investment Properties	(170)
(6,104)	Pension Fund Adjustments	(4,220)
(27,585)	Other	10,044
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.</b>	
1,083	Sale of Property, Plant and Equipment	3,897
(12,826)	<b>Net cash flows from Operating Activities</b>	(14,581)

**27. Cash Flow Statement – Investing Activities**

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

**28. Cash Flow Statement – Financing Activities**

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

**29. Partnership Arrangements**

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

**The Welsh Penalty Processing Partnership (WPPP)** is managed by the Council and is responsible for the administration of Penalty Charge Notices for Denbighshire, Gwynedd, Anglesey, Wrexham, Pembroke, Powys, Ceredigion, Bridgend, Vale of Glamorgan and Flintshire.

The Council receives all income and pays out sums to partners based on the number of Notices issued. It retains an administration charge for this service. In 2016/17 the Council charged £304k to operate the WPPP Unit. This sum was recharged as follows: Denbighshire £42k, Gwynedd £50k, Anglesey £3k, Wrexham £19k, Pembroke £58k, Powys £32k, Ceredigion £14k, Bridgend £47k, Vale of Glamorgan £30k and Flintshire £9k.

**North Wales Residual Waste Treatment Project (NWRWTP)** - 5 local authorities (Anglesey, Conwy, Denbighshire, Flintshire and Gwynedd) have joined together to look to procure solutions for the treatment of residual waste. Flintshire County Council are leading on the project. As this is a joint committee arrangement, separate financial statements are prepared by Flintshire County Council. In accordance with the Code of Practice on Local Authority Accounting, each authority should account for their share of assets, liabilities, income and expenditure within their Statement of Accounts. Denbighshire's contribution to the NWRWTP in 2016/17 was £82.5k (£17.6k in 2015/16).

**North East Wales Food Waste Hub** – The 3 local authorities who form the Hub (Conwy, Denbighshire and Flintshire) sent a total of 11,967 tonnes to be treated at the Waen facility in

2016/17. There is a combined annual contracted guaranteed minimum tonnage of 11,000 tonnes. In 2016/17 a total amount of £730k associated costs have been incurred of which £276k related to Denbighshire County Council. The Welsh Government has contributed £109k Revenue Support during 2016/17.

**Emergency Planning Unit** - Denbighshire contributes towards the running costs of the Emergency Planning Unit operated by Flintshire County Council. Denbighshire's contribution for the year ended 31 March 2017 was £93k.

**North Wales Emergency Duty Team** - the Emergency Duty Team aims to provide a high quality emergency social work response to emergencies that occur outside normal office opening hours. The Team provides a service to people (both children and adults) who are in crisis and are living in the counties of Wrexham, Flintshire or Denbighshire. In 2016/17 Denbighshire's contribution was £265k.

**Conwy & Denbighshire Youth Justice Service** - The Conwy & Denbighshire Youth Justice Service is a statutory multi-agency partnership hosted within Conwy County Borough Council. Its purpose is to prevent children and young people from offending whilst safeguarding their welfare, protecting the public and helping restore the damage caused to victims of their crimes. In 2016/17 a total of £177k associated costs were incurred.

**GwE** – Gwynedd County Council is the lead body for preparing this Joint Committee's financial statements. The Council's contribution for 2016/17 was £622k. Denbighshire County Council has not included its share of the net assets within its 2016/17 financial statements on the basis that these amounts are considered to be immaterial.

**Clwydian Range and Dee Valley Area of Outstanding Natural Beauty** – This joint committee was set up in May 2015 by 3 local authorities (Denbighshire, Flintshire and Wrexham) in order to promote and enhance the work of the AONB. Denbighshire County Council is the lead body for preparing the Joint Committee's financial statements. Denbighshire's core contribution for 2016/17 was £198k. Additional contributions of £13k were made to specific projects. Denbighshire County Council has not included its share of the net assets within its 2016/17 financial statements on the basis that these amounts are considered to be immaterial.

### **30. Agency Services**

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

Highways and Environmental Services undertakes North and Mid Wales Trunk Road Agency (NMWTRA) work on behalf of the Welsh Government. Gwynedd County Council is the lead authority for the NMWTRA. Denbighshire County Council is responsible for maintaining the trunk road network within the County and Gwynedd County Council reimburses the Authority for this work. The Council is due £1,061k in respect of NMWTRA work undertaken in 2016/17 (£1,482k in 2015/16): of this, £489k related to Consultancy Services, £563k related to Maintenance Works and £9k related to Tech Admin/Other Costs.

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



The Home Improvement Loan scheme has been developed in partnership between the Welsh Government, Welsh Local Government Association and Local Authorities in Wales, who act as agents of the Welsh Government, as a way of providing additional finance to owners/landlords to bring their properties up to standard for continued ownership, sale or rent. The funding will be available for a maximum of 15 years and will need to be repaid to Welsh Government by 31 March 2030. The scheme is administered by Street UK on behalf of the Authority. During 2016/17, loans of £107k were issued.

### 31. Members' Allowances

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

2015/16 £000		2016/17 £000
809	Salaries	804
25	Expenses	23
<b>834</b>	<b>Total</b>	<b>827</b>

### 32. Officers' Remuneration

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

2015/16		2016/17			
Total Employees	Remuneration Band	School Based Staff	Non-School Staff	Total Employees	Left During Year
11	£60,000 - £64,999	7	4	11	0
7	£65,000 - £69,999	3	2	5	0
4	£70,000 - £74,999	2	0	2	0
5	£75,000 - £79,999	0	0	0	0
0	£80,000 - £84,999	1	6	7	0
2	£85,000 - £89,999	1	0	1	0
1	£90,000 - £94,999	1	0	1	0
2	£95,000 - £99,999	1	2	3	0
0	£100,000 - £104,999	0	0	0	0
0	£105,000 - £109,999	0	0	0	0
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	0	0	0	0
1	£120,000 - £124,999	0	0	0	0
0	£125,000 - £129,999	0	0	0	0
1	£130,000 - £134,999	0	0	0	0
0	£135,000 - £139,999	0	1	1	0
<b>34</b>	<b>Total</b>	<b>16</b>	<b>15</b>	<b>31</b>	<b>0</b>

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

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

The “Expense allowances” column contains any relocation paid.

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

**Note 1** The Chief Executive is entitled to Performance Related Pay (PRP). This is considered by a remuneration panel consisting of councillors and an external advisor. In both 2015/16 and 2016/17 the Chief Executive was awarded £9,750. The payments to the Corporate Director: Customers in 2015/16 include Pay in Lieu of Notice and payment for accrued annual leave. No other officer is entitled to PRP.

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

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

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

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	29	21	65	39	94	60	£766,752	£352,053
£20,001 - £140,000	8	2	23	9	31	11	£1,378,909	£316,701
<b>Total</b>	<b>37</b>	<b>23</b>	<b>88</b>	<b>48</b>	<b>125</b>	<b>71</b>	<b>£2,145,661</b>	<b>£668,754</b>

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

d) Reporting bodies are required to disclose a remuneration ratio between the median remuneration of all the authority's employees during the year and that of the authority's Chief Executive. The remuneration of the Chief Executive in 2016/17 was £136,000. The median remuneration of the workforce was £21,745. The ratio was therefore 6.25:1. In 2016/17, remuneration for staff ranged from £6,560 to £99,448. The remuneration includes salary and performance related pay and does not include severance payments or employer pension contributions.

**33. External Audit Costs**

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

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

## 34. Grant Income

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

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

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

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

### 35. Related Parties

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

#### Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 34.

#### Elected Members

All current Elected Members were asked to complete a declaration and to disclose any related party transactions with the authority. All except two of those who were able returned a declaration.

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

- An elected member declared a relationship to a contractor to whom the council paid £22.7k in 2016/17
- An elected member declared a relationship to an individual who provided professional services to the Council and to whom the Council paid £16.6k in 2016/17
- An elected member declared a relationship to a company who rented an Industrial Unit from the Council
- An elected member was involved in a personal planning application process during 2016/17

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

### **Officers**

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

### **Other Public Bodies**

#### **Teachers' Pension Agency**

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

#### **Clwyd Pension Fund**

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

#### **Community, Town & City Councils**

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

#### **North Wales Police & Crime Commissioner and North Wales Fire Authority**

Police & Crime Commissioners and Fire & Rescue Authorities set their own charges to council tax payers, which are then included on the council tax bill – these charges are known as the precept. Total precepts and levies paid to the North Wales Police & Crime Commissioner and the North Wales Fire Authority amounted to £13,702k (£13,481k in 2015/16). A breakdown is provided in Note 10.

#### **Betsi Cadwaladr University Health Board**

The Authority has two pooled budget arrangements with Betsi Cadwaladr University Health Board: one for the provision of a Community Equipment store; and the second was set up with the aim of ensuring integrated service provision of Health and Social Care support workers, who support service users in the community. Denbighshire County Council's contribution to the Community Equipment store was £219k (£211k in 2015/16) and the Authority contributed £50k to the Health and Social Care Support Workers Service (£50k in 2015/16).

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

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



**Welsh Joint Education Committee (WJEC)**

The WJEC is an examination board, providing qualifications and exam assessment to Denbighshire schools. The vice chair of its Board is an Elected Member of Denbighshire County Council. In 2016/17 Denbighshire County Council made payments of £652k to the WJEC (£621k in 2015/16).

**Companies**

The Accounting Code of Practice requires that where an authority has material interests in one or more subsidiary and associated companies, it should prepare a group revenue account and balance sheet. Denbighshire County Council's interests in the related companies either do not meet the criteria for being a subsidiary or associate company as set out in the Code or where they do meet the criteria, they are not deemed material in relation to the overall scale of the Council's operations and consequently Group Accounts have not been prepared. Details of the related companies are as follows:

**Bodelwyddan Castle Trust and Bodelwyddan Castle Enterprises Ltd.**

Bodelwyddan Castle Trust Group is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores, conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2016/17 the Trust received £144,681. The Council provides its payroll services. The Board of Directors consists of eleven members in total, of whom one was a Denbighshire County Councillor.

The audited financial statements for the financial year 2016/17 are not yet available. However, the net assets of the Group as at 31 March 2016 were £698,797 and the net outgoing resources for the year totalled £29,068.

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

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

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

**Clwyd Leisure Ltd.**

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The company ceased trading on Friday 7 February 2014 and an insolvency practitioner has managed the winding-up of the company, which has now been concluded. The Liquidator's final report was approved at a meeting held on 24 February 2016. Under the terms of a debenture, the council was deemed a preferential creditor and received a total of £295,478. At the beginning of 2016/17 there remained sundry debtor balances totalling £37,599 which had been provided for in full pending the completion of formal write off procedures. These procedures were completed in full during the financial year and the amount was formally written off in January 2017.

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

### Scala Prestatyn Company Ltd.

The Company was run as a charity and not for profit Company Limited by Guarantee. In 2009/10 the Council agreed to give a loan of £80,000 to the Company and the terms of the loan stated that it could be for up to ten years.

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

## 36. Capital Expenditure and Capital Financing

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

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

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

### 37. Leases

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

#### Authority as Lessee

##### Finance Leases

The Council has acquired some properties under finance leases.

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

31 March 2016 £000		31 March 2017 £000
3,295	Other Land and Buildings	3,239
<b>3,295</b>		<b>3,239</b>

##### Operating Leases

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

31 March 2016 £000		31 March 2017 £000
25	Not later than 1 year	25
100	Later than 1 year and not later than 5 years	100
127	Later than 5 years	102
<b>252</b>		<b>227</b>

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

**Authority as 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 2016 £000		31 March 2017 £000
955	Not later than 1 year	1,031
2,609	Later than 1 year and not later than 5 years	2,746
12,085	Later than 5 years	13,651
<b>15,649</b>		<b>17,428</b>

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2016/17, the county council paid £5,530k to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/16 were £5,342k and 14.1% up until 31 August then 16.48% thereafter. In addition, payments in respect of premature retirements were made of £379k (£530k in 2015/16). There were no contributions remaining payable at year end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

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

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme – this is a funded defined benefit pension arrangement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built

up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

- The Clwyd Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees.
- Management of the Fund is vested in Flintshire County Council as Administering Authority of the Fund. The Council has established a Pension Fund Committee comprising of five Councillors of Flintshire County Council and four co-opted members.

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

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

Clwyd Pension Fund  
County Hall  
Mold  
Flintshire  
CH7 6NA

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

### **Transactions Relating to Post-employment Benefits**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	14,653	13,147		
• Past Service Costs/(Gains)	790	84		
• (Gain)/Loss from Settlements	0	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	285	661		
<i>Financing and Investment Income and Expenditure:</i>				
• Net Interest Expense	6,730	6,752	271	272
<i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	22,458	20,644	271	272
<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• *Return on Plan Assets (excluding the amount included in the Net Interest Expense) (A)	7,440	(51,659)		
• *Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions (B)	0	(10,823)		(398)
• *Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions (C)	(30,299)	129,984	(194)	783
• *Other (D)	0	(5,841)		205
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<b>(401)</b>	<b>82,305</b>	<b>77</b>	<b>862</b>
<b>Movement in Reserves Statement</b>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(22,458)	(20,644)	(271)	(272)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
• Employer's contributions payable to the scheme	15,797	15,893		
• Retirement benefits payable to pensioners			828	803

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

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

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

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

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

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

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



## Local Government Pension Scheme Assets Comprised:

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

**Basis for Estimating Assets and Liabilities**

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

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analyses have followed the accounting policies for the scheme. i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analyses below did not change from those used in the previous period.

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

### Risks and Investment Strategy

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

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Investment Strategy Statement and corresponding Funding

Strategy Statement, which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

The authority anticipated to pay £16,686k expected contributions to the scheme in 2017/18.

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

## 40. Contingent Liabilities

A contingent liability is defined as either:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control;  
or
- A present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that a transfer of economic benefits will be required to settle the obligation;
  - or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Municipal Mutual Insurance Ltd (MMI) was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a 'Scheme of Arrangement' ('the Scheme') with its Creditors was put in place. Within the Insurance Provision detailed in Note 22 is an element in relation to the Scheme. The Council recognises that any future payments made by MMI after the imposition of the initial levy will be made at the reduced rate of 75%. The projection of future claims is uncertain because of the latest nature of the claims that MMI is still receiving. The levy has been subject to review every twelve months by the scheme administrator. Despite setting an initial levy of 15% when modelling projected outcomes for the solvent run-off of MMI, the administrator has now asked for an additional 10% as part of the 2015/16 review.

There has been no further update received during 2016/17 therefore a contingent liability should be noted in respect of the remaining exposure, which remains at £1,898k in respect of former Clwyd claims and £306k in respect of Rhuddlan claims.

#### 41. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The main risks covered are:

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

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

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

##### **Credit Risk**

##### **Investments**

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

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

##### **Debtors**

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

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

		Long Term Rating when Investment Made	Long Term Rating at 31/03/2017	Balance Invested at 31/03/2017 £000	Maturity Date			
					0-3 Months £000	4-6 Months £000	7-9 Months £000	10-12 Months £000
UK Banks	Bank of Scotland	A+	A+	800	800			
	NatWest	BBB+	BBB+	400	400			
	<b>Total</b>			<b>1,200</b>	<b>1,200</b>			

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Definitions		
Long Term Ratings	A	<b>High Credit Quality</b> Expectation of low credit risk. Strong capacity for payment of financial commitments, which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
	BBB	<b>Good Credit Quality</b> Expectation of low credit risk currently. Adequate capacity for payment of financial commitments, but adverse business or economic conditions are more likely to impair this capacity.

### Liquidity Risk

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

The maturity analysis of the Council's PWLB debt at 31 March 2017 was as follows:

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

### Market Risk

#### (1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2016 and 31 March 2017, 100% of the debt portfolio was held in fixed rate instruments.

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

## (2) Price risk:

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

## (3) Foreign exchange risk

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

**42. Heritage Assets**

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

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

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

**Scheduled Ancient Monuments**

Castell Dinas Bran is a medieval castle standing high on a hill above the town of Llangollen. It is also the site of an Iron Age Hill fort. It has been valued at cost. The County Archaeologist has classified other scheduled monuments and listed buildings as heritage assets but these have no valuations attached. They include Jubilee Tower, Moel Fenlli, Moel Y Gaer Llanbedr, Caer Drewyn, Prestatyn Roman Bath House. Further information is available from the County Archaeologist.

### **Civic Regalia**

Civic Regalia has not been included on the balance sheet yet as further information is required. It is believed that most of the Civic Regalia is still in the ownership of each Town Council.

### **Heritage Buildings**

Denbighshire has the following heritage buildings. The buildings were revalued in 2013/14 as part of the annual revaluation programme. There is no valuation, at the moment, for the artefacts included in the buildings.

#### *Plas Newydd – Grade 2\* Building and Listed Landscape*

Plas Newydd is a detached two storey property constructed from timber frame with brick and stone elevations rendered and painted. The museum has approximately 400 artefacts including furniture, social and domestic items (books, medals, ceramics and costume), ephemera and miscellaneous collections.

#### *Ruthin Gaol – Grade 2\* Victorian Prison*

Ruthin Gaol ceased to be a prison in 1916. The county council purchased the buildings in 1926 and used part of them for offices, the county archives, and the town library. During the Second World War the prison buildings were used as a munitions factory, before being handed back to the County Council, when it was the headquarters of the Denbighshire Library Service. In 2002 the Gaol was extensively renovated and reopened as a museum. Some of the items in the collection are integral parts of the building, such as the stone baths, whereas others are 2D and 3D items relating to the history of the Gaol. There are also items on loan from the Galleries of Justice in Nottingham.

#### *Nant Clwyd Y Dre – Grade 1\* Building and Listed Gardens*

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

The property comprises a circa 14<sup>th</sup> Century House extended substantially. The property is a grade 1 listed structure with a registered historical garden, a grade 1 listed gazebo and listed garden walls. The majority of items on display are either replica or purchased from an unknown source outside Denbighshire.

### **Denbighshire Heritage Service Collections**

The collection dates from the 1960's when, before the existence of a museum or heritage service, material was collected by various departments of the former local authorities. There are approximately 10,000 objects within the collection including social and industrial history, archive and archaeological material.

### **Museums**

There are approximately 1,000 items associated with the former museum at Denbigh and approximately 3,000 individual items associated with the Rhyl Museum.

### **Intangible Heritage Assets**

Historical recordings are housed in the Denbighshire Record Office, however the ownership of some of the recordings need further research.

### **Other**

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



**Collections Management and Valuations**

The management of collections is guided by the Museums Accreditation Scheme and the Welsh Government's A Museum Strategy for Wales. The County's portable heritage collections are housed at the County Store in Ruthin. These include archaeological collections (such as Roman finds from Prestatyn Bath House and medieval collections from Rhuddlan Castle), collections associated with Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. During 2016/17 there was no member of staff with sole responsibility for the care of the collections in Denbighshire; instead, the Heritage Service contracted out the curatorial care of the collections to Bodelwyddan Castle Trust in order to satisfy the requirements of Museums Accreditation. This arrangement with Bodelwyddan Castle Trust came to an end in April 2017 and has been replaced by the post of Curator. The Curator will develop and implement a cost effective methodology of assessing the value of collections as well as continuing to satisfy the requirements of Museums Accreditation.

**Loans**

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

**Acquisitions and Disposals**

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

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**Section 4:**  
**Supplementary**  
**Statements**

**and**  
**Notes to the**  
**Supplementary**  
**Statements**

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## Housing Revenue Account Income and Expenditure Statement

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

## Movement on the HRA Statement

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

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

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

The Council's total housing stock was as follows:

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

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

**2. Rent Arrears**

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

**3. Capital Receipts**

HRA capital receipts for 2016/17 are summarised below:

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

**4. Analysis of Housing Revenue Account Capital Expenditure**

During 2016/17, capital expenditure of £7,981k was incurred on improvements to the Council's housing assets. Total capital expenditure has been financed by four sources: the Major Repairs Allowance (a government grant), capital receipts (from the 'Right to Buy' scheme), Direct HRA revenue contributions and Prudential Borrowing as detailed in the table overleaf.

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

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

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

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

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

## 6. Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge to the HRA is based on the employer's contribution payable in the year, so the real cost of retirement benefits is reversed out in the Movement on the HRA Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement on the HRA Statement during the year:

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

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

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# Section 6: Annual Governance and Improvement Assessment 2016-17



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## Introduction

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

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

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

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

Stakeholders are, therefore, interested in issues such as:

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

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

## Principles of good governance in the public sector

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

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

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### Acting in the public interest requires:

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

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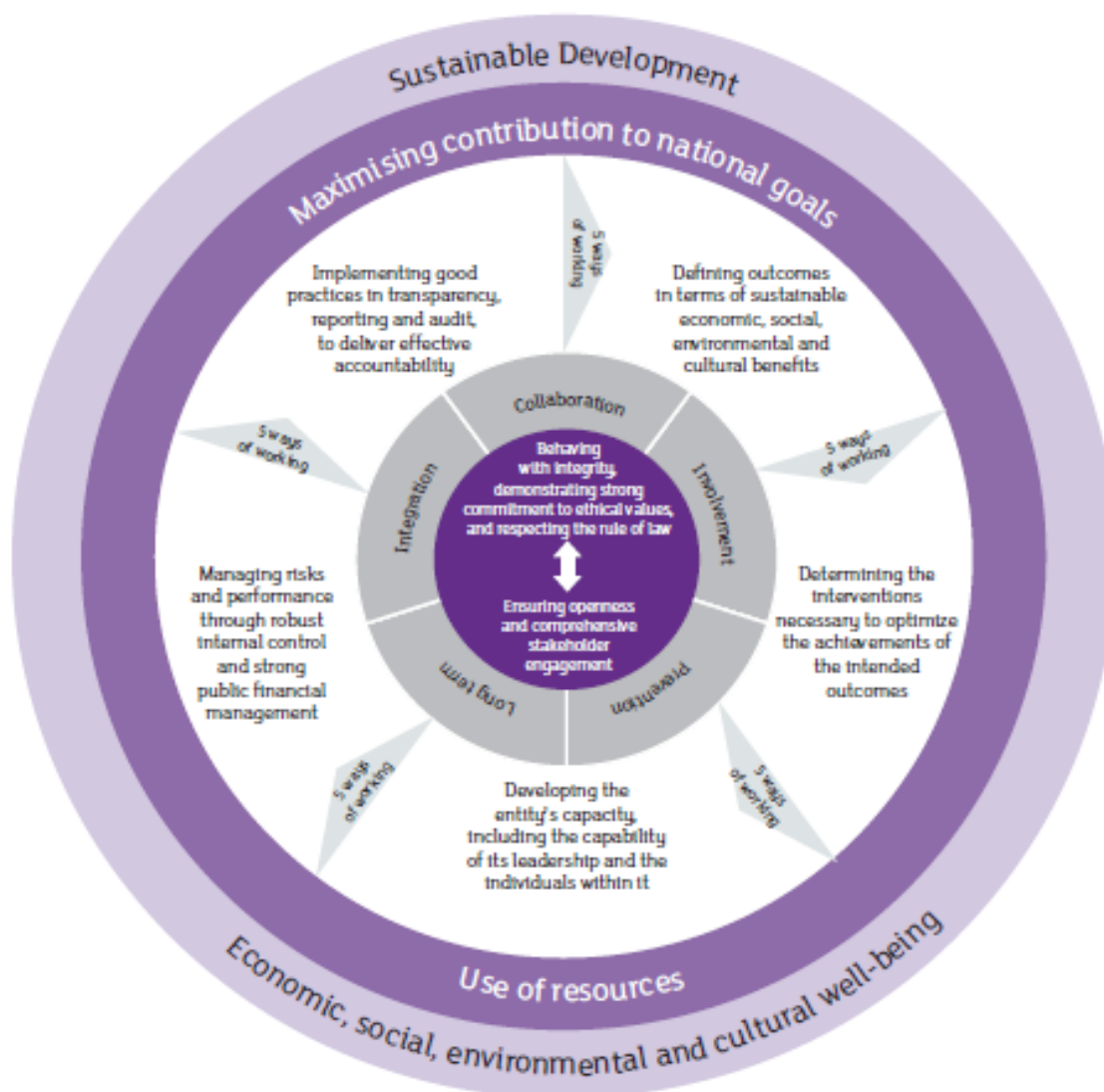
### In addition, achieving good governance in the Council requires effective arrangements for:

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

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

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

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



## Summary of our governance arrangements

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

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

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

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

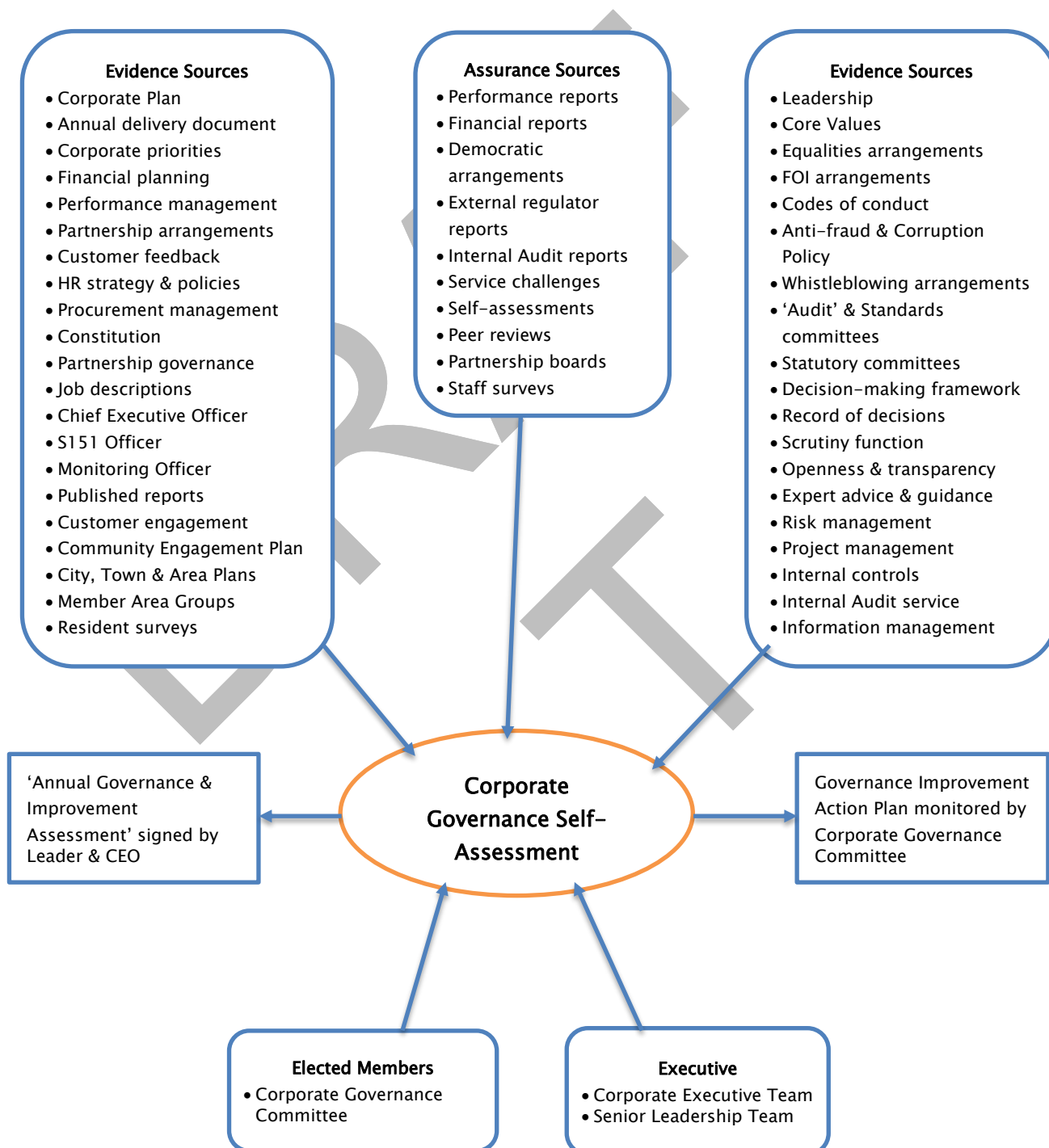
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## Summary of our governance framework

### Principles of Good Governance

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and employees



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

### Good governance means...

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

### How we achieve this...

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

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

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

- Clear and transparent Freedom of Information arrangements to allow access to information.
- Codes of conduct for elected members and employees that form part of induction training.
- A register of financial interests and hospitality for elected members and employees to ensure transparency in decision-making.
- A process for elected members to declare interests generally and in relation to specific issues and/or reports at meetings.
- A protocol to ensure that elected members and employees treat each other with respect and behave professionally.

- A customer feedback and complaints framework that allows the opportunity for customers to comment on the behaviour of elected members and employees.
- An anti-fraud and corruption policy, which we updated and re-launched this year.
- Revised whistleblowing procedures that enable issues to be raised freely with a wide range of people or bodies.
- Key HR policies and procedures and Contract Procedure Rules that place a clear emphasis on ethical values and integrity.
- Financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The Head of Internal Audit's annual report, which confirmed that we operate an effective system of internal control, governance and risk management.
- Operation of an effective and impartial Standards Committee to uphold good behaviour by elected members.
- The Constitution, protocols, job descriptions, statutory committees, legal guidance, financial guidance etc., which all ensure that our statutory officers and other key post holders and elected members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.

## Principle B - Ensuring openness and comprehensive stakeholder engagement

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### Good governance means...

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

### How we achieve this...

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

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

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

- Advertising our 'public' meetings in advance, so that they are open for public and media attendance.
- All of our committee reports are discussed openly unless they meet strict criteria for confidential discussion.
- Publishing our Annual Statement of Accounts, including this self-assessment of our governance and improvement, on our website and it is open for public inspection and challenge for the designated period.
- Publishing our Annual Performance Report so that the public can see how well we are performing in the delivery of our Corporate Plan.

- A customer feedback and complaints framework that provides the opportunity for customers to comment on our services. We listen to these views when deciding on service planning and improvement.
- Clear and transparent Freedom of Information arrangements to allow access to information.
- A clear decision-making framework to show who can make what decisions and a comprehensive and published record of decisions made. We have arrangements in place to provide and record proper professional advice on matters that have legal or financial implications well in advance of decision making and at meetings. External advice is obtained where required, particularly in specialist areas.
- All key decisions include an assessment of financial implications, contribution to corporate priorities, risks and impact assessments that provide evidence of clear reasoning for decisions.
- A website that provides a wealth of information for businesses, residents and service users, as well as details of past and current consultations on a range of topics.
- A draft communication and engagement strategy and toolkit that we are currently consulting on internally and that will be in place during 2017-18. This has been revised in line with the Well-being of Future Generations Act.
- A Communications Strategy on our website that sets out how the Council aspires to improve internal and external communications over the coming years.
- We continue our close liaison with the 37 city, town and community councils.
- We have significantly improved our engagement with businesses over the last two years, including, improved face-to-face contact with businesses, our 'Better Business for All' project, a small business development grant scheme to aid start-up and growing businesses, and a range of training events to provide support and advice.

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

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### Good governance means...

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

### How we achieve this...

Our Corporate Plan 2012-17 was widely consulted on and clearly shows what we were aiming to achieve, setting out our priorities for the five-year period. Each year we develop a Corporate Plan Delivery Document to show what we expect to do in the forthcoming year to support the delivery of our priorities and how we will go about it. Actual performance against the Corporate Plan is regularly reported to Cabinet and County Council.

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

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

In November 2016, a joint Cabinet and Senior Leadership Team (SLT) Workshop was held to identify and discuss the corporate priorities that will be considered in formulating the next Corporate Plan. The Workshop included a summary of what the

current programme of 'County Conversation' had told us, the data collected, feedback from our partners, and the proposals for what the 'long list' of priorities could be.

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

"The Council's vision and strategy provides a clear framework to shape and drive significant service changes"

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

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

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

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

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

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

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

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### Good governance means...

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

### How we achieve this...

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

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

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

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

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

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

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

Over the term of this Council, we will have delivered savings of £30m, mostly through efficiency, while at the same time investing in key priorities through the Corporate Plan. There has been a significant degree of internal consultation on budget proposals and we sought residents' views on proposals where appropriate. In addition to the Impact Assessments that were completed for each budget proposal, an elected member task and finish group has continued to assess the impact of budget decisions on communities. We recognise that the scale of savings that we need to make may not be evenly spread across our services but have robust budget planning processes in place to capture a range of funding scenarios, cost pressures and risks that will allow elected members a range of options to deliver a balanced budget.

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

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

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

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

The WAO report highlights that the Council has a good track record of delivering planned savings and has an effective financial planning framework, with good links

between corporate and medium-term financial planning processes. The report suggests two proposals for improvement relating to development of an income generation/charging policy and more formal risk rating of savings proposals.

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

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

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

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### Good governance means...

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

### How we achieve this...

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

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

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

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

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

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

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

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

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

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

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

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

We have carried out a significant amount of work during the year to develop our senior and middle managers. Our Strategy for Leadership 2014-2017 encompasses leadership attitudes and behaviours, management skills and a responsibility to create a collective leadership culture and capability. Our vision is to have individual leaders who are role models, displaying our identified leadership attitudes and behaviours. They are people we trust and who create a culture of trust, who work together to achieve results and who learn from each other to deliver our shared management responsibilities.

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

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

The Strategy is ongoing and aims to:

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

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

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

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

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### Good governance means...

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

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

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

### How we achieve this...

The Council has embedded risk management and recognises that it is an integral part of all activities and considers it in all aspects of decision making. We review our Corporate Risk Register formally twice a year, with CET and Cabinet reviewing risks together, reviewing mitigating actions and the external environment to assess the risk score and adding new risks as appropriate. Corporate Governance Committee monitors risk management arrangements and reviews the Corporate Risk Register.

We have an independent and objective Internal Audit service providing assurance across the whole range of the Council's services, including partnerships and alternative service providers. The service particularly focuses its work on key priority areas and corporate risks and its programme of work ensures that all corporate risks are considered, either within agreed corporate and service projects or within a specific risk management project that picks up any remaining corporate risks not reviewed earlier in the year.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### Good governance means...

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

### We achieve this by...

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

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

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

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

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

- Internal Audit reports presented to Corporate Governance Committee. Where Internal Audit provides an adverse report, the service is called to account at the Committee. This report includes an improvement action plan that Corporate Governance Committee will monitor.
- The new process for monitoring alternative service providers also includes an assessment of governance and monitoring arrangements so that any services that are provided through such an arrangement in future have robust governance and reporting arrangements in place from the start. We are also implementing scrutiny arrangements to monitor alternative service providers' financial and operational performance.

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## Significant governance issues

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There are no significant governance issues to report this year.

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

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

**Signed: ..... (Leader) .....2017**

**Signed: ..... (Chief Executive) .....2017**

## Appendix A - Governance Improvement Action Plan

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

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

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## Section 7: Glossary

**ACCOUNTING PERIOD** - The period of time covered by the accounts, typically a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

**ACCOUNTING POLICIES** - The specific principles, bases, conventions, rules & practices applied by the Council in preparing & presenting its financial statements.

**ACCRUALS** - Amounts included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

**ACTUARIAL GAINS AND LOSSES** - For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have varied.

**AGENCY ARRANGEMENTS** - An arrangement between two organisations where one will act as an agent, collecting money on behalf of the other party, to whom the money is then paid over. An example of this is NNDR collections, where the Council is acting as the billing agent for central government, collecting money from tax payers on behalf of central government and then paying it over to them.

**AMORTISATION** - The gradual elimination of a liability, such as a loan, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal & interest.

**ASSET** - An item having value to the authority in monetary terms. Assets are classed as either current or non current:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **non current** asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

**AUDIT OF ACCOUNTS** - An independent review of the Authority's financial affairs.

**BALANCE SHEET** - A statement of the recorded assets, liabilities and reserves at the end of the accounting period.

**BUDGET** - The anticipated net revenue and capital expenditure over the accounting period.

**CAPITAL EXPENDITURE** - Expenditure on the procurement of a non current asset, which will be used in providing services beyond the current accounting period or expenditure that adds to, and not merely maintains, the value of an existing non current asset.

**CAPITAL FINANCING** - Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**CAPITAL PROGRAMME** - The capital schemes the Council intends to carry out over a specified period of time.

**CAPITAL RECEIPT** - The income from the disposal of land or other non current assets. Proportions of Housing capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used to finance revenue expenditure except for Revenue Expenditure Funded from Capital Under Statute.

**CASH** - Comprises cash on hand & demand deposits.

**CASH EQUIVALENTS** - Short-term, highly liquid investments that are readily convertible to known amounts of cash & which are subject to an insignificant risk of changes in value.

**CASH FLOWS** - Inflows & outflows of cash & cash equivalents.

**CIPFA** - The Chartered Institute of Public Finance and Accountancy.

**COMMUNITY ASSETS** - Assets that the Council plans to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

**CONTINGENT ASSET** - A contingent asset is a likely asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

**CONTINGENT LIABILITY** - A contingent liability is either:

- a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**CREDITOR** - Amount owed by the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**CURRENT SERVICE COST (PENSIONS)** - The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

**DEBTOR** - Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**DEFINED BENEFIT PENSION SCHEME** - Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATED REPLACEMENT COST (DRC)** - A method of valuation which gives a recognised approximation for the market value of specialised properties. It is an estimate of the market value for the existing use of the land, plus the current gross replacement costs for the building less an allowance for physical deterioration of the asset to its current equivalent physical state.

**DEPRECIATION** - The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Authority's non current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)** - Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as The Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007.

**EFFECTIVE INTEREST RATE** - This is the rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition.

**EMPLOYEE BENEFITS** - All forms of consideration given by the Council in exchange for service rendered by its employees.

**EVENTS AFTER THE BALANCE SHEET DATE** - Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

**EXCEPTIONAL ITEMS** - Material items which derive from affairs or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXISTING USE VALUE (EUV)** - The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. It assumes that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

**EXPECTED RETURN ON PENSION ASSETS** - For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS** - Material items, having a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE** - The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

**FINANCE LEASE** - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee.

**FINANCIAL INSTRUMENT** - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

**FINANCING ACTIVITIES** - Activities that result in changes in the size & composition of the principal received from or repaid to external providers of finance.

**GOING CONCERN** - The concept that the statement of accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS** - Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. Grants may be specific to a particular scheme or may support the revenue or capital spend (respectively) of the Authority in general.

**HOUSING BENEFITS** - A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

**HOUSING REVENUE ACCOUNT (HRA)** - A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

**IMPAIRMENT** - A reduction in the value of a non current asset to below its carrying amount on the balance sheet. Impairment may be caused by a consumption of economic benefit (economic benefit impairment) or a general fall in prices.

**INCOME** - Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

**INCOME AND EXPENDITURE ACCOUNT** - The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

**INFRASTRUCTURE ASSETS** - Non current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by continued use of the asset created. Examples are highways, footpaths and bridges.

**INTANGIBLE ASSETS** - An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets most frequently found in local authorities are computer software.

**INTEREST COST (PENSIONS)** - For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INVENTORIES** - Items of raw materials and stores an authority has procured and holds in expectation of future use.

**INVESTING ACTIVITIES** - The acquisition & disposal of long-term assets & other investments not included in cash equivalents.

**INVESTMENT PROPERTY** - Property that is held solely to earn rentals or for capital appreciation or both.

**INVESTMENTS (PENSION FUND)** - The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

**LEASE** - An agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for a period of time.

**LIABILITY** - A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**MATERIALITY** - The concept that the Statement of Accounts should contain all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MINIMUM REVENUE PROVISION (MRP)** - The minimum amount, which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**NEGATIVE SUBSIDY** - If the Subsidy Housing Revenue Account produces a result, which assumes that the Council's income is higher than its expenditure, a 'Negative Subsidy' situation arises. In this case the authority must pay an amount equivalent to the notional surplus, from its Housing Revenue Account to the government.

**NET BOOK VALUE** - The amount at which non current assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation and impairment.

**NON-DOMESTIC RATES (NDR)** - The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

**OPERATING ACTIVITIES** - The activities of the Council that are not investing or financing activities.

**OPERATING LEASE** - A lease where the ownership of the non current asset remains with the lessor.

**PAST SERVICE COST (PENSIONS)** - For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**PENSION SCHEME LIABILITIES** - The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRECEPT** - The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

**PRIOR YEAR ADJUSTMENT** - Material adjustments relating to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PRIVATE FINANCE INITIATIVE (PFI)** - PFI arrangements typically involve a private sector entity constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time on behalf of the public sector body. In return the public sector body pays for the use of the assets and associated services over the period of the arrangement through a unitary payment.

**PROJECTED UNIT METHOD** - An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

**PROVISION** - An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur, but the amounts or dates of when they will arise are uncertain.

**PUBLIC PRIVATE PARTNERSHIPS (PPP)** - A joint venture in which a private sector partner agrees to provide services to or on behalf of a public sector organisation. A Private Finance Initiative is a form of PPP.

**PUBLIC WORKS LOAN BOARD (PWLB)** - A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RATEABLE VALUE** - The annual assumed rental value of a property, which is used for NDR purposes.

**RELATED PARTIES** - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

**RELATED PARTY TRANSACTIONS** - The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION** - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**RESERVES** - The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

**RESIDUAL VALUE** - The net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS** - All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE** - The day-to-day expenses of providing services.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)** - Expenditure which can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. This is to enable

it to be funded from capital resources. Examples of REFCUS are grants of a capital nature to voluntary organisations.

**REVENUE SUPPORT GRANT** - A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**SERVICE CONCESSION ARRANGEMENT** - A service concession agreement generally involves the grantor (usually a public sector body) conveying to the operator (usually a private sector entity), for the period of the concession, the right to provide services that give the public access to major economic & social facilities.

**SOFT LOAN** - A loan made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

**TEMPORARY BORROWING** - Money borrowed for a period of less than one year.

**TRUST FUNDS** - Funds administered by the Authority for such purposes as prizes, charities, specific projects, and on behalf of minors.

**USEFUL ECONOMIC LIFE (UEL)** - The period over which the Council will derive benefits from the use of a non current asset.

**WORK IN PROGRESS** - The cost of work performed on an incomplete project at the balance sheet date, which should be accounted for.

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