



**STATEMENT  
OF  
ACCOUNTS  
2021/22**

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

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**Introduction**

Denbighshire County Council is a Welsh unitary authority with a population of around 96,000. The County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle, and the tiny cathedral city of St. Asaph. There are 47 councillors elected to represent the various wards of the county. The Council employs around 4,200 staff.

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

At the end of each year, the Council must produce a Statement of Accounts that complies with legislation and demonstrates what the Council spent its money on. The Narrative Report provides insight into the Council's funding and expenditure during the year, the key financial pressures and a look to future years.

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

**The Statement of Accounts**

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

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

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

The Statement of Accounts contains the following sections:

**Section 1 - Narrative Report**

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

**Section 2 - Statement of Responsibilities**

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

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

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

**Expenditure and Funding Analysis**

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

**Comprehensive Income and Expenditure Statement**

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

**Movement in Reserves Statement**

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

**Balance Sheet**

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2022. It sets out the value of items it owns (assets) and the value of what it owes to others (liabilities). It incorporates all the Council's funds, both capital and revenue.

**Cash Flow Statement**

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

**Notes to the Accounts**

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

**Section 4 - Supplementary Financial Statements and Notes****Housing Revenue Account (HRA)**

Councils are required to account separately for the cost of the council housing service by way of

a HRA Income and Expenditure Statement and a Statement of Movement on the HRA balance. This account shows where money is spent in maintaining and managing council houses and how these costs are met from rents and other income.

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

### **Section 5 - Group Accounts**

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

### **Section 6 - Independent Auditor's Report**

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

### **Section 7 - Annual Governance Statement**

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

### **Section 8 - Glossary**

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

**Section 1 - Narrative Report****1.1 Review of the Year - Revenue Expenditure**

The Council sets a revenue budget each year. This is a budget for services it will provide in the year and that will be paid for by service users, Welsh Government Grants and Council Tax & Business Rate payers. For 2021/22, this gross expenditure budget was £317.1m.

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

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

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

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

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

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

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

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

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

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

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

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

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

### **How we report our Budget**

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

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

Further details on services' financial performance can be found in the Final Outturn Report which was presented to Cabinet on the 7 June 2022.

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

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

	<b>Final Revenue Outturn Report £000</b>
<b>Service and Corporate Budgets</b>	
Business Improvement & Modernisation	4,639
Legal, HR & Democratic Services	2,298
Leisure - ADM	3,404
Highways, Facilities & Environmental Services	16,762
Planning & Public Protection	10,041
Community Support Services	40,013
Finance & Property	4,302
Education & Children's Service	17,715
Communities & Customers	3,156
Schools	69,708
Corporate	15,028
<b>Total Service and Corporate Budgets</b>	<b>187,066</b>
<b>Other</b>	
Capital Finance / Investment Interest	15,515
Levies	5,060
<b>Total Expenditure (excludes HRA)</b>	<b>207,641</b>
Less Budgeted Funding	(216,818)
<b>Outturn Relating to Service and School Budgets</b>	<b>(9,177)</b>
Additional Funding Received	<b>(2,308)</b>
<b>Final Outturn</b>	<b>(11,485)</b>
<b>Allocated as follows:</b>	
Earmarked Balances - Services	(1,122)
School Balances	(6,778)
Transfer to Budget Mitigation Reserve	(3,253)
Transfer to Domiciliary Care Transport Reserve	(332)
<b>Total</b>	<b>(11,485)</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 2021/22 and how the expenditure was funded:

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

Expenditure on major projects undertaken during the year includes:

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

### 1.3 Other Issues

#### **Pensions**

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

International accounting standards require that councils account for the cost of pension entitlements earned in the year, rather than the cost of the contributions paid to the pension fund. The pension fund has to work out how much money it would owe if all of the individual members became entitled to immediate payment of their pension. It then has to work out how much money it has in investments. Returns on investments are impacted by the wider national and international economic environment and taken with the fact that people are generally living longer, the pension fund has less in investments than the theoretical amount it would have to pay out. This is known as a deficit. Although it is highly unlikely that the Council would ever have to pay out this money, it must show this deficit in its accounts. The Pension Fund is subject to a triennial valuation and the estimates contained in the accounts are based on the latest full valuation of the scheme as at 31 March 2019. The

notes in the accounts show further details.

### **Housing Stock Business Plan**

The Council owns 3,313 council dwellings - known as the housing stock. Since 2005 the Council has invested significantly in improving its housing stock and achieved the Welsh Housing Quality Standard in 2014. Part of this investment has been funded through borrowing and the Council has a detailed 30-year Housing Stock Business Plan, which helps to ensure that the investment in the Council's houses remains affordable and sustainable in the long term. The Housing Stock Business Plan is regularly reviewed and formally approved by the Council's Cabinet every year and it remains financially strong. The latest Housing Stock Business Plan allows for investment of £24.4m in new stock and £33.3m in planned improvements over the next four years.

### **Borrowing & Investments**

The Council's strategy in 2021/22 has continued to be one of keeping borrowing and investment balances as low as possible through use of temporary cash surpluses ensuring a sufficient level of cash is maintained. Investment balances are continually monitored with the aim of maintaining sufficient levels to meet the Council's cash flow requirements. The Council's treasury position is reported to the Governance and Audit Committee throughout the year. The Council's outstanding debt at 31 March 2022 was £234.7m, investment balances were £28.7m and a further £4.5m was held in an instantly accessible bank account.

### **Statutory Functions**

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

### **North Wales Economic Ambition Board**

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

[North Wales Economic Ambition Board](#)

### **Clwydian Range and Dee Valley Area of Outstanding Natural Beauty JC**

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

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

### **The Corporate Plan and Performance Review**

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

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

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

**Summary position for our Corporate Plan:**

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

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

Measures: Good

Projects: Good

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

Measures: Priority for improvement

Projects: Good

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

Measures: Acceptable

Projects: Excellent

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

Measures: Good

Projects: Excellent

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

Measures: Priority for improvement

Projects: Good

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

Measures: Acceptable

Projects: Good

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

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

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

### **Local Authority Trading Company**

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

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

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

### **Asset Valuations**

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

### **Looking Ahead**

It is likely that local government funding settlements will fail to keep pace with inflationary pressures which results in a real terms reduction in funding. Whilst there is uncertainty about the precise levels of reduction each year, it is inevitable that some hard decisions will have to be taken to ensure the Council lives within its means and continues to deliver its priorities. However, the Council's record of delivery in identifying and achieving savings while managing reserves and balances carefully results in a high degree of confidence that the Council will continue to deliver effective services while providing some investment in Council Priorities during this challenging period.

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

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

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

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

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

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

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

**Steve Gadd**

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

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

Denbighshire County Council is required to:

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

**Denbighshire County Council's Certificate**

I approve the Statement of Accounts of Denbighshire County Council.

Signed \_\_\_\_\_ Date \_\_\_\_\_

**Chair of Governance and Audit Committee**

**Responsibilities of the Chief Financial Officer**

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

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

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

The Chief Financial Officer has also:

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

**Certificate: Chief Financial Officer**

I certify that the accounts presented give a true and fair view of the financial position of Denbighshire County Council at the reporting date and its income and expenditure for the year ended 31 March 2022.

Signed  \_\_\_\_\_ Date \_\_\_\_\_

27 June 2022

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

**Section 3: Financial Statements and Notes to the Accounts****Contents**

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## **Expenditure and Funding Analysis**

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

### **Note 1 Adjustments for Capital Purposes**

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

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

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

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

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

**Note 3 Other Differences**

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

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

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

2021/22	Final Outturn Report (Management Accounts)	Technical adjustments to Management Accounts	Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between Funding & Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)		
	£000	£000	£000	£000	£000	£000	£000	£000
Leisure - ADM	3,404	(811)	2,593	1,937	0	0	1,937	4,530
Communities & Customers	3,156	(1,419)	1,737	352	437	13	802	2,539
Education & Children's Services	17,715	(1,007)	16,708	76	1,406	72	1,554	18,262
Schools	69,708	110	69,818	5,200	1,546	454	7,200	77,018
Business Improvement & Modernisation	4,639	35	4,674	738	437	(21)	1,154	5,828
Legal, HR & Democratic Services	2,298	114	2,412	104	369	(29)	444	2,856
Corporate & Miscellaneous	15,028	(1,031)	13,997	1,525	(404)	1	1,122	15,119
Finance & Property	4,302	440	4,742	1,054	591	(50)	1,595	6,337
Highways, Facilities & Environmental Services	16,762	(1,377)	15,385	11,001	1,536	18	12,555	27,940
Planning & Public Protection	10,041	532	10,573	182	812	(30)	964	11,537
Community Support Services	40,013	(647)	39,366	1,740	1,817	(12)	3,545	42,911
Local Authority Housing (HRA)		(5,177)	(5,177)	2,467	373	(22)	2,818	(2,359)
<b>Net Cost of Services</b>	<b>187,066</b>	<b>(10,238)</b>	<b>176,828</b>	<b>26,376</b>	<b>8,920</b>	<b>394</b>	<b>35,690</b>	<b>212,518</b>
Other Income and Expenditure		(191,989)	(191,989)	(39,901)	6,757	(16)	(33,160)	(225,149)
<b>(Surplus) or Deficit</b>	<b>187,066</b>	<b>(202,227)</b>	<b>(15,161)</b>	<b>(13,525)</b>	<b>15,677</b>	<b>378</b>	<b>2,530</b>	<b>(12,631)</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(51,617)</b>					
<b>Less/Plus (Surplus) or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>(15,161)</b>					
<b>Closing Council Fund &amp; HRA Balance at 31 March*</b>			<b>(66,778)</b>					

2020/21	Final Outturn Report (Management Accounts)	Technical adjustments to Management Accounts	Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between Funding & Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)		
	£000	£000	£000	£000	£000	£000	£000	£000
Leisure - ADM	3,758	(826)	2,932	1,846	0	(59)	1,787	4,719
Communities & Customers	3,093	100	3,193	295	162	(8)	449	3,642
Education & Children's Services	17,738	(453)	17,285	318	617	(76)	859	18,144
Schools	66,618	105	66,723	6,345	223	(395)	6,173	72,896
Business Improvement & Modernisation	4,329	147	4,476	883	178	0	1,061	5,537
Legal, HR & Democratic Services	2,366	70	2,436	17	157	27	201	2,637
Corporate & Miscellaneous	14,302	(2,341)	11,961	814	(4,535)	4	(3,717)	8,244
Finance & Property	3,442	(34)	3,408	375	216	60	651	4,059
Highways, Facilities & Environmental Services	16,657	(1,499)	15,158	9,076	647	19	9,742	24,900
Planning & Public Protection	9,294	(146)	9,148	1,074	328	41	1,443	10,591
Community Support Services	38,104	(239)	37,865	366	844	(86)	1,124	38,989
Local Authority Housing (HRA)	0	(5,869)	(5,869)	6,677	156	9	6,842	973
<b>Net Cost of Services</b>	<b>179,701</b>	<b>(10,985)</b>	<b>168,716</b>	<b>28,086</b>	<b>(1,007)</b>	<b>(464)</b>	<b>26,615</b>	<b>195,331</b>
Other Income and Expenditure	0	(181,232)	(181,232)	(40,093)	7,040	(16)	(33,069)	(214,301)
<b>(Surplus) or Deficit</b>	<b>179,701</b>	<b>(192,217)</b>	<b>(12,516)</b>	<b>(12,007)</b>	<b>6,033</b>	<b>(480)</b>	<b>(6,454)</b>	<b>(18,970)</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(39,101)</b>					
<b>Less/Plus (Surplus) or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>(12,516)</b>					
<b>Closing Council Fund &amp; HRA Balance at 31 March*</b>			<b>(51,617)</b>					

## Comprehensive Income and Expenditure Statement

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

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

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
20,363	(180)	20,183	Other Operating Expenditure (Note 7)	20,400	(357)	20,043
17,165	(513)	16,652	Financing & Investment (Income) & Expenditure (Note 8)	15,866	(529)	15,337
	(251,136)	(251,136)	Taxation & Non-Specific Grant Income (Note 9)	0	(260,529)	(260,529)
<b>382,956</b>	<b>(401,926)</b>	<b>(18,970)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>405,524</b>	<b>(418,155)</b>	<b>(12,631)</b>
	(8,541)		(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			(48,015)
	3,879		Impairment Losses on Non-current Assets Charged to Revaluation Reserve			10,959
	15,148		Remeasurement of the Net Defined Benefit Liability/(Asset)			(75,593)
	<b>10,486</b>		<b>Other Comprehensive (Income) &amp; Expenditure</b>			<b>(112,649)</b>
	<b>(8,484)</b>		<b>Total Comprehensive (Income) &amp; Expenditure</b>			<b>(125,280)</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 & Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2021/22	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Balance at 31 March 2021</b>		(8,858)	(40,003)	(2,756)	(8,290)	(7,638)	(67,545)	22,072	(45,473)
<b>* Technical adjustment</b>							0	(953)	(953)
<b>Balance at 1 April 2021</b>		(8,858)	(40,003)	(2,756)	(8,290)	(7,638)	(67,545)	21,119	(46,426)
<b>Movement in reserves during 2021/22</b>									
(Surplus) or Deficit on the Provision of Services	CI&ES	(5,944)		(6,687)			(12,631)		(12,631)
Other Comprehensive Income & Expenditure	CI&ES						0	(112,649)	(112,649)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(5,944)</b>		<b>(6,687)</b>			<b>(12,631)</b>	<b>(112,649)</b>	<b>(125,280)</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulation	6	(9,811)		7,281	1,333	(3,460)	(4,657)	4,657	
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(15,755)</b>		<b>594</b>	<b>1,333</b>	<b>(3,460)</b>	<b>(17,288)</b>	<b>(107,992)</b>	<b>(125,280)</b>
Transfers to/from Earmarked Reserves	20	16,311	(16,417)	106			0		
<b>(Increase)/Decrease in 2021/22</b>		<b>556</b>	<b>(16,417)</b>	<b>700</b>	<b>1,333</b>	<b>(3,460)</b>	<b>(17,288)</b>	<b>(107,992)</b>	<b>(125,280)</b>
<b>Balance at 31 March 2022</b>		<b>(8,302)</b>	<b>(56,420)</b>	<b>(2,056)</b>	<b>(6,957)</b>	<b>(11,098)</b>	<b>(84,833)</b>	<b>(86,873)</b>	<b>(171,706)</b>

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

2020/21	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Balance at 31 March 2020</b>		<b>(7,469)</b>	<b>(28,965)</b>	<b>(2,667)</b>	<b>(6,643)</b>	<b>(3,445)</b>	<b>(49,189)</b>	<b>12,988</b>	<b>(36,201)</b>
* Technical adjustment							0	(788)	(788)
<b>Balance at 1 April 2020</b>		<b>(7,469)</b>	<b>(28,965)</b>	<b>(2,667)</b>	<b>(6,643)</b>	<b>(3,445)</b>	<b>(49,189)</b>	<b>12,200</b>	<b>(36,989)</b>
<b>Movement in reserves during 2020/21</b>									
(Surplus) or Deficit on the Provision of Services	CI&ES	(16,327)		(2,643)			(18,970)		(18,970)
Other Comprehensive Income & Expenditure	CI&ES							10,486	10,486
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(16,327)</b>		<b>(2,643)</b>			<b>(18,970)</b>	<b>10,486</b>	<b>(8,484)</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulation	6	3,875		2,579	(1,647)	(4,193)	614	(614)	
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(12,452)</b>		<b>(64)</b>	<b>(1,647)</b>	<b>(4,193)</b>	<b>(18,356)</b>	<b>9,872</b>	<b>(8,484)</b>
Transfers to/from Earmarked Reserves	20	11,063	(11,038)	(25)					
<b>(Increase)/Decrease in 2020/21</b>		<b>(1,389)</b>	<b>(11,038)</b>	<b>(89)</b>	<b>(1,647)</b>	<b>(4,193)</b>	<b>(18,356)</b>	<b>9,872</b>	<b>(8,484)</b>
<b>Balance at 31 March 2021</b>		<b>(8,858)</b>	<b>(40,003)</b>	<b>(2,756)</b>	<b>(8,290)</b>	<b>(7,638)</b>	<b>(67,545)</b>	<b>22,072</b>	<b>(45,473)</b>

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



## Balance Sheet

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

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

31 March 2021 £000		Note	31 March 2022 £000	31 March 2022 £000
(8,858)	Council Fund	21	(8,302)	
(40,003)	Earmarked Reserves	20	(56,420)	
(2,756)	Housing Revenue Account	21	(2,056)	
(8,290)	Capital Receipts Reserve	21	(6,957)	
(7,638)	Capital Grants Unapplied	21	(11,098)	
<b>(67,545)</b>	<b>Usable Reserves</b>			<b>(84,833)</b>
(116,565)	Revaluation Reserve		(146,060)	
307,532	Pensions Reserve		247,726	
(500)	Deferred Capital Receipts Reserve		(2,057)	
(171,622)	Capital Adjustment Account		(190,087)	
424	Financial Instruments Adjustment Account		409	
2,803	Short Term Accumulating Compensated Absences Account		3,196	
<b>22,072</b>	<b>Unusable Reserves</b>	22		<b>(86,873)</b>
<b>(45,473)</b>	<b>Total Reserves</b>			<b>(171,706)</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 towards the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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

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

## Notes to the Accounts

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code for the relevant financial year.

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

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

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

#### **Annual Improvements to IFRS Standards 2018-2020**

The annual IFRS improvement programme notes 4 changed standards:

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

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

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

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

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

### 2. Critical Judgements in Applying Accounting Policies

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

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

The Council has set aside amounts in provisions, balances and reserves which it believes are appropriate to manage the Council's finances over the medium term. The Council has also determined that its strong track record in financial and budgetary management means that there is as yet insufficient reason to change the assumption that the assets of the Council will not be significantly impaired as a result of the need to close facilities and/or significantly reduce levels of service provision. This judgement is kept under regular review.

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

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

The items in the Balance Sheet at 31 March 2022 for which there is some risk of adjustment in the forthcoming financial year are as follows:

**Property, Plant & Equipment**

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

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

**Minimum Revenue Provision (MRP)**

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

**Pension Liability**

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

The value of the pension liability and corresponding pension reserve disclosed on the Balance Sheet is £247,726k. Detailed information is contained within Notes 22, 35 and 36.

### **Employee Benefit Accrual**

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31 March 2022 was £3,196k and is detailed in Note 22.

### **Arrears**

A review of outstanding debt has been made and an allowance made for doubtful debts. Any allowance made for doubtful future debts has to be based on an estimate. The allowance made is prudent and is regularly reviewed in order to respond appropriately to any changes in the economic climate such as the current Covid-19 crisis.

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

### **Provisions**

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

### **Reserves**

The Council Fund revenue balances are available to the County Council for general or specific purposes and represent accumulation of past surpluses on the Council Fund Revenue Account. The use of reserves helps the Council manage fluctuations in Welsh Government funding and allows the Council to save for large items of investment which reduces the need for borrowing. Reserves are reviewed on an annual basis as part of the budget setting process which includes estimated future use of those reserves.

## **4. Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 27 June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

## 5. Expenditure and Income Analysed by Nature

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

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

## 6. Adjustments between Accounting Basis and Funding Basis Under Regulation

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

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

### Council Fund Balance

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

**Housing Revenue Account Balance**

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

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

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



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

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

## 7. Other Operating Expenditure

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

## 8. Financing and Investment Income and Expenditure

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

## 9. Taxation and Non-specific Grant Income

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

## 10. Agency Income and Expenditure

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

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

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

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

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

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

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

**11. Council Tax**

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

The basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,797.52 (£1,728.90 in 2020/21) and is multiplied by the proportion specified for the particular band to give the individual amount due.

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

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of properties in Council Tax Systems at 31 March 2022	4,089	7,287	14,667	7,911	5,563	3,787	2,031	317	168

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

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

**12. National Non-Domestic Rates (NNDR)**

NNDR is organised on a national basis. The Welsh Government specified the rate of 53.5p in 2021/22 (53.5p in 2020/21) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) of £30,001k for 2021/22 (£29,311k for 2020/21) was based on an aggregate rateable value of £72,412k at year-end.

## 13. Property, Plant and Equipment

2021/22	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
Gross cost 1 April 2021	111,587	313,577	17,572	196,729	1,563	5,522	9,553	656,103
less: Depreciation and Impairment	(16,610)	(26,932)	(8,315)	(57,510)	(78)	(1,072)	0	(110,517)
Net Book value 1 April 2021	<b>94,977</b>	<b>286,645</b>	<b>9,257</b>	<b>139,219</b>	<b>1,485</b>	<b>4,450</b>	<b>9,553</b>	<b>545,586</b>
* Technical adjustment - Gross Cost	0	1,063	0	0	0	0	0	1,063
Additions	9,679	7,292	2,397	15,015	0	734	12,033	47,150
Revaluations	34,502	(2,517)	0	0	0	(177)	0	31,808
Depreciation - charge for year	(3,001)	(7,338)	(2,471)	(4,487)	0	0	0	(17,297)
Depreciation - other movements	10,452	1,065	3,432	1	0	163	0	15,113
Impairment - charge for year	(7,639)	(5,747)	(127)	(5,098)	0	(488)	0	(19,099)
Impairment - other movements	6,158	2,030	152	2,631	5	861	0	11,837
Derecognitions and disposal	(5,891)	(1,680)	(3,667)	(2,632)	(5)	(341)	0	(14,216)
Transfers and Reclassifications	(163)	932	0	0	0	(1,724)	860	(95)
<b>Net Book Value 31 March 2022</b>	<b>139,074</b>	<b>281,745</b>	<b>8,973</b>	<b>144,649</b>	<b>1,485</b>	<b>3,478</b>	<b>22,446</b>	<b>601,850</b>

Gross Cost 31 March 2021	149,714	318,667	16,302	209,112	1,558	4,014	22,446	721,813
less: Depreciation and Impairment	(10,640)	(36,922)	(7,329)	(64,463)	(73)	(536)	0	(119,963)
<b>Net Book Value 31 March 2022</b>	<b>139,074</b>	<b>281,745</b>	<b>8,973</b>	<b>144,649</b>	<b>1,485</b>	<b>3,478</b>	<b>22,446</b>	<b>601,850</b>

<b>NBV of impairments</b>								
Net impairment to Surplus or Deficit on the provision of Services	0	(2,428)	(127)	(5,098)	0	(487)	0	(8,140)
Net impairment to Revaluation Reserve	(7,639)	(3,319)	0	0	0	(1)	0	(10,959)
<b>Net Book Value 31 March 2022</b>	<b>(7,639)</b>	<b>(5,747)</b>	<b>(127)</b>	<b>(5,098)</b>	<b>0</b>	<b>(488)</b>	<b>0</b>	<b>(19,099)</b>

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

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

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

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

**Depreciation**

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

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

**Voluntary Aided and Voluntary Controlled Schools**

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

**Asset Register Review**

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

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

**Capital Commitments**

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



<b>Project</b>	<b>Contract Estimate £000</b>	<b>Expenditure incurred up to 31 March 2022 £000</b>	<b>Total Future Contract Payments £000</b>
Oaktree Centre, Rhyl - Extension	1,011	143	868
Denbigh, Llwyn Eirin (Plum Grove) - Housing Development	4,570	3,448	1,122
The Dell, Prestatyn - Construction of housing	3,021	0	3,021
Botanical Gardens Depot, Rhyl - Phase 1 New Accommodation	780	0	780
Llys Anwyl, Rhyl - Conversion to housing	1,963	0	1,963
Rhyl, Christ the Word - New School	21,682	21,356	326
Rhyl - External Enveloping Scheme 2021-22	2,425	1,435	990
Pavilion Theatre, Rhyl - Boiler Upgrade	560	0	560
Former library site, Prestatyn - Construction of Apartments	3,455	0	3,455
Ysgol Plas Brondyffryn, Denbigh - Design Phase	1,015	0	1,015
Ysgol Dewi Sant, Rhyl - Window and Door Replacement	209	0	209
Queens Buildings Development, Rhyl - Design/Materials	513	0	513
Llangollen 2020 - Town Centre Highways Improvements	1,045	635	410
Central Rhyl Coastal Defence Scheme - Design	2,452	1,790	662
Central Prestatyn Coastal Defence Scheme - Design	1,392	1,031	361
East Rhyl Coastal Defence Scheme - Construction	19,874	19,423	451
Denbigh, New Waste and Recycling Depot - Baling and Sorting Equipment	601	0	601
Denbigh, New Waste and Recycling Depot - Enabling Works	4,225	3,750	475
<b>Total</b>	<b>70,793</b>	<b>53,011</b>	<b>17,782</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 2021 by Mrs C Jones Black BSc (Hons) MRICS, on the under-mentioned bases in accordance with the Statements of Asset Valuation and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation. Inspections were carried out between October 2021 and June 2022.

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

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

#### Impairment - 123-129 High Street, Rhyl

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

#### 14. Investment Properties

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

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

#### 15. Debtors

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

## 16. Debtors for Council Tax

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

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

## 17. Financial Instruments

## Categories of Financial Instruments

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

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

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

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and the Carbon Trust to provide interest free loans. The Council received loans to the value of £1,389k during previous years. The balance on this loan as at 31 March 2022 is £581k.

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

**Income, Expense, Gains and Losses**

The gains and losses recognised in the Comprehensive Income & Expenditure Statement in relation to Financial Instruments consists of the following items:

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

**Fair Values of Assets and Liabilities**

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

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

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

The Fair Values calculated are as follows:

31 March 2021			31 March 2022	
Carrying Amount £000	Fair Values £000		Carrying Amount £000	Fair Values £000
(231,908)	(325,992)	Financial Liabilities	(231,592)	(290,585)
(3,526)	(3,526)	Long Term Creditors	(3,156)	(3,156)
<b>(235,434)</b>	<b>(329,518)</b>	<b>Total Financial Liabilities</b>	<b>(234,748)</b>	<b>(293,741)</b>
11,800	11,800	Loans & Receivables	24,204	24,204
4,721	4,721	Long Term Debtors	4,299	4,299
<b>16,521</b>	<b>16,521</b>	<b>Total Financial Assets</b>	<b>28,503</b>	<b>28,503</b>

#### 18. Assets Held for Sale

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

#### 19. Creditors

31 March 2021 £000		31 March 2022 £000
(20,404)	Trade payables	(21,063)
(15,489)	Other payables	(26,101)
<b>(35,893)</b>	<b>Total</b>	<b>(47,164)</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 2021/22.

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

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

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



	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
<u>Joint Committees</u>							
North Wales Economic Ambition Board	0	0	(92)	(92)	12	(91)	(171)
Clwydian Range & Dee Valley AONB	0	0	(523)	(523)	186	0	(337)
<b>TOTAL</b>	<b>(28,965)</b>	<b>5,861</b>	<b>(16,899)</b>	<b>(40,003)</b>	<b>5,189</b>	<b>(21,606)</b>	<b>(56,420)</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 School Standards Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) Capital Schemes reserve: represents funding committed to approved capital projects.
- (iii) Modified loan reserve: the reserve has been created as a consequence of a temporary gain recognised in the Comprehensive Income & Expenditure Statement following a change in the calculation of the carrying amount of the Council's modified loans as at 1 April 2018 as required by IFRS 9. The reserve will be used to neutralise the impact of higher effective interest charges to the Comprehensive Income & Expenditure Statement over the remaining life of the loans.
- (iv) Insurance and Risk Management reserves: these reserves are held to fund any future liabilities and claims that exceed budget.
- (v) Superannuation Recovery: this reserve is held to offset any increase in pension deficit payments in the forthcoming triennial period.
- (vi) Budget Mitigation: formed as part of the budget strategy to mitigate the effects of future reductions in funding received from the Welsh Government.

## 21. Usable Reserves

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

## Revenue Balances

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

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

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

**Capital Grants Unapplied**

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

## 22. Unusable Reserves

The Authority holds the following Unusable Reserves:

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

Capital Adjustment Account: this absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets, and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

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

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

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

Accumulated Absences Account: this absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.  
compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

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

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

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

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

## 23. Cash Flow Statement - Operating Activities

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

The cash flows for Operating Activities include the following items:

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

## 24. Cash Flow Statement - Investing Activities

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

## 25. Cash Flow Statement - Financing Activities

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

## 26. Reconciliation of Liabilities Arising from Financing Activities

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

## 27. Pooled Budgets

**Pooled Budgets for Health and Social Care**

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

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

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

### Other Pooled Budget Arrangements

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

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

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

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

### 28. Members' Allowances

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

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



## 29. Officers' Remuneration

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

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

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

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

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

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

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

**Note 1**

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

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

**Note 2**

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

**Note 3**

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

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

**Note 4**

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

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

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

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

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

These payments are not included in the analysis presented.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2022/22	2020/21	2022/22	2020/21	2022/22	2020/21	2022/22
£0 - £40,000	6	9	26	20	32	29	£253,988	£204,903
£40,001 - £80,000	0	2	0	0	0	2	£0	£138,111
£80,001 - £120,000	0	1	1	0	1	1	£102,234	£84,508
<b>Total</b>	<b>6</b>	<b>12</b>	<b>27</b>	<b>20</b>	<b>33</b>	<b>32</b>	<b>£356,222</b>	<b>£427,522</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.

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

- d) Reporting bodies are required to disclose a remuneration ratio between the median remuneration of all the authority's employees during the year and that of the authority's Chief Executive. The remuneration of the Chief Executive in 2021/22 was £91,764. The median remuneration of the workforce was £23,953. The ratio was therefore 3.83:1 (6.18:1 in 2020/21). In 2021/22, remuneration for staff ranged from £12,656 to £117,504. The remuneration includes salary and does not include severance payments or employer contributions.

**30. External Audit Costs**

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

2020/21 £000		2021/22 £000
274	Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	284
32	Fees payable to the Auditor General for Wales for the certification of grant claims & returns	48
0	Fees payable in respect of any other services provided by the appointed auditor over & above the duties described above	
<b>306</b>	<b>Total External Audit Costs</b>	<b>332</b>

**31. Grant Income**

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

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

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

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

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

### 32. Related Parties

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

#### Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 31.

#### Elected Members

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

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

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

A list of Elected Members' interests is maintained by the Head of Legal, HR & Democratic Services and is open for public inspection. A number of Elected Members are also appointed by the Council to serve on other bodies that have a financial relationship with the Council.

### **Officers**

The Chief Executive, Corporate Directors and Heads of Service were all asked to complete a declaration to disclose any related party transactions they have with the authority. There were no material declarations made for 2021/22.

### **Other Public Bodies**

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

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teachers' pension details are set out in Note 35.

#### **Clwyd Pension Fund**

Denbighshire County Council is an admitted body of the Clwyd Pension Fund. Details of transactions undertaken with the Clwyd Pension Fund are included within Note 36.

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

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

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

Police & Crime Commissioners and Fire & Rescue Authorities set their own charges to council tax payers, which are then included on the council tax bill - these charges are known as the precept. Total precepts and levies paid to the North Wales Police & Crime Commissioner and the North Wales Fire Authority amounted to £17,447k (£16,603k in 2020/21). A breakdown is provided in Note 7.

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

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



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

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

**Welsh Joint Education Committee (WJEC)**

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

**Local Government Data Unit - Wales**

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

**Companies**

The accounting Code of Practice requires that where an authority has material interests in one or more subsidiary and associated companies, it should prepare a group revenue account and balance sheet.

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

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

**33. Capital Expenditure and Capital Financing**

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

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

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

### 34. Leases

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

#### Rhyl Travelodge Leases

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

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

### Authority as Lessee

#### Finance Leases

The Council has some properties under finance leases.

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

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

### Authority as Lessor

#### Operating Leases

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

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

## 35. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2021/22, the County Council paid £8,882k to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £8,404k and 23.68%. In addition, payments in respect of premature retirements were made of £354k (£357k in 2020/21). No contributions remained

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

## **36. Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

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

The Council participates in two post employment schemes:

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

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

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

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

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

Clwyd Pension Fund  
County Hall  
Mold  
Flintshire  
CH7 6NA

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

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

**Transactions Relating to Post-employment Benefits**

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

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

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

#### North Wales Economic Ambition Board

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2020/21 £000	2021/22 £000
<b>Cash &amp; cash equivalents</b>	<b>8,572</b>	<b>18,304</b>
<b>Equities</b>		
• UK quoted	0	0
• Global quoted	53,450	61,205
• Global unquoted	0	0
• US	0	0
• Japan	0	0
• Europe	0	0
• Emerging markets	53,451	51,481
• Frontier	0	0
• Far East	0	0
<b>Sub-total Equity</b>	<b>106,901</b>	<b>112,686</b>
<b>Bonds</b>		
• Overseas other bonds	57,989	57,201
• LDI	123,038	145,863
<b>Sub-total Bonds</b>	<b>181,027</b>	<b>203,064</b>
<b>Property</b>		
• UK	25,213	28,601
• Overseas	5,043	5,720
<b>Sub-total Property</b>	<b>30,256</b>	<b>34,321</b>
<b>Alternatives</b>		
• Hedge Funds	33,785	37,181
• Private equity	50,930	60,633
• Infrastructure	23,700	27,456
• Timber & Agriculture	4,034	2,860
• Private credit	11,598	12,012
• DGF	53,451	63,493
<b>Sub-total Alternatives</b>	<b>177,498</b>	<b>203,635</b>
<b>Total Assets</b>	<b>504,254</b>	<b>572,010</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 2019.

The principal assumptions used by the actuary have been:

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

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

Change in assumptions at 31 March 2022	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000
Longevity (increase in 1 year)	24,533
Rate of inflation (increase by 0.1%)	14,022
Rate of increase in salaries (increase by 0.1%)	1,519
Rate for discounting scheme liabilities (increase by 0.1%)	(13,786)
Investment returns (decrease by 1%)	(5,746)

### Risks and Investment Strategy

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

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

between types of investments, investment restrictions and the way risk is managed.

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 11 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

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

The authority anticipated to pay £16,959k expected contributions to the scheme in 2022/23

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

### **37. Nature and Extent of Risks Arising from Financial Instruments**

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

As part of the adoption of the Treasury Management Code, the Council approved the Treasury Management Strategy for 2021/22 on 23 February 2021. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

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

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

**Credit Risk****Investments**

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

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

**Debtors**

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

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

	Long-term Rating when Investment Made	Long-term Rating at 31/03/2022	Balance Invested at 31/03/2022 £000	Maturity Date			
				0-3 Months £000	4-6 Months £000	7-9 Months £000	10-12 Months £000
UK Banks	Bank of Scotland	A+	3,000	3,000			
	NatWest	A+	1,500	1,500			
	UK Government Debt Management Office	AA-u	24,200	24,200			
	<b>Total</b>		<b>28,700</b>	<b>28,700</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Definitions</b>		
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.

### Liquidity Risk

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

The maturity analysis of the Council's PWLB and temporary debt at 31 March 2022 was as follows:

	Years	31 March 2021 £000	31 March 2022 £000	%
<b>Short-term Borrowing</b>	Less than 1 year	(25,301)	(32,563)	13.88
<b>Long-term Borrowing</b>	Over 1 under 6	(36,276)	(35,303)	15.04
	Over 6 under 10	(24,863)	(23,077)	9.83
	Over 10 under 15	(31,396)	(35,016)	14.92
	Over 15 under 20	(23,221)	(14,796)	6.30
	Over 20 under 25	(6,000)	(6,000)	2.56
	Over 25 under 30	0	(4,000)	1.70
	Over 30 under 35	(62,130)	(69,630)	29.67
	Over 35 under 40	(25,820)	(14,320)	6.10
	Over 40 under 45	0	0	0.00
<b>Total Long-term Borrowing</b>		<b>(209,706)</b>	<b>(202,142)</b>	<b>86.12</b>
<b>Total Borrowing at Nominal Amount</b>		<b>(235,007)</b>	<b>(234,705)</b>	<b>100.00</b>
Accrued Interest		(1,662)	(1,607)	
Deferred Premium				
IFRS 9 Adjustment		5,369	5,303	
<b>Total Borrowing at Amortised Cost</b>		<b>(231,300)</b>	<b>(231,009)</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 2021 and 31 March 2022, 100% of the debt portfolio was held in fixed rate instruments.

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

#### (2) Price Risk:

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

#### (3) Foreign Exchange Risk:

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

**38. Heritage Assets**

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

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

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

**Scheduled Ancient Monuments**

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

**Civic Regalia**

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

collections held is required.

## **Heritage Buildings**

Denbighshire has the following Heritage Buildings. The buildings were revalued in 2018/19 as part of the five-yearly revaluation programme. At the moment there is no valuation for the artefacts included in the buildings. Most artefacts are 'gifted' at no cost and the word 'value' in museums does not often refer to a financial value.

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

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

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

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

### *Nantclwyd y Dre - Grade 1\* Building and Listed Gardens*

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

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

## **Denbighshire Heritage Service Collections**

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

## **Museums**

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



**Intangible Heritage Assets**

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

**Other**

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

**Collections Management and Valuations**

The management of collections is guided by the Museums Accreditation Scheme and the Welsh Government's 'A Museum Strategy for Wales'. The County's portable heritage collections are housed in the County Store in Ruthin. These include archaeological collections (such as Roman finds from Prestatyn Bath House and medieval collections from Rhuddlan Castle), collections associated with the Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. Plas Newydd, Ruthin Gaol and Rhyl Museum all have Museum Accreditation.

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

**Loans**

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

**Acquisitions and Disposals**

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

**39. Contingent Liabilities**

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

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

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

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

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

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

**ii. Accounting for Local Authority Schools**

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

**iii. Accruals of Income and Expenditure**

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

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

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

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

#### **iv. Cash and Cash Equivalents**

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

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

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

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

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

#### **vi. Employee Benefits**

##### **Benefits Payable During Employment**

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

relevant service line of the Comprehensive Income & Expenditure Statement.

### **Termination Benefits**

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

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

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

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

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

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

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

- The liabilities of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market value yields at the reporting date on high quality corporate bonds.
- The assets of Clwyd Pension Fund attributable to the Council are included in the

Balance Sheet at their fair value.

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value
- The change in the net pensions liability is analysed into the following components:  
Service cost comprising:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked.
  - past service cost - the increase in liabilities arising from current year decisions, the effect of which relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Corporate & Miscellaneous.
  - net interest on the net defined benefit liability, i.e. net interest expense for the authority - the change during the period in the net defined benefit liability that arises from the passage of time, Charged to the Financing & Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.Remeasurements comprising:
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.Contributions paid to the Clwyd Pension Fund - cash paid as employer's contributions to the pension fund.

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

### **Discretionary Benefits**

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

Government Pension Scheme.

**vii. Events After the Reporting Period**

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

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

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

**viii. Financial Instruments****Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new modified loan and the write-down to the Comprehensive Income & Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. However in 2018/19 with the introduction of IFRS 9, the Council had to recalculate the carrying amount of the modified loan as at 1 April 2018 using the original effective interest rate. The change resulted in a credit to the CI&ES and a new reserve being set up. The increase in interest charges over the remainder of the loan period will mean that the reserve will be used to fund this increase.

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- amortised cost

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

### **Expected Credit Loss Model**

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

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

### **Fair Value Measurements of Financial Assets**

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

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

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable

for the asset or liability, either directly or indirectly

- Level 3 - unobservable inputs for the asset

### **Financial Assets Measured at Amortised Cost**

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

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

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

### **Soft Loans**

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

## **ix. Government Grants and Contributions**

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

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

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



service potential must be returned to the transferor.

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

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

#### **x. Heritage Assets**

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

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

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

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

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

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

**xi. Investment Property**

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

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

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

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

**xii. Joint Operations**

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

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

**xiii. Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are

considered separately for classification.

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

## **The Council as Lessee**

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

## **The Council as Lessor**

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the

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

Lease rentals are apportioned between:

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

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

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

### Operating Leases

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

## **xiv. Non Exchange Revenue**

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

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

**Taxation Transactions**

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

**Non-taxation Transactions**

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

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

**Basis of Measurement of Major Classes of Revenue from Non-exchange Transactions**

Taxation revenue is measured at the nominal value of cash and cash equivalents. Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

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

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

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

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

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

**xvi. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of

goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant & Equipment.

### **Recognition**

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

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Subsequent revaluations of non-current assets are planned as part of a continuous assessment in order that all assets are revalued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. 100% of the Council dwellings were revalued during 2021/22. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income & Expenditure Statement where they arise from a reversal of a loss previously charged to a service.

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

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

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

## **Impairment**

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

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

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

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

## **Depreciation**

Depreciation is provided for on all Property, Plant & Equipment assets in the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e. freehold land and certain community assets)

and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated using the following bases:

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

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

### **Componentisation**

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

- superstructure and substructure
- internal finishes and fittings
- services

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

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell.



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

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

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

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

## **xvii. Provisions and Contingent Liabilities**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

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

**xviii. Reserves**

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

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

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

**xx. VAT**

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

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

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

## Movement on the HRA Statement

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

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

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

The Council's total housing stock was as follows:

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

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

**2. Rent Arrears**

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

**3. Capital Receipts**

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

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

During 2021/22 capital expenditure of £15,715k was incurred on improvements to the Council's housing assets. This includes improvements to existing stock and investment in sites to facilitate the development of additional housing stock. It also includes the acquisition of former housing stock. Total capital expenditure has been financed by several sources: the Major Repairs Allowance (a government grant), Direct HRA revenue contributions, Prudential Borrowing and other grants and contributions as detailed in the following table.

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

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

## 6. Transactions Relating to Retirement Benefits

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

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

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

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

**Section 5: Group Accounts**

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

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

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

The Group Accounts include:

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

**Denbighshire Leisure Limited**

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

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

- the alteration in any respect of its articles of association
- any changes to the nature of the business or the commencement of any new business
- annual business plan
- any advancement of loans or granting of any credit
- any borrowing against assets
- appointment or removal of directors to or from the board

Further information on Denbighshire Leisure Limited is available on its website

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

Denbighshire Leisure Limited currently leases seven leisure centres, the SC2 visitor attraction, 1891 Restaurant and Bar, Rhyl Pavilion Theatre, Rhyl Town Hall, North Wales Bowls Centre, Nova, Ruthin Craft Centre & Café R and Llangollen Pavilion at a peppercorn rent off the Council. Their mission is to maintain high levels of health and wellbeing within Denbighshire by providing quality, accessible leisure opportunities.



**Risk Management**

The relationship between the Council and Denbighshire Leisure Limited includes business plans which are developed by the company and approved by the Council's Cabinet. This provides the Cabinet with the ability to understand the broad risk environment in which the company operates, consider specific risks that the company may face and assess the way in which the company manages and mitigates those risks. This provides assurance to the Council that risks are appropriately managed and mitigated and that the Council's own exposure to risk is therefore minimised. The Council is continuing to work with Denbighshire Leisure Limited to manage and mitigate specific risks arising from the impact of Covid 19.

The performance of Denbighshire Leisure Limited is scrutinised by the appropriate Council scrutiny board. The company is subject to Internal Audit by the Council's internal audit team, which also helps provide assurance that risk is being managed and that control mechanisms are in evidence and operating effectively.

**Accounting Policies**

The accounting policies for Denbighshire Leisure Limited follow those adopted by Denbighshire County Council in the single entity statements detailed on pages 80 to 96 with the exception of the following:.

Charges to Income and Expenditure

Denbighshire Leisure Limited apply depreciation to assets procured during the year.

Where the accounting policies of Denbighshire Leisure Limited are different, adjustments have been made on consolidation to align any difference in accounting treatment to those of Denbighshire County Council.

## Group Movement in Reserves Statement

2021/22	Council Fund Reserves £000	Other Usable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2021</b>	<b>(8,858)</b>	<b>(58,687)</b>	<b>(67,545)</b>	<b>22,072</b>	<b>(45,473)</b>	<b>2,991</b>	<b>(42,482)</b>
* Technical adjustments				(953)	(953)	(1,240)	(2,193)
<b>Balance at 1 April 2021</b>	<b>(8,858)</b>	<b>(58,687)</b>	<b>(67,545)</b>	<b>21,119</b>	<b>(46,426)</b>	<b>1,751</b>	<b>(44,675)</b>
Total Comprehensive Income & Expenditure	(10,521)	(6,687)	(17,208)	(112,649)	(129,857)	(51)	(129,907)
Adjustments Between Group Accounts and authority accounts	4,577	0	4,577	0	4,577	0	4,577
<b>Net (Increase)/Decrease before Transfers</b>	<b>(5,944)</b>	<b>(6,687)</b>	<b>(12,631)</b>	<b>(112,649)</b>	<b>(125,280)</b>	<b>(51)</b>	<b>(125,331)</b>
Adjustments between accounting and funding basis under regulations	(9,811)	5,154	(4,657)	4,657	0	0	0
Transfers to/from Earmarked Reserves	16,311	(16,311)	0	0	0	0	0
<b>(Increase)/Decrease in 2021/22</b>	<b>556</b>	<b>(17,844)</b>	<b>(17,288)</b>	<b>(107,992)</b>	<b>(125,280)</b>	<b>(51)</b>	<b>(125,331)</b>
<b>Balance at 31 March 2022</b>	<b>(8,302)</b>	<b>(76,531)</b>	<b>(84,833)</b>	<b>(86,873)</b>	<b>(171,706)</b>	<b>1,700</b>	<b>(170,006)</b>

2020/21	Council Fund Reserves	Other Usable Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Subsidiary Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020</b>	<b>(7,469)</b>	<b>(41,720)</b>	<b>(49,189)</b>	<b>12,988</b>	<b>(36,201)</b>	<b>0</b>	<b>(36,201)</b>
* Technical adjustments	0	0	0	(788)	(788)	1,141	353
<b>Balance at 1 April 2020</b>	<b>(7,469)</b>	<b>(41,720)</b>	<b>(49,189)</b>	<b>12,200</b>	<b>(36,989)</b>	<b>1,141</b>	<b>(35,848)</b>
Total Comprehensive Income & Expenditure	(25,433)	(2,643)	(28,076)	10,486	(17,590)	1,814	(15,775)
Adjustments Between Group Accounts and authority accounts	9,106	0	9,106	0	9,106	35	9,141
<b>Net (Increase)/Decrease before Transfers</b>	<b>(16,327)</b>	<b>(2,643)</b>	<b>(18,970)</b>	<b>10,486</b>	<b>(8,484)</b>	<b>1,850</b>	<b>(6,634)</b>
Adjustments between accounting and funding basis under regulations	3,875	(3,261)	614	(614)	0	0	0
Transfers to/from Earmarked Reserves	11,063	(11,063)	0	0	0	0	0
<b>(Increase)/Decrease in 2020/21</b>	<b>(1,389)</b>	<b>(16,967)</b>	<b>(18,356)</b>	<b>9,872</b>	<b>(8,484)</b>	<b>1,850</b>	<b>(6,634)</b>
<b>Balance at 31 March 2021</b>	<b>(8,858)</b>	<b>(58,687)</b>	<b>(67,545)</b>	<b>22,072</b>	<b>(45,473)</b>	<b>2,991</b>	<b>(42,482)</b>

\* An adjustment of (£788k) has been made to account for the pension liability relating to the staff who transferred from Denbighshire County Council to Denbighshire Leisure Limited in 2019/20.

An adjustment of £1,141k has been made to bring in Denbighshire Leisure Limited's opening balance as group accounts were not required to be prepared in 2019/20.

## Group Comprehensive Income and Expenditure Statement

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
14,909	(8,664)	6,244	Leisure - ADM	16,735	(10,141)	6,594
5,043	(1,410)	3,633	Communities & Customers	4,227	(1,735)	2,492
35,698	(17,606)	18,092	Education & Children's Services	39,486	(21,284)	18,202
83,066	(11,064)	72,002	Schools	91,467	(15,455)	76,012
6,128	(549)	5,579	Business Improvement & Modernisation	6,295	(384)	5,911
3,491	(851)	2,640	Legal, HR & Democratic Services	3,718	(855)	2,863
41,062	(32,817)	8,245	Corporate & Miscellaneous	42,534	(27,415)	15,119
7,519	(3,433)	4,086	Finance & Property	10,105	(3,755)	6,349
38,345	(13,168)	25,177	Highways, Facilities & Environmental Services	39,989	(11,602)	28,387
21,222	(10,644)	10,578	Planning & Public Protection	27,740	(16,250)	11,490
74,473	(35,490)	38,983	Community Support Services	81,193	(38,300)	42,893
16,921	(15,957)	964	Local Authority Housing (HRA)	13,744	(16,103)	(2,359)
<b>347,877</b>	<b>(151,653)</b>	<b>196,224</b>	<b>Cost of Services</b>	<b>377,233</b>	<b>(163,281)</b>	<b>213,952</b>

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
20,363	(180)	20,183	Other Operating Expenditure	20,400	(357)	20,043
17,295	(482)	16,813	Financing & Investment (Income) & Expenditure	15,992	(132)	15,860
	(251,136)	(251,136)	Taxation & Non-Specific Grant Income	0	(260,529)	(260,529)
<b>385,535</b>	<b>(403,451)</b>	<b>(17,916)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>413,625</b>	<b>(424,298)</b>	<b>(10,674)</b>
		0	Tax expenses of subsidiary			(607)
		<b>(17,916)</b>	Group (Surplus)/Deficit			<b>(11,281)</b>
		(8,541)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			(48,015)
		3,879	Impairment Losses on Non-current Assets Charged to Revaluation Reserve			10,959
		0	Tax relating to other comprehensive income			395
		15,909	Remeasurement of the Net Defined Benefit Liability/(Asset)			(77,388)
		<b>11,247</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>			<b>(114,049)</b>
		<b>(6,669)</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>			<b>(125,330)</b>

## Group Balance Sheet

31 March 2021 £000		Note	31 March 2022 £000	31 March 2022 £000
94,977	<i>Council Dwellings</i>		139,074	
286,645	<i>Other Land &amp; Buildings</i>		281,745	
12,107	<i>Vehicles, Plant, Furniture &amp; Equipment</i>		12,602	
139,219	<i>Infrastructure</i>		144,649	
1,485	<i>Community Assets</i>		1,485	
9,553	<i>Assets Under Construction</i>		22,446	
4,450	<i>Surplus Assets not Held for Sale</i>		3,478	
548,436	Property, Plant & Equipment		605,479	
15,001	Heritage Assets		14,929	
6,311	Investment Property		6,264	
0	Long Term Investments		0	
2,442	Long Term Debtors		2,356	
<b>572,190</b>	<b>Long Term Assets</b>			<b>629,028</b>
11,800	Short Term Investments		24,204	
3,544	Assets Held for Sale (<1yr)		1,076	
1,260	Inventories		1,643	
45,888	Short Term Debtors		60,618	
3,947	Cash & Cash Equivalents		5,181	
0	Current tax asset		0	
<b>66,439</b>	<b>Current Assets</b>			<b>92,722</b>
(27,127)	Short Term Borrowing		(34,355)	
(36,698)	Short Term Creditors		(49,539)	
(363)	Provisions		(162)	
(2,803)	Provision for Accumulated Absences		(3,196)	
(1,740)	Revenue Grants Receipts in Advance		(4,244)	
(5,156)	Capital Grants Receipts in Advance		(7,953)	
0	Current tax liability		0	
<b>(73,887)</b>	<b>Current Liabilities</b>			<b>(99,449)</b>
(3,524)	Long Term Creditors		(1,352)	
(222)	Provisions		(378)	
(204,781)	Long Term Borrowing		(197,237)	
(313,733)	Other Long Term Liabilities		(253,328)	
0	Deferred tax liability		0	
<b>(522,260)</b>	<b>Long Term Liabilities</b>			<b>(452,295)</b>
<b>42,482</b>	<b>Net Assets</b>			<b>170,006</b>

31 March 2021 £000		Note	31 March 2022 £000	31 March 2022 £000
(8,858)	Council Fund		(8,302)	
(40,003)	Earmarked Reserves		(56,420)	
(2,756)	Housing Revenue Account		(2,056)	
(8,290)	Capital Receipts Reserve		1,700	
(7,638)	Capital Grants Unapplied		(6,957)	
2,991	Profit and loss reserve		(11,098)	
<b>(64,554)</b>	<b>Usable Reserves</b>			<b>(83,133)</b>
(116,565)	Revaluation Reserve		(146,060)	
307,532	Pensions Reserve		247,726	
(500)	Deferred Capital Receipts Reserve		(2,057)	
(171,622)	Capital Adjustment Account		(190,087)	
424	Financial Instruments Adjustment Account		409	
2,803	Short Term Accumulating Compensated Absences Account		3,196	
<b>22,072</b>	<b>Unusable Reserves</b>			<b>(86,873)</b>
<b>(42,482)</b>	<b>Total Reserves</b>			<b>(170,006)</b>

## Group Cash Flow Statement

2020/21 £000		2021/22 £000
(17,916)	Net (Surplus) or Deficit on the Provision of Services	(11,316)
(19,274)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements	(22,489)
2,084	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are investing and financing activities	4,838
<b>(35,106)</b>	<b>Net cash flows from Operating Activities</b>	<b>(28,967)</b>
2,448	Investing Activities	33,066
32,267	Financing Activities	(5,333)
<b>(391)</b>	<b>Net (increase) or decrease in Cash &amp; Cash Equivalents</b>	<b>(1,234)</b>
3,556	Cash & Cash Equivalents at the beginning of the period	3,947
391	Increase/(Decrease) in Cash	1,234
<b>3,947</b>	<b>Cash &amp; Cash Equivalents at the end of the reporting period</b>	<b>5,181</b>



**Section 6: The independent auditor's report of the Auditor General for Wales to the Members of Denbighshire County Council will appear here**







# **Section 7 - Annual Governance Statement 2021 - 2022**

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## **Introduction**

Denbighshire County Council (the Council) is responsible for making sure that its business is carried out in accordance with the law and proper standards. The Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018) require the Council to conduct a review on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The statement has been prepared in accordance with the guidance produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) – ‘Delivering Good Governance in Local Government Framework’ (2016). This is to show that the Council:

- Conducts its business in accordance with relevant laws and regulations;
- Properly accounts for and safeguards public money;
- Uses its resources economically, efficiently and effectively to achieve agreed priorities that benefit local people.

The Council has adopted the ‘Core Principles’ which underpin the CIPFA / SOLACE framework to form its Corporate Governance Framework. The seven core principles are set out below:

- A. Behave with integrity
- B. Engage with stakeholders
- C. Define outcomes
- D. Ensure planned outcomes are achieved
- E. Develop capacity, capability and leadership
- F. Manage risks and performance effectively
- G. Demonstrate transparency and accountability

The review against the CIPFA/SOLACE framework highlights if there are opportunities to improve the Council’s arrangements. Where this is the case, an action plan is included to ensure that the necessary action is taken.

## **The Governance Framework**

### **Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law**

The Council's Constitution includes the Codes of Conduct for members and officers and demand a high standard of behaviour. Mandatory training for officers has been deployed to ensure that staff are aware of the code of conduct and other key policies. These are supported by more detailed guidance such as the Strategy for the Prevention and Detection of Fraud, Corruption and Bribery, Whistleblowing Policy, Financial Regulations and Contract Procedure Rules. The Head of Legal, HR & Democratic Services (Monitoring Officer) and Head of Finance & Property Services (Section 151 Officer) both have responsibilities to ensure that Council decisions meet legal requirements.

### **Principle B - Ensuring openness and comprehensive stakeholder engagement**

The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. Stakeholder engagement in response to Covid-19 has developed to ensure coordinated response involving multiple organisations and agencies.

The resident survey was replaced this year by the Stakeholder Survey to meet the requirements of the Local Government and Elections (Wales) Act 2021 and inform the Council's Self-Assessment of performance against its functions. The engagement was carried out during September and October 2021, and the results have been published within the Self-Assessment.

The Council publishes information on the website and all Council meetings are now webcast. Online meetings have been set up to maintain social distancing in response to Covid-19 and all council meetings are now held virtually.

Communication channels involve press releases and online releases through social media channels (Facebook and Twitter) and the County Conversation portal.



The Council has continued to make shielding calls to persons vulnerable to Covid-19 in response to the pandemic and these calls have been well received by members of the community.

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

The strategic vision for Denbighshire is set out in its Corporate Plan. Within it, the Council defines specific priorities and outcomes to be achieved and this is overseen by the Corporate Plan Programme Board.

During 2021 to 2022, the majority of Corporate Plan projects have been able to recover from delays caused by the pandemic. The Corporate Plan Board formerly closed the programme in March, with projects either having already delivered and closed; ending imminently with their funding; or continuing as usual business within services. A separate programme board is focused on ensuring the Council's finances and services are sustainable.

A Wellbeing Impact Assessment is completed to inform significant decisions this has been updated to consider impact on Climate Change and Socio-economic equality duty.

Transaction are increasingly made available online with a superfast broadband project in progress to increase the availability to Denbighshire households and businesses.

The Council's Climate and Ecological Change Strategy sets out how the Council will achieve its ambition of becoming a net carbon zero authority by 2030. Work is underway to ensure that this is embedded throughout the council's decision making processes and systems.

### **Principle D - Determining the intervention necessary to achieve intended outcomes**

Senior Management and Members (via Scrutiny committees and the Governance & Audit Committee), ensure the Council remains focussed on achieving its objectives and priorities. A new Chief Executive has been appointed and he is currently looking at

## **Annual Governance Statement**

restructuring the Corporate Executive Team (CET) and Senior Leadership Team (SLT). The Council has approved the new CET structure and next year will see the Council move from two to three Corporate Directors.

The council's Self-Assessment of Performance for 2021-22 is being drafted, and continues to include an assessment against our governance functions, as recommended by the statutory guidance for the Local Government & Elections (Wales) Act 2021, which came into effect in May 2022. The Quarterly Performance Reports that make up the Self-Assessment have also continued to catalogue the activity of our principle meetings (Council, Cabinet, Scrutiny, and Governance and Audit), key news items, and reports by our internal audit and external regulators.

### **Principle E - Developing capacity, including the capability of leadership and individuals within the Council**

Development is directed by the leadership strategy, apprenticeship schemes and an e-learning portal is used to develop staff at all levels.

The Council also works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. A partnership (Alternative Service Delivery model) toolkit has been approved to set out key requirements and tools for ensuring partnerships are managed effectively.

The new ways of working for staff and members has now been imbedded over the last 12 months and home working is now seen as the norm with ICT support in place.

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

Corporate risk registers are updated twice yearly, with significant risks brought to the attention of senior management and members. Risk Appetite statement has been defined and reviewed with members and senior management to ensure acceptable level of risk is being taken and recently updated to set the risk appetite for safeguarding and

environmental risk. Internal Audit assess the overall quality of risk management, governance and internal control and agree actions for improvement as necessary.

The Council has a strong track record in financial management, delivering services within budget and timely production of the accounts in response to the early closure requirements. Despite limited restrictions caused by the pandemic, the Council has managed to close its accounts for 2020/21 in keeping with the original deadline.

The Covid-19 response, including increased expenditure (e.g. PPE) and loss of income (leisure, parking etc) has caused significant pressure on the Council's financial situation, with administration of Welsh Government grants relating to business rates, social care bonus payments and free school meals at speed. Welsh Government support has enabled the council to continue its essential services and, in doing so, support its communities and businesses. The council undertook a review against the Financial Management Code to meet new requirements.

While information governance was considered to be sound overall; the pandemic has exposed instances of weaknesses caused in part by different working practices (e.g. majority of staff working from home) that previously were not considered a concern; revised Data Protection e-learning training has been deployed to refresh staff awareness.

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

The external assessment of Internal Audit confirms it conforms to the Public Sector Internal Audit Standards. External regulators provide independent assessments, notably: Audit Wales, Care Inspectorate Wales, Estyn and Ombudsman for Wales; overall positive results with no significant issues raised.

The Council provides clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. The website has been updated to meet Accessibility Standards. Minutes of meetings and key decisions are published on the Council's website.

Council meetings are carried out online and are now also available to the public in accordance with legislative requirements.

## **Covid-19 Impact on Governance**

The Covid-19 pandemic has continued to cause an impact to the Council and our residents, requiring us to adapt the way we deliver services to our residents as well as creation of new services. The Council had a significant role in responding to the pandemic under the Civil Contingencies Act. This has resulted in changes to governance arrangements, with council meetings moving to online, and prioritisation of service delivery to cope with changing demand. The Council continues to work in partnership with Welsh Government, NHS Wales and Public Health Wales to take necessary action in containing and delaying the spread of the virus. The Council established the Strategic Emergency Management Team (SEMT) comprising senior management, HR, ICT and Lead Members to monitor and respond to the emergency situation.

As reported in last year's Annual Governance Statement:

"Social distancing requirements mean that all Council meetings are now carried out online and comply with the legislative requirements and the Local Authorities (Coronavirus)(Meetings)(Wales) Regulations 2020 under powers granted to Welsh Government under the Coronavirus Act 2020.

As indicated in last year's Annual Governance Statement, alternative arrangements were initially introduced as agreed between Cabinet and Group Leaders to ensure proactive engagement of the wider elected membership. Group Leaders met remotely with the Chief Executive, Leader, Monitoring Officer and s151 Officer met on a regular basis for a briefing on the management of the crisis and proposals for recovery. Group Leaders could then brief their respective groups and call upon Lead Members and Lead Officers to attend Group Leaders' meetings or Group meetings where further information or discussion is required. Formal call-in arrangements were also available should the requisite number of members wish to challenge a decision.

The Council now has simultaneous translations to virtual meetings which are now able to be webcast to allow public access and increase transparency and openness.

The council's response also included the following:

- The Council implemented, with some adaptation, its emergency management processes and was represented on the regional emergency infrastructure.
- Enactment of business continuity processes through identification of essential services and redeployment of staff from non-critical services to support where there were capacity shortages.
- Delivery of core services has continued throughout the pandemic.
- As restrictions have been lifted, the Council implemented new rules to allow key employees access to work from a council office. The Council has also left shielding arrangements for employees classed as high risk.
- Communications arrangements put in place to support providing public health advice and information and council service and support to reach key audiences e.g. residents and businesses.
- A Covid-19 Financial Recovery Strategy covering the council's response to the significant financial pressures caused by Covid-19.
- Implementing processes at speed in response to Welsh Government grants for financial support to small businesses, and those in retail, hospitality and leisure sectors. Also, social care bonus payments, free school meal payments.
- Communications and support to staff with health messages to ensure that health and wellbeing was actively considered and managed.

The impact that Covid-19 has had on our communities including businesses will continue to be reviewed as the economy re-opens and restrictions are lifted. The Council is committed to ensuring it responds appropriately to the opportunities, challenges and issues Covid-19 presents.

## Key contributors to developing and maintaining the Governance Framework

Key Contributors	Contribution
Council	<ul style="list-style-type: none"> <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>
Governance & Audit 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 & Project 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>
Licensing and Planning Committees	<ul style="list-style-type: none"> <li>• Licensing Committee considers issues relating to taxis, entertainment, alcohol, food premises and miscellaneous licensing functions.</li> <li>• Planning Committee makes decisions on development control issues, including applications for planning permissions.</li> </ul>
Corporate Executive Team, Senior Leadership Team & Managers	<ul style="list-style-type: none"> <li>• Responsible for developing, maintaining and implementing the Council's governance, risk and control framework</li> </ul>

Key Contributors	Contribution
	<ul style="list-style-type: none"> <li>• Contribute to the effective corporate management and governance of the Council</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Provide an independent opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements</li> <li>• Delivers a programme of risk based audits, including counter fraud and investigation</li> <li>• Identifies areas for improvement in the management of risk</li> </ul>
External Audit	Audit and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources

[Caption; Key contributors to developing and maintaining the Governance Framework]

The Governance Framework above have now resorted back to pre-pandemic arrangements, with the exception of meetings taking place face to face. Meetings are now carried out online and webcast to allow the public to attend. Members and Officers have adapted to the new way of working and it ensures transparency and openness.

## **Review of Effectiveness**

The effectiveness of governance arrangements is measured in several ways, and in 2020/21, the first year in which the Council has prepared group accounts, the Council has considered its relationship with its group entities, i.e. Denbighshire Leisure Limited, in conducting its review.

The Corporate Governance Officer's Group reviewed the Council's arrangements against the CIPFA/Solace Framework in March and April 2021 and confirmed that governance arrangements such as the Code of Conduct, Financial Regulations, and other corporate processes have broadly operated as intended during the year; there were instances of non-compliance as highlighted by Internal Audit reviews. The Corporate Governance Framework is updated to reflect the current arrangements and will continue to be updated to reflect developments and any further implications due to the Covid-19 pandemic.

## **Internal Sources of Assurance**

The [Annual Performance Report 2020-21](#) is the first report to present information responding to the new duty, under the Local Government and Elections (Wales) Act 2021, for the council to self-assess its performance. This summarises performance against seven governance areas: Corporate Planning, Financial Planning, Performance Management, Risk Management, Workforce Planning, Assets, and Procurement. Our Self-Assessment report for 2021 to 2022 will be going through committees in June, before final approval by Council in July.

## **Internal Audit Annual Opinion**

One of the key assurance statements, in reviewing effectiveness, is the annual report and opinion of the Chief Internal Auditor. Internal Audit operates a flexible audit plan which enables it to refocus on changing priorities during the year. The focus of Internal Audit work in 2021/22 was to again audit areas considered to be a higher risk due to the pandemic and the resultant changes to control processes. The Chief Internal Auditor's opinion is that the council's governance, risk management and internal control arrangements in the areas audited continue to operate satisfactorily. While the scope of assurance work was reduced due to the pandemic and redeployment of audit staff,



reasonable assurance can be given that there have been no major weaknesses noted in relation to the internal control systems operating within the Council. Improvement in the following areas were recommended:

<b>Internal Audit Low Assurance Reports Issued in 2021/22</b>	<b>Agreed actions relating to significant risks/issues</b>
<p>Exceptions, Exemptions and Variations from Contract Procedure Rules (CPRs)</p>	<p>Presentation (awareness for new managers and refresher) to be delivered by all Procurement Business Partners at various DMG (or equivalent); and whole Service meetings where appropriate.</p> <p>Procurement Business Partners to support Services on improved awareness and understanding of CPRs and highlight at service management meetings areas of noncompliance or poor practice.</p> <p>Quick Guide (already produced) to be used as a starting point in any presentation.</p> <p>Amend the Quick Guide if necessary to give greater clarity on sequence of legal/procurement comments in advance of Authorised Signatories.</p> <p>Utilise LINC and other methods to highlight good practices.</p> <p>Variation Form – to be amended to include a section asking if previous variations have been sought and attaching copies of such signed variations; amend to reflect sequence of legal/procurement comments.</p>

Contract Management follow up	<p>Report to SLT highlighting the weakness identified with contract management and non-compliance with CPRs with a view to SLT reviewing arrangements in their own services to ensure:</p> <ul style="list-style-type: none"><li><input type="checkbox"/> All contracts are recorded on the Proactis contract management module or other suitable systems (until a decision is taken to replace it);</li><li><input type="checkbox"/> Signed contracts are obtained for all contracts over £25,000 and held on the Proactis system (or suitable approved contract management system);</li><li><input type="checkbox"/> Contract management activity is recorded in the contract management module within Proactis, or other method as agreed corporately;</li><li><input type="checkbox"/> Ensure that the delivery of community benefits is monitored;</li><li><input type="checkbox"/> Ensure appropriate performance indicators are included within contracts with suitable monitoring of the contractor's performance;</li></ul> <p>Ensure staff involved with managing contracts are suitably trained. Training will be rolled out across the council to all staff who are involved in contract management and delivered in two parts:</p> <ol style="list-style-type: none"><li>1.Proactis Contract Management module</li><li>2.Contract management principles (to explore the use of e-learning).</li></ol> <p>Contract Management framework will be produced to document the stages of contract management and include a task list with the minimum recommended activities to undertaken. Scope to develop standard templates at a later stage.</p> <p>Contract Managers Forum to be set up to share best practice.</p> <p>Once framework circulated and e-learning and training provided, guidance notes to be developed to provide staff with additional information around contract management.</p> <p>Procurement business partners to run a Proactis report showing a list of contracts by service area and share with service management teams in order for the Heads of Service to ensure that contracts are appropriately uploaded.</p>
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	<p>Scope to include contract risk categorisation score down the line once the contract management framework is launched.</p> <p>A review of the current contract management system (Proactis) to be undertaken to establish if the system is still fit for purpose. If the current system is considered unfit, then a business case will be formed to justify replacement.</p> <p>Review the commissioning form to include a section on KPIs to prompt for their inclusion in relevant contracts e.g. high and medium risk/strategic contracts.</p> <p>Proactis has the potential to send out reminders if monitoring is not completed/uploaded through creation of tasks. This will be included as part of the Proactis contract management training (see action 2.1).</p> <p>Review of the contract management system confirms it has the functionality to record contract risks. Mandatory field to be added to Proactis to capture the information and enable reporting</p> <p>All risks associated with operating a contract need to be recorded on a pre-contract risk form.</p> <p>A Contract Management framework will be taken to SLT for approval with the view for it to be adopted for all new contracts and applied by all services.</p> <p>Contract risk scores will be picked up in Proactis reports generated for service management teams to review and Heads of Service to ensure that the framework is applied appropriately.</p> <p>See also action 1.1, Heads of Service to ensure that any contracts deemed as a significant risk to the service or council are captured on the service risk register where appropriate.</p> <p>Community Benefit Hub will monitor all community benefits centrally to coordinate and ensure that they are delivered. Links to Internal Audit review of Section 106 agreements</p>
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[Caption; Issues identified by internal Audit 2021/22 and agreed actions to mitigate the issues.]

**Chief Finance Officer Statement on Compliance with the Financial Management Code**

The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for local authorities.

The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium- and long-term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

Each local authority must demonstrate that the requirements of the Code are being satisfied.

As Section 151 Officer I have the Statutory Responsibility (supported by the Corporate Leadership Team and Elected Members) for ensuring compliance with the FM Code. I have carried out a full assessment of Denbighshire's compliance with the FM Code, as part of the annual review of the Annual Governance Statement and I can confirm that in my opinion Denbighshire is compliant with the code in the majority of areas. However, areas of improvement have been identified, many of which are already underway, including:

- Review and document complete Capital Process including SIG Terms of Reference, clear decision making, accounting and project management processes.
- Development a clear long-term capital strategy.
- Monitor on-going impact of Covid on services.
- Further develop the Budget Process to embed long term decision-making and consultation as core principles
- We will continue to lobby for multi-year indicative settlement figures from Welsh Government.
- Complete the annual review of the Medium Term Financial Strategy.

- Include Unearmarked Reserves figure in the Corporate Dashboard to compliment the annual outturn projections.

### Key indicators

The adequacy of governance arrangements can also be gauged using several key outcome indicators:

Key performance indicators	Outcomes 2021/22
Statutory reports issued by the Monitoring Officer (Section 5 - Local Government and Housing Act 1989)	None issued
Proven frauds by councillors or members of staff	None in 2021/22
Ombudsman referrals 2021/22	No complaints upheld
Internal audit reports	2 low assurance reviews
Complaints about elected members	2 in 2021/22
Number of negative reports from our External Regulators	None in 2021/22

### Assurances from External Regulators:

#### Audit Wales

The Council's external auditor, Audit Wales, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The Auditor General gave an unqualified true and fair opinion on the council's financial statements on 29 November 2021.

Annual Audit Summary Report 2021 provided a summary of their audit work which included:

- Continuous Improvement – The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year

2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

- Financial Sustainability - In Denbighshire County Council we concluded that the Council is well placed to maintain its financial sustainability over the medium term – it has a good track record of managing its budget and continues to work to further improve its financial position.
- Recovery Plan - Denbighshire County Council's recovery from the impact of the pandemic benefited from proactive engagement at both a regional and local level and the Council's planning and decision-making processes showed strong and consistent collective leadership. The Council's approach to recovery benefited from positive officer/member relations and addressed the challenges posed by the pandemic. Some actions taken during the response to the crisis, such as maintaining a focus on its climate change ambitions and well-established financial reporting arrangements were particularly positive.
- Delivering Environmental Ambitions - We concluded in our report that the Council is making excellent progress in embedding its environmental ambitions. We noted that the Council has moved quickly to embed its environmental ambitions in its strategic planning frameworks, it is communicating its ambitions well and has put baseline measures in place using an established performance framework. The full cost of the ambition is not yet known, more comprehensive stakeholder mapping would further strengthen engagement, and reporting over the next year will help the environmental ambitions to embed and the measures to evolve.
- Commissioning Older Peoples Care Home Placements - In concluding this work, we recognised that responsibility for the current challenges in the commissioning arrangements was widespread. The Welsh Government sets the national framework which is complex, and local partners have responsibility for the way that national policy and guidance are implemented. We have therefore reported locally to councils and the Health Board, and nationally to the Welsh Government, recommending actions that these bodies should take.

### **Estyn and Care Inspectorate Wales**

The Council is subject to Statutory External Inspections from various bodies including ESTYN and Care Inspectorate Wales (CIW). Recent work is summarised below:

- CIW and Healthcare Inspectorate Wales published their joint National review of the use of Deprivation of Liberty Safeguards (DoLS) in Wales.
- In November 2021, CIW also published its national overview report of assurance checks in Wales and Let me flourish, a national review of early help, care and support and transition for disabled children in Wales.
- In November 2021, CIW published its Assurance Check letter for the Council which summarises the findings of the CIW assurance check carried out in June and July 2021.



## Action Taken in Response to 2020/21 Annual Governance Statement

Last year's Annual Governance Statement highlighted seven areas for improvement. The table below sets out the action taken to address these issues during 2021/22:

Improvement areas identified in 2020/21	Progress to date
Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.	<p>This is still ongoing as the service over the last year has gone through a number of changes and has struggled with recruiting staff.</p> <p>It has been agreed at the HoS meeting in March 2022 that this would be rolled over into 2022/23.</p>
Continuing budget pressures and uncertainty over funding. Also, address any actions arising from the review of the Financial Management Code	<p>Welsh Government provided multi-year indicative settlement figures in 2021/22 for 2023/24 and 2024/25 and we will lobby for this practice to continue.</p> <p>We reviewed the Medium Term Financial Strategy and will continue to review on an annual basis.</p> <p>Work on the following areas are continuing and will be rolled over to 2022/23:</p> <ul style="list-style-type: none"> <li>• Review and document complete Capital Process including SIG Terms of Reference, clear decision making, accounting and project management processes.</li> <li>• Develop a clear long-term capital strategy.</li> <li>• Monitor on-going impact of Covid on services.</li> <li>• Further develop the Budget Process to embed long term decision-making and consultation as core principles</li> </ul> <p>Include Unearmarked Reserves figure in the Corporate Dashboard to compliment the annual outturn projections.</p>
Address contract management weaknesses highlighted by Internal Audit.	<p>Internal audit completed the follow up review and the outcome was improvements had been made and the low assurance has been changed to a medium assurance rating. The next follow up has been scheduled for June 2022.</p>

<b>Improvement areas identified in 2020/21</b>	<b>Progress to date</b>
Implement requirements of the Local Government & Elections (Wales) Act 2021.	The Head of Legal, HR & Democratic Services and Strategic Planning & Performance Manager have completed this task.
Workforce capacity and resilience and reliance on key positions	<p>The appointment of the appointed of a new Chief Executive has been completed and on 14 March 2022 the Chief Executive took a report to Full Council to consider the strategic direction of the Council, including a proposal to restructure the Council's Senior Leadership Team (SLT).</p> <p>The report was approved by Council and going forward the Council will have three Corporate Directors, one is already in post and the other two will be appointed in 2022/23.</p> <p>The HOS for Education &amp; Children Services post has been split into a Head of Education Services and Head of Children Services and have both been filled.</p> <p>The review and update of the workforce plan is still ongoing as the service has been through a number of recruitments including filling the HR Manager post following a secondment. This process has been made harder as the team have struggled to recruit staff into the vacant positions.</p> <p>Internal Audit has not carried out the workforce planning process review, but has agreed with the Head of Legal, HR, &amp; Democratic Services in March 2022, to put the review back to the end of quarter 2, so that the service has sufficient time to carry out the review.</p> <p>As the Council is now moving out of the Pandemic and staff are slowly returning to the office, the emphasis is now on developing the New Ways of Working Project.</p>
Review the Whistleblowing Policy	This review has not been completed and has been agreed to roll into the following year.
Uncertainty over future funding arrangements following EU Exit.	Resources and processes put in place to ensure that the Council maximises the opportunities in relation to the new UK Funding Initiatives including the UK Levelling Up Fund, UK

<b>Improvement areas identified in 2020/21</b>	<b>Progress to date</b>
	<p>Community Renewal Fund and the forthcoming UK Shared Prosperity Fund. Also, ensure coordination with other funding streams e.g. WG Transforming Towns Fund.</p> <p>Matrix team established and work will continue to maximise opportunities from these new initiatives.</p>

[Caption; Areas of improvements for 2020/21 and progress to date]

## Improvement Actions Arising from 2021-22 Annual Governance Statement

Looking ahead, the following areas for improvement have been identified to be addressed in 2022/23. This takes into consideration the continued impact of the coronavirus pandemic on governance:

<b>Improvement areas identified for 2022/23</b>	<b>Agreed action</b>
Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.	<p>Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.</p> <p>Revised system to capture officer declaration of interests and gifts and hospitality.</p> <p>Strategic HR Manager by 31/03/2023.</p>
Workforce capacity and resilience and reliance on key positions	<p>Recruit vacant Senior Management Team positions i.e. Two Corporate Directors.</p> <p>CET / Strategic HR Manager, Leader &amp; Director Communities by 31/07/2022.</p> <p>Review and update the workforce plan and coordinate an assessment with services.</p> <p>Strategic HR Manager by 30/09/2022.</p> <p>Internal Audit review of workforce planning process.</p> <p>Chief Internal Auditor by 31/10/2022.</p> <p>New Ways of Working Project includes a work-stream developing new HR policies to support future work patterns.</p> <p>Head of Customer, Communications &amp; Marketing / Head of Legal, HR &amp; Democratic Services by 30/09/2022.</p>
Review the Whistleblowing Policy	Update the policy capturing lessons learned from recent concerns raised.

Improvement areas identified for 2022/23	Agreed action
	Head of Legal, HR & Democratic Services by 31/03/2023.
Address exceptions, exemptions and variations from Contract Procedure Rules (CPRs)	Internal Audit will review progress in quarter 2, when the first follow up review is completed and findings will be reported to the next Governance & Audit committee.
Continuing budget pressures and uncertainty over funding. Also, address any actions arising from the review of the Financial Management Code	<p>Welsh Government provided multi-year indicative settlement figures in 2021/22 for 2023/24 and 2024/25 and we will lobby for this practice to continue.</p> <p>We reviewed the Medium Term Financial Strategy and will continue to review on an annual basis.</p> <p>Work on the following areas are continuing and will be rolled over to 2022/23:</p> <ul style="list-style-type: none"> <li>• Review and document complete Capital Process including SIG Terms of Reference, clear decision making, accounting and project management processes.</li> <li>• Develop a clear long-term capital strategy.</li> <li>• Monitor on-going impact of Covid on services.</li> <li>• Further develop the Budget Process to embed long term decision-making and consultation as core principles.</li> </ul> <p>Include Unearmarked Reserves figure in the Corporate Dashboard to compliment the annual outturn projections.</p>


[Caption; Areas of improvements for 2022/23 and agreed actions]


The areas for improvement that we have identified will be monitored by the Governance & Audit Committee and the Corporate Governance Officers Group. This plan also includes any issues raised in last year's action plan that have not yet been fully addressed.

## Annual Governance Statement

### Certification

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

<b>Name</b>	Cllr Jason McLellan, Leader of the Council
<b>Signed</b>	
<b>Dated</b>	

<b>Name</b>	Graham Boase, Chief Executive
<b>Signed</b>	
<b>Dated</b>	

## Section 8: Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CAPITAL RECEIPT** - The income from the disposal of land or other non current assets. Proportions of Housing capital receipts can be used to finance new capital expenditure,

within rules set down by the Government, but they cannot be used to finance revenue expenditure except for Revenue Expenditure Funded from Capital Under Statute.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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