

# **STATEMENT OF ACCOUNTS 2017/18**

**Denbighshire County Council**  
**Statement of Accounts**  
**2017/18**

<b>Introduction .....</b>	<b>1</b>
<b>Section 1: Narrative Report .....</b>	<b>4</b>
<b>Section 2: Statement of Responsibilities .....</b>	<b>10</b>
<b>Section 3: Financial Statements and Notes to the Accounts 2017/18 .....</b>	<b>11</b>
Expenditure and Funding Analysis .....	14
Comprehensive Income and Expenditure Statement .....	17
Movement in Reserves Statement .....	19
Balance Sheet.....	21
Cash Flow Statement.....	23
Notes to the Accounts .....	24
<b>Section 4: Supplementary Statements .....</b>	<b>90</b>
Housing Revenue Account Income and Expenditure Statement .....	91
Movement on the HRA Statement.....	92
Notes to the Supplementary Statements.....	93
<b>Section 5: The independent auditor's report of the Auditor General for Wales to the members of Denbighshire County Council.....</b>	<b>96</b>
<b>Section 6: Annual Governance Statement 2017-18 .....</b>	<b>99</b>
<b>Section 7: Glossary.....</b>	<b>117</b>

## **Introduction**

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

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

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

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

## **The Statement Of Accounts**

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

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

Following the "Telling the Story" review of the presentation of local authority financial statements the CIPFA Code of Practice on Local Authority Accounting 2016/17 (the Code) changed the segmental reporting arrangements for the Comprehensive Income & Expenditure Statement (CI&ES) and introduced the Expenditure and Funding Analysis. Both the CI&ES and the Expenditure and Funding Analysis include a segmental analysis based on how the Council is structured, operates, monitors and manages financial performance. Previously the Council reported the cost of individual services in the CI&ES in accordance with the format specified in the Service Reporting Code of Practice (SeRCOP).

The Statement of Accounts contains the following sections:

## **Section 1- Narrative Report**

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

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

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

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

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

### **Expenditure and Funding Analysis**

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

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

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

### **Movement in Reserves Statement**

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

### **Balance Sheet**

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

### **Cash Flow Statement**

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

### **Notes to the Accounts**

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

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

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

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

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

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

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

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

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

### **Section 7 – Glossary**

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

## **Section 1: Narrative Report**

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

The Council sets a revenue budget each year. This is a budget for services it will provide in the year and that will be paid for by service users, Welsh Government Grants and Council Tax and Business Rate payers. For 2017/18, this gross expenditure budget was £296.5m. After budgeted use of Reserves, savings of £2.3m were required and successfully identified to achieve a balanced budget. All savings identified were achieved during 2017/18. The Council has identified budget savings of £24.8m in the last five years and is likely to have to make savings of over £16m in the next three years.

By the end of the year, the Council had spent £1.1m less than it budgeted for on services and corporate budgets. Although it remains a difficult financial period for schools, investment in school budgets in 2017/18 which more than funded inflationary pressures and the close working relationship between the Council and schools in producing robust 3 year financial plans, has resulted in an improved financial position for schools (schools reported an in year underspend of £0.713m).

Service requests to carry forward underspends amounting to £0.406m were approved by Cabinet in June. The funds will be used to help mitigate against known pressures and provide funds for service investment.

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

The net contribution to earmarked reserves within the accounts is £0.2m (see Note 20 for details). The movement includes the net reduction of schools' deficit balances and the budgeted and planned use of reserves for purposes such as funding the Capital Plan, the new Corporate Plan and budget reductions in future years.

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

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

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

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

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

Further details on services' financial performance can be found in the Final Outturn Report presented to Cabinet on the 26<sup>th</sup> June 2018 (Agenda Item 9 - [Denbighshire County Council](#) -

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

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

## 1.2 Review Of The Year – Capital Expenditure

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

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

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

Expenditure on major Projects undertaken during the year includes:

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



### 1.3 Other Issues

#### **Pensions**

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

International accounting standards require that councils account for the cost of pension entitlements earned in the year, rather than the cost of the contributions paid to the pension fund. The pension fund has to work out how much money it would owe if all of the individual members became entitled to immediate payment of their pension. It then has to work out how much money it has in investments. Returns on investments are impacted by the wider national and international economic environment and taken with the fact that people are generally living longer, the pension fund has less in investments than the theoretical amount it would have to pay out. This is known as a deficit. Although it is highly unlikely that the Council would ever have to pay out this money, it must show this deficit in its accounts. The Pension Fund is subject to a triennial valuation and the estimates contained in the accounts are based on the latest full valuation of the scheme as at 31 March 2016. The notes to the accounts show further details.

#### **Housing Stock Business Plan**

The council owns 3,380 council dwellings – known as the housing stock. Since 2005, the council has invested significantly in improving its housing stock and achieved the Welsh Housing Quality Standard in 2014. Part of this investment has been funded through borrowing and the Council has a detailed 30-year Housing Stock Business Plan which helps to ensure that the investment in the Council's houses remains affordable and sustainable in the long term. The Housing Stock Business Plan is regularly reviewed and formally approved by the Council's Cabinet every year and it remains financially strong.

The council has to account for income and expenditure on its housing stock separately from other activities and this is called the Housing Revenue Account (HRA). All Housing Revenue Accounts in Wales were subject to a national subsidy system which meant that surplus rent income had to be paid back to the UK Government. The subsidy system ended in Wales on 2 April 2015 with all 11 Local Housing Authorities 'buying themselves' out of the system. For Denbighshire County Council this entailed a capital payment of £40m, funded through borrowing. The ending of the subsidy systems means that the council retains more rental income locally which allows capacity for additional investment in the housing stock and offers the possibility to increase the size of the stock in the coming years. The latest Housing Stock Business Plan allows for investment of £26m in new stock over the coming five years.

#### **Borrowing & Investments**

The Council's strategy in 2017/18 has continued to be one of keeping borrowing and investment balances as low as possible through use of temporary cash surpluses while ensuring a sufficient level of cash is maintained. Investment balances are continually monitored with the aim of maintaining sufficient levels to meet the Council's cash flow requirements. The council's treasury position is reported to the Corporate Governance Committee throughout the year. The Council's outstanding debt at 31 March 2018 was £206.2m, investment balances were £7.4m and a further £5.2m was held in an instantly accessible bank account.

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

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

## Statutory Functions

There were no significant changes to the Council's statutory functions during 2017/18.

## The Corporate Plan

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

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

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

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

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

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

## Looking Ahead

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

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

Reform of local government in Wales remains on the national agenda but proposals are not yet finalised. The integration of some social care and health provision across the region will progress during 2018/19 and is likely to develop further in future years.

Full details of the Council's budget for 2018/19 including details of service budgets, the Housing Revenue Account and Capital budgets can be found in the Budget Summary document which was presented and approved by Cabinet in June 2018 as part of the Finance Report – Appendix 1 (link: Agenda for Cabinet on Tuesday, 22 May 2018, 10.00am - , <https://moderngov.denbighshire.gov.uk/ieListDocuments.aspx?CId=281&MId=5411&LLL=0> ).

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

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

The County Council is required to:

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

**Authority's Certificate**

I approve the Statement of Accounts of Denbighshire County Council.

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

**Chair Of Corporate Governance Committee**

**Responsibilities of the Chief Financial Officer**

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

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

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

The Chief Financial Officer has also:

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

**Certificate: Chief Financial Officer**

I certify that the accounts presented give a true and fair view of the financial position of Denbighshire County Council at the reporting date and its income and expenditure for the year ended 31 March 2018.

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

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

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

### Section 3 Contents

Expenditure and Funding Analysis .....	14
Comprehensive Income and Expenditure Statement.....	17
Movement in Reserves Statement .....	19
Balance Sheet.....	21
Cash Flow Statement.....	23
<u>Notes to the Accounts</u> .....	24
1. Accounting Policies .....	24
2. Accounting Standards That Have Been Issued but Not Yet Adopted .....	38
3. Critical Judgements in Applying Accounting Policies.....	39
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.....	39
5. Material Items of Income and Expense .....	40
6. Events after the Balance Sheet Date .....	40
7. Expenditure and Income Analysed by Nature.....	41
8. Adjustments between Accounting Basis and Funding Basis under Regulation.....	41
9. Other Operating Expenditure .....	45
10. Financing and Investment Income and Expenditure .....	45
11. Taxation and Non Specific Grant Income .....	45
12. Council Tax.....	45
13. National Non-Domestic Rates (NNDR).....	46
14. Property, Plant and Equipment .....	47
15. Investment Properties .....	52
16. Financial Instruments.....	53
17. Debtors .....	54
18. Assets Held for Sale.....	55
19. Creditors .....	55
20. Movements in Earmarked Reserves .....	56
21. Usable Reserves.....	59
22. Unusable Reserves.....	60
23. Cash Flow Statement – Operating Activities.....	64
24. Cash Flow Statement – Investing Activities.....	64
25. Cash Flow Statement – Financing Activities.....	65
26. Members' Allowances .....	65
27. Officers' Remuneration .....	66
28. External Audit Costs.....	70
29. Grant Income .....	71
30. Related Parties .....	72
31. Capital Expenditure and Capital Financing.....	74
32. Leases .....	75
33. Pensions Schemes Accounted for as Defined Contribution Schemes .....	76

34.	Defined Benefit Pension Schemes .....	76
35.	Nature and Extent of Risks Arising from Financial Instruments .....	83
36.	Heritage Assets.....	87

## Expenditure and Funding Analysis

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

### Note 1 Adjustments for Capital Purposes

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

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

### Note 2 Net Change for the Pensions Adjustment

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

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

### Note 3 Other Differences

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

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



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

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

	Final Outturn Report (Management Accounts)	Technical adjustments to Management Accounts	Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between Funding & Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)		
2016/17	£000	£000	£000	£000	£000	£000	£000	£000
Customers, Communication & Marketing	2,928	(213)	2,715	331	(47)	9	293	3,008
Education & Children's Services	14,131	(791)	13,340	199	(201)	29	27	13,367
Schools	67,608	(335)	67,273	12,693	(1,204)	578	12,067	79,340
Business Improvement & Modernisation	4,436	578	5,014	230	(79)	(1)	150	5,164
Legal, HR & Democratic Services	2,396	3	2,399	4	(60)	0	(56)	2,343
Corporate & Miscellaneous	18,019	(3,723)	14,296	522	(878)	1	(355)	13,941
Facilities, Assets & Housing	6,302	(102)	6,200	2,727	(238)	88	2,577	8,777
Finance	2,864	(2)	2,862	0	(46)	11	(35)	2,827
Highways & Environment	17,352	(628)	16,724	6,789	(206)	(7)	6,576	23,300
Planning & Public Protection	2,795	350	3,145	1,768	(100)	10	1,678	4,823
Community Support Services	31,279	425	31,704	434	(350)	39	123	31,827
Local Authority Housing (HRA)	0	(5,813)	(5,813)	2,609	(56)	(6)	2,547	(3,266)
<b>Net Cost of Services</b>	<b>170,110</b>	<b>(10,251)</b>	<b>159,859</b>	<b>28,306</b>	<b>(3,465)</b>	<b>751</b>	<b>25,592</b>	<b>185,451</b>
Other Income and Expenditure	0	(155,990)	(155,990)	(31,451)	7,685	(2)	(23,768)	(179,758)
<b>(Surplus) or Deficit</b>	<b>170,110</b>	<b>(166,241)</b>	<b>3,869</b>	<b>(3,145)</b>	<b>4,220</b>	<b>749</b>	<b>1,824</b>	<b>5,693</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(43,175)</b>					
<b>Less/Plus (Surplus) or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>3,869</b>					
<b>Closing Council Fund and HRA Balance at 31 March*</b>			<b>(39,306)</b>					

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

**Comprehensive Income and Expenditure Statement**

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

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

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

**Movement in Reserves Statement**

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

	Note	Revenue Reserves			Capital Reserves				
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017		(7,549)	(29,210)	(2,547)	(4,846)	(3,807)	(47,959)	28,442	(19,517)
<b>Movement in reserves during 2017/18</b>									
(Surplus) or deficit on the provision of services	CI & ES	9,994		2,634			12,628		12,628
Other Comprehensive Income & Expenditure	CI & ES							(46,575)	(46,575)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>9,994</b>	<b>0</b>	<b>2,634</b>			<b>12,628</b>	<b>(46,575)</b>	<b>(33,947)</b>
Adjustments between accounting basis & funding basis under regulations	8	(10,172)		(2,353)	(528)	657	(12,396)	12,396	
Net Increase/Decrease before Transfers to Earmarked Reserves		(178)	0	281	(528)	657	232	(34,179)	(33,947)
Transfers to/from Earmarked Reserves	20	186	(249)	63					
Increase/Decrease in 2017/18		<b>8</b>	<b>(249)</b>	<b>344</b>	<b>(528)</b>	<b>657</b>	<b>232</b>	<b>(34,179)</b>	<b>(33,947)</b>
Balance at 31 March 2018		<b>(7,541)</b>	<b>(29,459)</b>	<b>(2,203)</b>	<b>(5,374)</b>	<b>(3,150)</b>	<b>(47,727)</b>	<b>(5,737)</b>	<b>(53,464)</b>

		Revenue Reserves			Capital Reserves				
	Note	Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016		(8,752)	(31,819)	(2,604)	(2,228)	(1,576)	(46,979)	(36,703)	(83,682)
<b>Movement in reserves during 2016/17</b>									
(Surplus) or deficit on the provision of services	CI & ES	7,916		(2,223)			5,693		5,693
Other Comprehensive Income & Expenditure	CI & ES							58,472	58,472
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>7,916</b>	<b>0</b>	<b>(2,223)</b>	<b>0</b>	<b>0</b>	<b>5,693</b>	<b>58,472</b>	<b>64,165</b>
Adjustments between accounting basis & funding basis under regulations	8	(3,961)		2,137	(2,618)	(2,231)	(6,673)	6,673	0
Net Increase/Decrease before Transfers to Earmarked Reserves		<b>3,955</b>	<b>0</b>	<b>(86)</b>	<b>(2,618)</b>	<b>(2,231)</b>	<b>(980)</b>	<b>65,145</b>	<b>64,165</b>
Transfers to/from Earmarked Reserves	20	(2,752)	2,609	143			0		0
Increase/Decrease in 2016/17		<b>1,203</b>	<b>2,609</b>	<b>57</b>	<b>(2,618)</b>	<b>(2,231)</b>	<b>(980)</b>	<b>65,145</b>	<b>64,165</b>
Balance at 31 March 2017		<b>(7,549)</b>	<b>(29,210)</b>	<b>(2,547)</b>	<b>(4,846)</b>	<b>(3,807)</b>	<b>(47,959)</b>	<b>28,442</b>	<b>(19,517)</b>

**Balance Sheet**

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

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

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



## Cash Flow Statement

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

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

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

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

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

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014. Those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2017/18' (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

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

**ii. Accounting for Local Authority Schools**

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

**iii. Accruals of Income and Expenditure**

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

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

**iv. Cash and Cash Equivalents**

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

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

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

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

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

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

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

**Termination Benefits**

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

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

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

### **Post Employment Benefits**

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

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

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

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

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

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

- The liabilities of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6%.
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

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

Remeasurements comprising:

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

Contributions paid to the Clwyd Pension Fund – cash paid as employer's contributions to the pension fund

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

### **Discretionary Benefits**

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

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

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

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

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

#### **viii. Fair Value Measurement**

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

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

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

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

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

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

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

#### **ix. Financial Instruments**

##### **Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

### **Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

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

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

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

### **Soft Loans**

A soft loan is a loan which the Council has given to an external body at an interest rate which is less than the market rate. In this case, soft loan accounting needs to be applied. However, if the size of the transaction is deemed to be de-minimis, there is no need to apply soft loan

accounting. The Council has set this de-minimis level at £150k for each individual loan granted or where the fair value adjustment is not material.

#### **x. Government Grants and Contributions**

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

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

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

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

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

#### **xi. Heritage Assets**

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

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

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

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



Development Policy approved under Museums Accreditation and items are only added infrequently according to set procedures.

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

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

## **xii. Investment Property**

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

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

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

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

## **xiii. Leases**

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

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

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

**The Council as Lessee**Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

**The Council as Lessor**Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

## **xiv. Non Exchange Revenue**

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

Assets and revenue arising from non exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector are detailed in the Code and/or IPSAS 23, "Revenue from Non- Exchange Transactions (Taxes and Transfers)."

### **Taxation transactions**

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

### **Non-taxation transactions**

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

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

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

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

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

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

#### **xv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

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

##### **Recognition**

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

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

##### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

### **Componentisation**

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

- Superstructure and Substructure
- Internal Finishes and Fittings
- Services

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

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

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

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

decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

## **xvii. Provisions**

### **Provisions**

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

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

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

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

**xviii. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves so that there is no net charge against council tax for the expenditure.

**xix. Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

**xx. VAT**

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

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

**IFRS 9 Financial Instruments**

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

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

**IFRS 15 Revenue from Contracts with Customers**

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

**IAS 7 Statement of Cash Flows (Disclosure Initiative)**

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



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

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

**IFRS 16 Leases**

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

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

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is some risk of adjustment in the forthcoming financial year are as follows:

**Property, Plant & Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to some of the assets. If the useful life of the asset is reduced, depreciation increases and the carrying amount of the asset falls. Property, plant and equipment are re-valued on a periodic basis

and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the council's valuers. If the actual results differ from the assumptions, the value of PPE assets will be over or understated. This would be adjusted when the assets were next re-valued.

The value of Property, Plant and Equipment disclosed on the Balance Sheet is £487,440k and further information is contained within Note 14.

### **Minimum Revenue Provision (MRP)**

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

### **Pension Liability**

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

The value of the pension liability and corresponding pension reserve disclosed on the Balance Sheet is £249,461k. Detailed information is contained within Notes 22, 33 and 34.

### **Employee Benefit Accrual**

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31 March 2018 was £2,298k and is detailed in Note 22.

### **Arrears**

A review of outstanding debt has been made and an allowance made for doubtful debts. Any allowance made for doubtful future debts has to be based on an estimate. The allowance made is prudent but any changes such as economic climate and further changes to the welfare system mean that the allowances may need to be reviewed next year.

At 31 March 2018 the Council had a sundry debtor balance of £7,550k. A review of this balance suggested a specific bad debts provision of £943k and a general bad debts provision of £979k was appropriate. The Council Tax arrears were £2,542k with a bad debts provision of £1,558k. National Non-Domestic Rates arrears were £588k with a bad debts provision of £277k. Housing Benefit Overpayments had arrears of £1,822k with a bad debts provision of £911k. The figures for Housing Rents are shown in Housing Revenue Account Note 2.

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

There were no material items of income or expense in the financial year 2017/18.

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer in June 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at

31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. Expenditure and Income Analysed by Nature

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

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

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

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

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

### Council Fund Balance

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

### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government & Housing Act 1989. It contains the balance of income and expenditure

as defined by the 1989 Act that is available to fund expenditure in connection with the Council's landlord function.

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

Adjustments between Accounting Basis and Funding Basis under Regulation	Usable Reserves			
2017/18	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: <ul style="list-style-type: none"> <li>• Pension Costs</li> <li>• Financial Instruments</li> <li>• Holiday pay</li> <li>• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure</li> </ul>	(8,960)	(388)		
<b>Total Adjustments to Revenue Resources</b>	<b>(24,145)</b>	<b>(7,031)</b>	<b>0</b>	<b>(1,499)</b>
<b>Adjustments between Revenue and Capital Resources</b> Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve Statutory provision for the repayment of debt Capital expenditure financed from revenue balances	2,097	328	(2,220)	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>13,973</b>	<b>4,678</b>	<b>(2,220)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b> Use of the Capital Receipts Reserve to finance capital expenditure Application of capital grants to finance capital expenditure			1,692	2,156
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,692</b>	<b>2,156</b>
<b>Total Adjustments</b>	<b>(10,172)</b>	<b>(2,353)</b>	<b>(528)</b>	<b>657</b>

Adjustments between Accounting Basis and Funding Basis under Regulation		Usable Reserves			
2016/17		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:					
<ul style="list-style-type: none"> <li>Pension Costs</li> <li>Financial Instruments</li> <li>Holiday pay</li> <li>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure</li> </ul>		(4,020) 3 (756) (16,386)	(200) (2) 6 (2,657)		(2,402)
<b>Total Adjustments to Revenue Resources</b>		<b>(21,159)</b>	<b>(2,853)</b>	<b>0</b>	<b>(2,402)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		2,926	971	(3,897)	
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
<b>Total Adjustments to Capital Resources</b>		<b>0</b>	<b>0</b>	<b>1,279</b>	<b>171</b>
<b>Total Adjustments</b>		<b>(3,961)</b>	<b>2,137</b>	<b>(2,618)</b>	<b>(2,231)</b>

**9. Other Operating Expenditure**

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

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

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

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

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

**12. Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Denbighshire County Council, each Community Council and the Office of the Police and Crime Commissioner, North Wales and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts. The tax base is 39,275 in 2017/18 (38,888 in 2016/17).

This basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,487.18 (£1,444.75 in 2016/17) and is multiplied by the proportion specified for the particular band to give the individual amount due.

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

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of Properties in Council Tax System at 31 March 2018	3,975	7,202	14,378	7,738	5,378	3,659	1,990	311	167

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

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

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

NNDR is organised on a national basis. The Welsh Government specified the rate of 49.9p in 2017/18 (48.6p in 2016/17) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) of £24,102k for 2017/18 (£22,962k for 2016/17) was based on an aggregate rateable value of £66,510k at year end.

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

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



**14. Property, Plant and Equipment**

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>2017/18</b>								
<b>Cost or Valuation</b>								
At 1 April 2017	112,070	265,192	17,935	156,748	2,564	6,015	5,621	566,145
Additions	4,996	9,805	3,281	7,044	5	2,580	15,701	43,412
Revaluation increases / (decreases) recognised in the Revaluation Reserve	166	11,712	0	0	0	75	0	11,953
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(80)	(5,527)	0	0	0	(945)	0	(6,552)
Derecognition – disposals	(328)	(4,629)	(149)	0	0	0	0	(5,106)
Derecognition – other	0	(4,294)	(1,926)	(446)	0	0	0	(6,666)
Assets reclassified (to)/from Held for Sale	0	(1,189)	0	0	0	(300)	0	(1,489)
Other Movements	0	(867)	0	0	0	0	0	(867)
Transfers in/(out)	(880)	2,610	23	0	(23)	31	(2,543)	(782)
<b>At 31 March 2018</b>	<b>115,944</b>	<b>272,813</b>	<b>19,164</b>	<b>163,346</b>	<b>2,546</b>	<b>7,456</b>	<b>18,779</b>	<b>600,048</b>

2017/18	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2017	(8,451)	(38,444)	(10,126)	(38,396)	(75)	(466)	0	(95,958)
Depreciation charge	(2,089)	(6,590)	(2,510)	(3,898)	0	(22)	0	(15,109)
Depreciation written out to Revaluation Reserve	4	5,798	0	0	0	0	0	5,802
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,838	0	0	0	273	0	2,111
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,000)	(2,694)	0	0	0	(36)	0	(4,730)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,581)	(7,111)	(35)	(1,333)	(5)	(2,933)	0	(13,998)
Derecognition - disposals	0	1,588	128	0	0	0	0	1,716
Derecognition – other	0	4,294	1,925	446	0	0	0	6,665
Derecognition – Held for Sale	0	25	0	0	0	0	0	25
Other Movements	14	868	0	0	0	(14)	0	868
<b>At 31 March 2018</b>	<b>(15,103)</b>	<b>(40,428)</b>	<b>(10,618)</b>	<b>(43,181)</b>	<b>(80)</b>	<b>(3,198)</b>	<b>0</b>	<b>(112,608)</b>
<b>Net Book Value</b>								
At 31 March 2018	100,841	232,385	8,546	120,165	2,466	4,258	18,779	487,440
At 31 March 2017	103,619	226,748	7,809	118,352	2,489	5,549	5,621	470,187

2016/17	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2016	112,975	251,277	18,487	151,893	2,564	1,432	5,093	543,721
Additions	7,804	7,695	3,151	5,039	0	0	15,971	39,660
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(4,316)	2,772	19	0	0	0	0	(1,525)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,409)	(5,170)	0	0	0	(50)	0	(6,629)
Derecognition – disposals	(971)	(2,617)	(55)	0	0	0	0	(3,643)
Derecognition – other	0	(213)	(3,667)	(184)	0	0	0	(4,064)
Assets reclassified (to)/from Held for Sale	0	(1,225)	0	0	0	(150)	0	(1,375)
Transfers in/(out)	(2,013)	12,673	0	0	0	4,783	(15,443)	0
<b>At 31 March 2017</b>	<b>112,070</b>	<b>265,192</b>	<b>17,935</b>	<b>156,748</b>	<b>2,564</b>	<b>6,015</b>	<b>5,621</b>	<b>566,145</b>

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

**Depreciation**

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

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

**Voluntary Aided and Voluntary Controlled Schools**

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

**Asset Register Review**

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

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

**Capital Commitments**

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

<b>Project</b>	<b>Contract Estimate £000</b>	<b>Expenditure incurred up to 31 March 2018 £000</b>	<b>Total Future Contract Payments £000</b>
Rhyl, New 3-16 Catholic School – Pre Construction Services	1,465	1,065	400
Ysgol Glan Clwyd - Extension, Remodelling and Refurbishment	14,510	15,240	299
Rhos Street and Ysgol Penbarras - New Schools	9,537	9,306	539
Housing - External Repairs	1,631	507	1,124
Warm Homes Heating Installation, West Rhyl	571	0	571
Rhyl Waterpark	15,311	7,188	8,123
Rhyl Waterfront – Travelodge Enabling Works	708	379	329
East Rhyl Flood Defence	1,400	521	879
Rhyl Library – Re-roofing	242	0	242
Rhyl Leisure Centre – New Fitness Facilities	617	245	372
<b>Total</b>	<b>45,992</b>	<b>34,451</b>	<b>12,878</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 as at 1 April 2017 by Mrs C Jones Black BSc (Hons) MRICS, on the under mentioned bases in accordance with the Statements of Asset Valuation and

Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation. Inspections were carried out between September 2017 and May 2018.

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

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

### Impairment Losses

During the revaluations exercise the Valuer found no other fundamental trends that would affect the remaining assets not revalued during 2017/18. However it is recognised that there are major projects in the pipeline that have a potential to affect future valuations but these projects are currently in their early stages.

## 15. Investment Properties

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

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

## 16. Financial Instruments

**Categories of Financial Instruments**

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

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

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

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council received loans to the value of £643k during previous years and £217k during 2017/18. The balance on this loan at 31 March 2018 is £594k.

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

**Income Expense, Gains and Losses**

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

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

**Fair Values of Assets and Liabilities**

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. IFRS 7 requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which an asset

could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2017 and 31 March 2018 consisted entirely of loans from the Public Works Loan Board (PWLb), other local authorities and public bodies and the Salix Energy Efficiency Scheme. The Council's treasury management advisers, Arlingclose Ltd has provided the Council with Fair Value amounts in relation to its debt portfolio. Arlingclose Ltd has estimated the fair values by calculating the net present value of the remaining contractual cash flows at 31 March 2018.

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

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

The fair values calculated are as follows:

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

## 17. Debtors

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



## 18. Assets Held for Sale

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

## 19. Creditors

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

**20. Movements in Earmarked Reserves**

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2017/18.

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

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

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

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

- (i) Balances held by schools under a scheme of delegation: in accordance with section 48 of the Schools Standards and Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) Budget Mitigation: this has been set up to mitigate the effects of future reductions in funding received from Welsh Government and forms part of the budget strategy for 2018/19.
- (iii) Adult Social Care: this reserve has been established and maintained to help provide the service with financial resilience to cope with in-year budgetary pressures.
- (iv) Sustainable Waste Management: this is grant funding that must be used on specific waste projects that will be delivered in future years. It has been set up to mitigate the impact of future grant funding reductions.
- (v) 21<sup>st</sup> Century Schools and Extra Care Housing: as part of the 2012 Corporate Plan, the Council is embarking on an ambitious scheme of capital investment in schools, highways, extra care and regeneration. These reserves have been established to set aside the cash needed to fund the various projects. As each project receives final approval, the associated funding is transferred to the Capital Schemes reserve.

**21. Usable Reserves**

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

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

**Capital Receipts Reserve**

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

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

## Capital Grants Unapplied

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

## 22. Unusable Reserves

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

**Revaluation Reserve**

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

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

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

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

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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



**Pensions Reserve**

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

<b>2016/17 £000</b>		<b>2017/18 £000</b>
<b>207,388</b>	<b>Balance at 1 April</b>	<b>273,859</b>
62,251	Remeasurements of the net defined benefit liability/(asset)	(33,746)
20,916	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	27,661
(16,696)	Employer's pension contributions payable in the year	(18,313)
<b>273,859</b>	<b>Balance at 31 March</b>	<b>249,461</b>

**Accumulated Absences Account**

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

<b>2016/17 £000</b>		<b>2017/18 £000</b>	<b>2017/18 £000</b>
<b>2,384</b>	<b>Balance at 1 April</b>		<b>3,134</b>
(2,384)	Settlement or cancellation of accrual made at the end of the preceding year	(3,134)	
3,134	Amounts accrued at the end of the current year	2,298	
750	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(836)
<b>3,134</b>	<b>Balance at 31 March</b>		<b>2,298</b>

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

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

The cash flows for operating activities include the following items:

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

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

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

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

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

**26. Members' Allowances**

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

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

**27. Officers' Remuneration**

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

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

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

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

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

The "Expense allowances" column contains any relocation paid.

2017/18	Salary, fees, allowances & performance related pay	Compensation for Loss of office	Total excluding pension contributions	Current service rate pension conts at 15.2%	Total inc. current service rate pension conts	Deficit recovery pension conts	Total Remuneration inc. total pension conts
Post Title	Note 1			Note 2		Note 3	
	£	£	£	£	£	£	£
Chief Executive	149,092		149,092	23,402	172,494	20,786	193,280
Corporate Director: Economy and Public Realm to 30/09/2017	51,183		51,183	7,750	58,933	6,883	65,816
Corporate Director: Economy and Public Realm from 23/10/2017	91,034		91,034	13,837	104,871	12,290	117,161
Corporate Director: Communities	101,973		101,973	15,500	117,473	13,766	131,239
Head of Community Support Services	83,617		83,617	12,710	96,327	11,288	107,615
Head of Facilities, Assets and Housing	83,617		83,617	12,710	96,327	11,288	107,615
Head of Education & Children's Services	83,617		83,617	12,710	96,327	11,288	107,615
Head of Legal, HR & Democratic Services	83,617		83,617	12,710	96,327	11,288	107,615
Head of Business Improvement & Modernisation	83,617		83,617	12,710	96,327	11,288	107,615
Head of Planning & Public Protection from 18/12/2017	59,861		59,861	9,099	68,960	8,081	77,041
Head of Finance	68,566		68,566	10,422	78,988	9,257	88,245
Head of Customers, Communication & Marketing	61,396		61,396	9,332	70,728	8,289	79,017
Head of Highways & Environmental Services	67,932		67,932	10,344	78,276	9,187	87,463
	<b>1,069,122</b>		<b>1,069,122</b>	<b>163,236</b>	<b>1,232,358</b>	<b>144,979</b>	<b>1,377,337</b>

**Note 1** The Chief Executive was entitled to Performance Related Pay (PRP). This was considered by a remuneration panel consisting of councillors and an external advisor. The PRP awarded was paid in arrears and has been accounted for in the year following consideration by the remuneration panel, usually because of the timing of the process being after the closure of the accounts. In 2017/18 the Chief Executive was awarded £9,848 which related to performance in 2016/17. However, the remuneration panel considered performance for 2017/18 in March 2018 and therefore accounting convention requires that two years' PRP are disclosed in the note above. The amount awarded for 2017/18 was £12,708. No other officer is entitled to PRP.

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

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

**Note 4** The Chief Executive and Head of Legal, HR & Democratic Services receive remuneration for their roles as Returning Officer and Deputy Returning Officer respectively for local and national elections (with costs reimbursed for all with exception of County Council elections). In 2017/18, for the Chief Executive, this amounted to £12,982, plus superannuation costs of £3,726: reimbursement received was (£10,736). The figures for 2016/17 were £12,069 plus £1,523, with reimbursement of (£12,943). In 2017/18 the Head of Legal, HR & Democratic Services received £4,060 with reimbursement of (£2,300): the figures for 2016/17 were £2,473.50 with reimbursement of (£2,338.50). These payments are not included in the analysis presented.

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	22	13	42	32	64	45	£368,005	£343,768
£20,001 - £60,000	2	2	9	11	11	13	£316,701	£371,893
<b>Total</b>	<b>24</b>	<b>15</b>	<b>51</b>	<b>43</b>	<b>75</b>	<b>58</b>	<b>£684,706</b>	<b>£715,661</b>

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

- d) Reporting bodies are required to disclose a remuneration ratio between the median remuneration of all the authority's employees during the year and that of the authority's Chief Executive. The remuneration of the Chief Executive in 2017/18 was £149,092. The median remuneration of the workforce was £21,962. The ratio was therefore 6.79:1 (6.25:1 in 2016/17). In 2017/18, remuneration for staff ranged from £6,753 to £101,973. The remuneration includes salary and performance related pay and does not include severance payments or employer pension contributions.

**28. External Audit Costs**

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

<b>2016/17 £000</b>		<b>2017/18 £000</b>
178	Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	178
94	Fees payable to the Auditor General for Wales in respect of statutory inspections	94
62	Fees payable to the Auditor General for Wales for the certification of grant claims and returns	72
0	Fees payable in respect of any other services provided by the appointed auditor over and above the duties described above	0
<b>334</b>	<b>Total External Audit Costs</b>	<b>344</b>



## 29. Grant Income

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

2016/17 £000		2017/18 £000
	<b>Credited to Taxation &amp; Non Specific Grant Income</b>	
(164)	Other Grants and Contributions	(461)
0	Rhyl Town Council – Contribution to the Waterpark	(150)
(113)	Welsh Government - Flood Alleviation	(593)
(1,843)	Welsh Government - General Capital Grant	(1,840)
(91)	Welsh Government - Local Road Safety	(293)
(2,420)	Welsh Government - Major Repairs Allowance	(2,409)
(5,863)	Welsh Government - 21 <sup>st</sup> Century Schools	(9,460)
(251)	Welsh Government - Safer Routes in Communities	(121)
(243)	Welsh Government - Local Transport Fund	(78)
(229)	Welsh Government - West Rhyl Coastal Defence	0
(690)	Welsh Government - East Rhyl Coastal Defence	(426)
(4,203)	Welsh Government – Vibrant and Viable Places	0
0	Welsh Government – Local Authority Roads Refurbishment 2017-18	(1,204)
0	Welsh Government – Museums, Archives and Libraries Transformation Capital Grant	(120)
0	Welsh Government – Regeneration Capital Pipeline Projects 2017/18	(117)
(6)	Other Welsh Government Grants	(24)
<b>(16,116)</b>	<b>Total</b>	<b>(17,296)</b>
	<b>Credited to Services</b>	
(3,732)	Welsh Government Sixth Forms Grant	(3,958)
(1,975)	Welsh Government Flying Start Grant	(1,887)
(1,113)	Welsh Government Families First Grant	(1,151)
(99)	Other Education Grants from Welsh Government	(801)
(5,490)	Welsh Government Supporting People Grant	(5,490)
0	Welsh Government Sustainable Social Services Grant	(1,313)
(1,698)	Other Social Services Grants from Welsh Government	(1,092)
(2,067)	Welsh Government Sustainable Waste Management Grant	0
0	Welsh Government Environment and Sustainable Development Grants	(2,153)
(1,806)	Welsh Government Concessionary Fares Grant	(1,626)
(1,485)	Other Welsh Government Grants	(2,048)
(19,465)	Total Welsh Government Grants	(21,519)
(2,913)	Pupil Development Grant	(3,116)
(3,982)	Education Improvement Grant	(3,975)
(25,547)	DWP Rent Allowances Subsidy	(24,562)
(8,342)	DWP Rent Rebates Subsidy	(8,418)
(423)	DWP Housing Benefit/Council Tax Benefit Admin Grant	(384)
(1,538)	Various Grants received from Betsi Cadwaladr University Health Board	(1,701)
(2,261)	Other Government Grants	(2,744)
(64,471)	Total Government Grants	(66,419)
(71)	Other Non-government Grants	(335)
<b>(64,542)</b>	<b>Total Grants Credited to Services</b>	<b>(66,754)</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 were (£2,082k) Capital Grants and (£1,042k) Revenue Grants. The corresponding balances at the end of the previous year were (£2,008k) and (£1,976k).

### **30. Related Parties**

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

#### **Central Government**

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 29.

#### **Elected Members**

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

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

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

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

## **Officers**

The Chief Executive, Corporate Directors and Heads of Service were all asked to complete a declaration to disclose any related party transactions they have with the authority. The following material declarations have been made for 2017/18:

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

## **Other Public Bodies**

### **Teachers' Pension Agency**

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teachers' pension details are set out in Note 33.

### **Clwyd Pension Fund**

Denbighshire County Council is an admitted body of the Clwyd Pension Fund. Details of transactions undertaken with the Clwyd Pension Fund are included within Note 34.

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

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

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

Police & Crime Commissioners and Fire & Rescue Authorities set their own charges to council tax payers, which are then included on the council tax bill – these charges are known as the precept. Total precepts and levies paid to the North Wales Police & Crime Commissioner and the North Wales Fire Authority amounted to £14,313k (£13,702k in 2016/17). A breakdown is provided in Note 9.

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

The Authority has two pooled budget arrangements with Betsi Cadwaladr University Health Board: one for the provision of a Community Equipment store; and the second was set up with the aim of ensuring integrated service provision of Health and Social Care support workers, who support service users in the community. Denbighshire County Council's contribution to the Community Equipment store was £219k (£219k in 2016/17) and the Authority contributed £50k to the Health and Social Care Support Workers Service (£50k in 2016/17).

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

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

### **Welsh Joint Education Committee (WJEC)**

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

### **Local Government Data Unit – Wales**

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

## **Companies**

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

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

Bodelwyddan Castle Trust Group is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores, conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2017/18 the Trust received £145k. The Council provides its payroll services. The Board of Directors consists of eight members in total, none of whom was a Denbighshire County Councillor.

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

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

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

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

## **31. Capital Expenditure and Capital Financing**

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

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

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

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

## 32. Leases

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

### Authority as Lessee

#### Finance Leases

The Council has some properties under finance leases and these were revalued in-year.

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

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

**Authority as 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:

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

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2017/18, the county council paid £5,454k to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £5,530k and 16.48%. In addition, payments in respect of premature retirements were made of £379k (£379k in 2016/17). There were no contributions remaining payable at year end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34.

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

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

The Council participates in two post employment schemes:

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

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

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

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

Clwyd Pension Fund  
County Hall  
Mold  
Flintshire  
CH7 6NA

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

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

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	13,147	20,335		
• Past Service Costs/(Gains)	84	117		
• (Gain)/Loss from Settlements	0	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	661	685		
<i>Financing and Investment Income and Expenditure:</i>				
• Net Interest Expense	6,752	6,322	272	202
<i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	20,644	27,459	272	202
<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• *Return on Plan Assets (excluding the amount included in the Net Interest Expense) (A)	(51,659)	(6,936)		
• *Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions (B)	(10,823)	0	(398)	0
• *Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions (C)	129,984	(26,689)	783	(121)
• *Other (D)	(5,841)	0	205	0
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<b>82,305</b>	<b>(6,166)</b>	<b>862</b>	<b>81</b>
<b>Movement in Reserves Statement</b>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(20,644)	(27,459)	(272)	(202)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
• Employer's contributions payable to the scheme	15,893	17,537		
• Retirement benefits payable to pensioners			803	777

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



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

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

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

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

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

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

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

## Local Government Pension Scheme Assets Comprised:

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

## Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

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

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

Change in assumptions at 31 March 2018	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000
Longevity (increase in 1 year)	13,023
Rate of inflation (increase by 0.1%)	11,996
Rate of increase in salaries (increase by 0.1%)	1,899
Rate for discounting scheme liabilities (increase 0.1%)	(11,782)

### Risks and Investment Strategy

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

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Investment Strategy Statement and corresponding Funding Strategy Statement, which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

## Impact on the Authority's Cash Flows

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

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

The authority anticipated to pay £16,991k expected contributions to the scheme in 2018/19.

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

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

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

As part of the adoption of the Treasury Management Code, the Council approved the Treasury Management Strategy for 2017/18 on 14 February 2017. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

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

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

### Credit Risk

#### Investments

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

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

**Debtors**

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

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

		Long Term Rating when Investment Made	Long Term Rating at 31/03/2018	Balance Invested at 31/03/2018  £000	Maturity Date			
					0-3 Months	4-6 Months	7-9 Months	10-12 Months
					£000	£000	£000	£000
UK Banks	Bank of Scotland	A+	A+	4,700	4,700			
	NatWest	BBB+	BBB+	500	500			
	Uk Government Debt Management Office	AA	AA	7,400	7,400			
	<b>Total</b>			<b>12,600</b>	<b>12,600</b>			

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

### Liquidity Risk

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

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

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



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

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2017 and 31 March 2018, 100% of the debt portfolio was held in fixed rate instruments.

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

**(2) Price risk:**

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

**(3) Foreign exchange risk**

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

**36. Heritage Assets**

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

	<b>Scheduled Ancient Monument £000</b>	<b>Plas Newydd £000</b>	<b>Ruthin Gaol £000</b>	<b>Nant Clwyd Y Dre £000</b>	<b>Total Heritage Assets £000</b>
Cost or Valuation 1 April 2017	361	1,122	4,460	2,969	8,912
Additions	0	0	0	0	0
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	(361)	0	0	0	(361)
Depreciation	0	(8)	(33)	(15)	(56)
<b>31 March 2018</b>	<b>0</b>	<b>1,114</b>	<b>4,427</b>	<b>2,954</b>	<b>8,495</b>

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

**Scheduled Ancient Monuments**

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

**Civic Regalia**

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

**Heritage Buildings**

Denbighshire has the following heritage buildings. The buildings were revalued in 2013/14 as part of the annual revaluation programme. There is no valuation, at the moment, for the artefacts included in the buildings. Most artefacts are 'gifted' at no cost and the word 'value' in museums does not often refer to a financial value.

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

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

*Ruthin Gaol – Grade 2\* Victorian Prison*

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

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

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

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

**Denbighshire Heritage Service Collections**

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

**Museums**

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

**Intangible Heritage Assets**

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

**Other**

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

**Collections Management and Valuations**

The management of collections is guided by the Museums Accreditation Scheme and the Welsh Government’s A Museum Strategy for Wales. The County’s portable heritage collections are housed at the County Store in Ruthin. These include archaeological collections (such as Roman finds from Prestatyn Bath House and medieval collections from Rhuddlan Castle), collections associated with Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. In August 2017, a professionally qualified Museum Curator was recruited to take responsibility for the care of the collections in Denbighshire, replacing the previous SLA arrangement with Bodelwyddan Castle Trust. The Curator’s work to date has involved the submission of a full Re-Accreditation for Plas Newydd, Ruthin Gaol and Rhyl Museum, for which we will receive results in September 2018. A plan to move all objects listed in the County Collection onto a new Museum Objects Management Database and to physically move, re-label, condition check and photograph each object has been put into place and will commence June 2018. The Curator has completed an audit of all objects held/displayed within each of the Heritage sites listed above. The Curator post fully satisfies the requirements of Museums Accreditation.

**Loans**

A number of objects are loaned to and from the Heritage Service. Plas Newydd has furniture on loan from the National Museum of Wales and this is covered by Denbighshire’s insurance policy. There are also items on long-term loan from the Galleries of Justice in Nottingham in Ruthin Gaol. A loans register is kept in the main museum office.

**Acquisitions and Disposals**

The Heritage Service has a “Museum Documentation and Procedural Manual”, as well as the other policies listed in the Heritage Service Forward Plan. The Museum Documentation and Procedural Manual documents the procedures for acquisition and disposal of all items. Each item should have a unique number, details of ownership and type of deposit. Once an item is accessed against the Collection Policy, a decision is made to formally accept it into the museum collection or return to the owner.

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

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

## Housing Revenue Account Income and Expenditure Statement

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

## Movement on the HRA Statement

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

	<b><u>Adjustments between accounting basis and funding basis under statute:</u></b>		
	<b>Adjustments primarily involving the Capital Adjustment Account</b>		
	<b><u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u></b>		
(4,106)	Charges for depreciation and impairment of non-current assets	(8,710)	
2,420	Capital grants and contributions applied	2,409	
0	Revenue Expenditure Funded from Capital Under Statute	0	
(971)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(328)	(6,629)
	<b><u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u></b>		
2,522	Statutory provision for the financing of capital investment	2,703	
1,497	Capital Expenditure charged against HRA balances	1,647	
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>		
971	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement	328	
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>		
(2)	Amount by which finance costs charged to the HRA Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	
	<b>Adjustments primarily involving the Pensions Reserve</b>		
(693)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement	(967)	
493	Employer's pension contributions payable in the year	579	
	<b>Adjustments involving the Accumulated Absence Account</b>		
6	Amount by which officer remuneration charged to the HRA Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)	4,276
2,137	<b>Total Adjustments</b>		(2,353)

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

The Council's total housing stock was as follows:

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

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

**2. Rent Arrears**

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

**3. Capital Receipts**

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

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

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

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

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

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

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

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

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

## 6. Transactions Relating to Retirement Benefits

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



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

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

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

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

Denbighshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the accounting statement and related notes:

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

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

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

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

any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

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

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

### **Matters on which I report by exception**

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

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Denbighshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Section 6: Annual Governance

## Statement 2017-18

## What is the Annual Governance Statement for?

---

Good governance in Denbighshire County Council (the Council):

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

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

Stakeholders are, therefore, interested in issues such as:

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

The Council, therefore, must be highly transparent and provide high-quality information about all aspects of its performance. Within our annual governance review, the Corporate Governance Working Group coordinated a self-assessment of our arrangements against the Corporate Governance Framework according to the requirements set out in the CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities. The Senior Leadership Team considered the results and principles requiring further improvement are shown in the Improvement Plan on page 15. A summary of the results of our self-assessment is contained within this document listed under the key principles of good governance that we use in our corporate governance framework.

## What are the key principles of the Corporate Governance Framework

The fundamental function of good governance in the Council is to ensure that it achieves its intended outcomes while acting in the public interest at all times. Acting in the public interest implies that the Council's primary consideration is the benefits for society, which should result in positive outcomes for service users and stakeholders.

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

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

## Summary of our governance arrangements

---

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

Maintaining an on-going evidence framework showing how we can give assurance on our governance arrangements.

Regularly reviewing the effectiveness of the Council's Constitution.

Reviewing governance arrangements within services delivered on our behalf by partnerships, arms-length organisations etc.

Having a Corporate Governance Committee that undertakes the core functions of an 'audit committee', including:

- regular review of our governance arrangements;
- considering and reviewing internal and external audit strategies, plans and reports;
- reviewing, scrutinising and approving the annual statement of accounts; and
- monitoring the effectiveness of risk management.

Consulting widely on our self-assessment with senior management and elected members.

Using information from various sources to inform our governance arrangements, for example:

- service challenges;
- performance reports;
- risk management;
- external regulator reports; and
- the Chief Internal Auditor's Annual Report.

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



## Principle A

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

### Supporting Principles

#### Behaving with Integrity

#### Demonstrating strong commitment to ethical values

#### Respecting the rule of law

### How we do this:

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

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

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

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

#### Supporting Principles

##### Openness

#### How we do this

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

##### Engaging comprehensively with institutional stakeholders

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

##### Engaging stakeholders effectively, including individual citizens and service users

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

## Principle C

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

#### Supporting Principles

##### Defining outcomes

##### Sustainable economic, social and environmental benefits

#### How we do this

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

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

## Principle D

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

#### Supporting Principles

##### Determining interventions

##### Planning interventions

##### Optimising achievement of intended outcomes

#### How we do this

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

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

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

## Principle E

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

#### Supporting Principles

##### Developing the entity's capacity

#### How we do this

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

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

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

## Principle F

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

#### Supporting Principles

##### Managing risk

##### Managing performance

##### Robust internal control

##### Managing data

##### Strong public financial management

#### How we do this

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

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

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

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

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

## Principle G

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

#### Supporting Principles

##### Implementing good practice in transparency

##### Implementing good practices in reporting

##### Assurance and effective accountability

#### How we do this

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

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

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

## Key contributors to developing and maintaining the Governance Framework

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



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

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

Improvement Area	Responsibility	Progress as at March 2018
To ensure that there are robust governance arrangements for services provided by alternative service providers, the Head of Internal Audit had planned to review the Citizens Advice Bureau service arrangements in 2016-17. Due to changes in the team's capacity during the year, this review will now take place in 2017-18.	Chief Internal Auditor	Review of Citizens Advice Denbighshire's governance arrangements is complete and given a high assurance rating overall <b>Complete</b>
The Council has not undergone a review to assess the robustness of its counter-fraud and anti-corruption arrangements.	Chief Internal Auditor	Phase 1 and 2 of Internal Audit's review of Managing the risk of Fraud against the CIPFA Code of Practice is complete. <b>Complete</b>
The WAO report ' <i>Savings Planning – Denbighshire County Council</i> ' identified two proposals for improvement to strengthen financial arrangements: Develop an income generation/charging policy  Formally risk rate savings according to achievability and identify sustainable mitigating actions for those classified as high risk.	Head of Finance	Both proposals for improvement have been implemented: <ul style="list-style-type: none"> <li>Income policy was approved by Cabinet and forms part of the budget process;</li> <li>Risk rating of savings has been incorporated into the budget process for 2018/19.</li> </ul> <b>Complete</b>
The WAO report ' <i>Good Governance when determining significant service changes – Denbighshire County Council</i> ' identified one improvement:  The Council's governance arrangements could be strengthened by consistent, timely monitoring of the impact of each significant service change.	Head of Business Improvement & Modernisation	There are a range of actions planned: <ul style="list-style-type: none"> <li>Version 2 of the Well-Being Impact Assessment contains strengthened analysis of Equality Impacts. This has not been published as yet.</li> <li>Scrutiny Committees will be updated with the Actions agreed at Service Challenges.</li> </ul> New programme Boards will play an active role in monitoring the impact of changes made to services as part of the Corporate Plan.
The ICO recommended that the Council should develop a formal policy on staff taking personal data relating to their clients out of the office.	Business Information Team Manager	The Personal Data Policy has been drafted and is currently being consulted on with services through the Information Governance Group.  The policy is awaiting formal approval by Joint Trade Union Committee.

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

## Significant governance issues

---

There are no significant governance issues to report this year.

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

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

**Signed: ..... (Leader) .....2018**

**Signed: ..... (Chief Executive) .....2018**

## Appendix A - Governance Improvement Action Plan 2017/18

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

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

## Appendix B - Summary of our governance framework

### Denbighshire County Council Corporate Governance Framework

#### Principles of Good Governance

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

#### Evidence Sources

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

#### Assurance Sources

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

#### Members

- Corporate Governance Committee

#### Executive

- Corporate Executive Team
- Senior Leadership Team

#### Evidence Sources

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

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

Governance Improvement Action Plan monitored by  
Corporate Governance Committee

## **Section 7: Glossary**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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