

DENBIGHSHIRE COUNTY COUNCIL

ANNUAL STATEMENT OF ACCOUNTS

2005/06

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FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES

1. INTRODUCTION

1.1 The Annual Statement of Accounts is produced each year in line with legislative requirements and the Statement of Recommended Practice (SORP), with the aim of:

- complying with statutory and professional requirements.
- providing electors, business ratepayers, those subject to locally levied taxes and charges, members of the Authority and other interested parties with clear information about the Authority's finances.

1.2 Section 1 includes a **Foreword** by the Corporate Director - Resources providing a summary of the financial activities of the Council during the year and at the year end.

- The **Statement of Responsibilities** outlines the duties of the Corporate Director - Resources as Chief Financial Officer in preparing the accounts.
- The **Statement on the System of Internal Control** identifies responsibility for internal control within the Council and gives an indication of the level of assurance that a system of control can provide.

1.3 The accounts are subject to an independent external audit by the Auditor appointed by the Wales Audit Office. The **External Auditor's Report** is included at Section 2.

1.4 Section 3 of this document provides details of the **Statement of Accounting Policies**. These are the policies used to produce the financial information within the Statement of Accounts.

1.5 Section 4 covers the main financial statements as follows:-

- The **Consolidated Revenue Account** shows how much money the Authority has spent during the year on each of its services along with any corporate income or expenditure which relates to the Authority as a whole. It also shows how much of this cost has been met by local taxpayers and how much has been funded by Welsh Assembly Government.
- Local Authorities are required to account separately for the cost of local authority housing provision by way of a **Housing Revenue Account**. This account shows where money is spent in maintaining and managing Council houses, payment of subsidy to the Welsh Assembly Government and how these costs are met from rents and other income.
- The **Consolidated Balance Sheet** shows the financial position of all the Authority's assets, liabilities, reserves and balances, at the accounting year end. Assets include both the value of fixed assets such as buildings, land and equipment and of current assets such as money owed to the Authority, stock and investments. Liabilities mainly relate to money owed by the Authority to external organisations. Reserves and balances represent the net worth of the Council at the accounting year end.
- The **Cash Flow Statement** shows the Authority's cash transactions over the year, indicating the sources of cash income received and actual cash spent. The cash transactions are split between those that are of a revenue nature, those that are capital and those that are in respect of the Authority's borrowing.
- The **Statement of Total Movements on Reserves** brings together all of the movements in the Authority's reserves. The statement also splits the reserves between those that can be used to support future revenue expenditure and those that are of a capital nature.

1.6 Section 5 covers the requirement under the SORP to produce certain additional financial information by way of **Explanatory Notes**. The aim of this additional information is to provide background information about specific financial issues that are not readily identifiable from the other financial statements.

1.7 Changes in format. The Chair of the Council is now required to approve the Statement of Responsibilities. The Statement on the System of Internal Control requires the signatures of the Chief Executive Officer and the Leader of the Council.

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES**2. REVENUE SUMMARY****REVENUE BUDGET 2005/06**

- 2.1 The Council's net revenue budget for 2005/06 was originally set at £142.382m (2004/05 £136.450m) and took account of known and estimated pay awards and price increases. The Welsh Assembly Government has a major influence over the Council's finances and makes an assessment of what it thinks each local authority in Wales should spend - called a "Standard Spending Assessment" (SSA). The budget was £5.382m (3.9%) above the SSA of £137.000m.
- 2.2 The Welsh Assembly Government fixed Denbighshire's Revenue Support Grant at £90.956m (including Deprivation Grant of £0.165m) and Denbighshire's share of non-domestic rate income at £19.639m. Council taxpayers were required to fund £31.566m at £864.70 per Band D property.

REVENUE OUTTURN 2005/06

- 2.3 Actual net expenditure totalled £142.154m. The main components of the Budget for 2005/06 and how these compare with the actual income and expenditure are set out below.
- 2.4 Please note that these figures are presented on a different basis from the Consolidated Revenue Account which includes Support Services recharges and Asset Accounting charges which are required to comply with the Best Value Accounting Code of Practice.

	Original Budget 2005/06 £000s	Actual 2005/06 £000s	Variance 2005/06 £000s
Net expenditure on services	142,382	140,966	(1,416)
Contribution to balances - General	0	404	404
Contribution to balances - Earmarked	0	933	933
Contribution to/(from) balances – Schools	0	(206)	(206)
Contribution to/(from) balances – Environmental Services	0	(397)	(397)
Contribution to Reserves	0	454	454
Total expenditure	142,382	142,154	(228)
<i>Funded by:</i>			
Council Tax	31,566	31,566	0
Revenue Support Grant	90,791	90,563	(228)
National Non-Domestic Rates	19,639	19,639	0
Deprivation Grant	165	165	0
LABGI	221	221	0
Total Resources	142,382	142,154	(228)

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES**BALANCES**

2.5 Balances at 31 March 2006 stood at £5.307m.

2.6 In accordance with the Council's Constitution, service underspends can be carried forward from one financial year to the next, this will be dependant on services being able to demonstrate to elected members appropriate performance and an identified need for the use of funds. At the end of 2004/05 underspends of £1.201m were carried forward into 2005/06 to finance service expenditure in the year. During 2005/06 underspends of £0.933m were identified. Council at its meeting of 29 June 2006 confirmed that the total of £0.989m (including the unused element of the 2004/05 carry forward) would be carried forward into 2006/07 as earmarked balances to be used to finance service expenditure in that year.

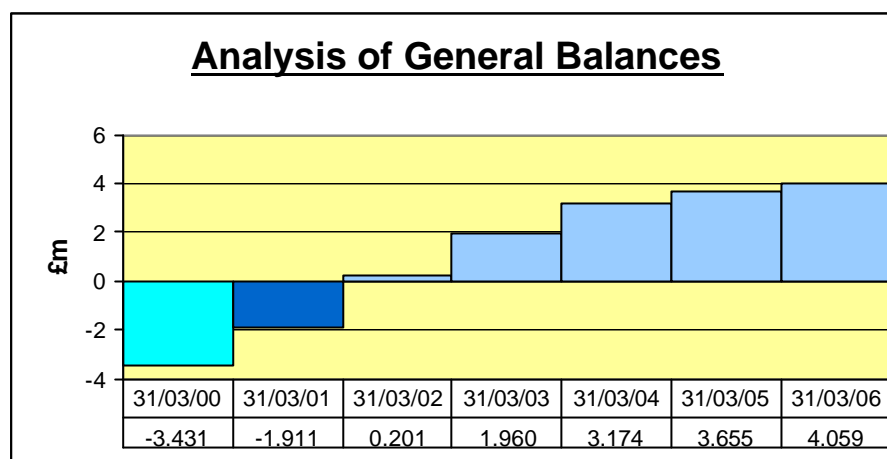
2.7 The Council's aim is to ensure its general balances are maintained at a prudent level.

2.8 The budgets for individual schools are ring fenced with surpluses and deficits at year-end being carried forward. Schools' expenditure was over budget at the year-end by £0.206m which resulted in a decrease in Schools' balances from £1.559m to £1.353m. Schools' balances are under the control of the individual school governing bodies and are classified in the Council's accounts as Reserves. They do not form part of General Balances.

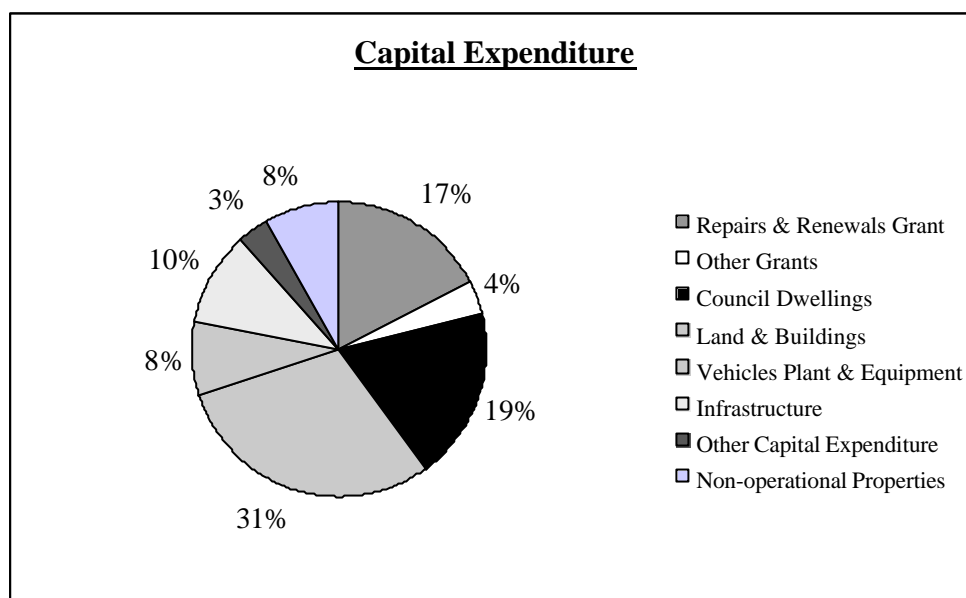
2.9 An analysis of Balances is presented in the Table below.

	Budget 2005/06 £000s	Actual 2005/06 £000s	Variance 2005/06 £000s
Analysis of General Balances:			
Balances Brought Forward	3,655	3,655	0
Plus Contribution to balances - General	0	404	404
Balances Carried Forward	3,655	4,059	404
Analysis of Earmarked Balances:			
Balances Brought Forward	1,201	1,201	0
Less 2004/05 Budget Underspends Applied	(1,201)	(1,145)	56
Plus 2005/06 Budget Underspends	0	933	933
Balances Carried Forward	0	989	989
Analysis of Environmental Services Balances:			
Balances Brought Forward	693	693	0
Plus Net Surplus for the year	0	1	1
Less Contribution from balances	0	(435)	(435)
Balances Carried Forward	693	259	(434)
Total Balances	4,348	5,307	959

Analysis of Schools Balances:			
Balances Brought Forward	1,559	1,559	0
Net Contributions from balances	0	(206)	(206)
Balances Carried Forward	1,559	1,353	(206)

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES**3. CAPITAL SUMMARY****CAPITAL EXPENDITURE**

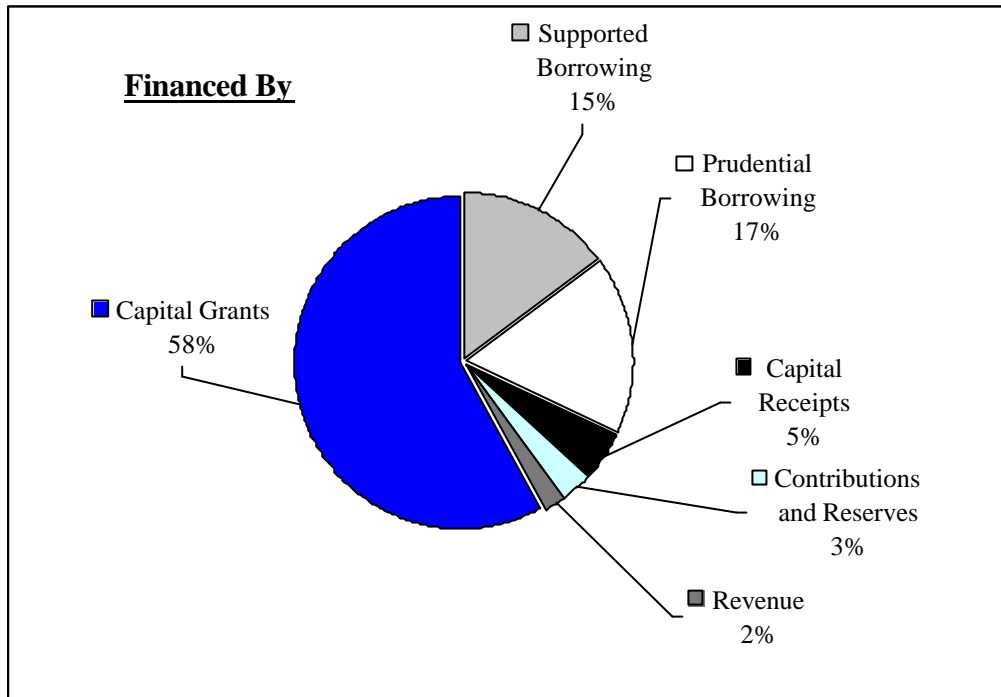
- 3.1** Each year the Council invests in major assets such as land, buildings, road improvements, vehicles and equipment in order to maintain and develop the services it provides. The level of this investment in the future is limited by the ability of the Council to finance its capital spending.
- 3.2** During 2005/06, a capital prioritisation process was introduced to ensure that in future years the Council invests funds only in projects that would meet the organisations objectives and priorities.
- 3.3** The use of Prudential Borrowing has increased in 2005/06 with £5.821m of projects funded in this manner. Prudential Borrowing will continue to form an important part of the Council's Capital Plan funding where appropriate. The Council fully conforms with CIPFA Code of Practice on Prudential Borrowing.
- 3.4** The 2005/06 Capital Plan consisted mainly of works to maintain and improve Council owned assets, with £5m being spent on Renewal Areas and Private Sector Housing. The only new material assets acquired during the year were £1.2m of vehicles acquired through Prudential Borrowing. The only major disposal during the year was the sale of the Lon Parcwr surplus car park, Ruthin.
- 3.5** In 2005/06 the Council spent £33.742m on capital items (including Housing Revenue Account).

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES

3.6 In financing this level of spending the Council utilised borrowing (either under the Prudential Code or through support from the Welsh Assembly Government) which was supplemented by Government grants, European grants, revenue contributions and capital receipts generated from the sale of assets.

3.7 Expenditure on major projects undertaken during the year include:

Project	2005/06 £000s
Rhyl High School – Replacement Windows	622
Ysgol Glan Clwyd, St Asaph – All Weather Pitch & Refurbishment of Gymnasium	347
Ysgol Plas Brondyffryn, Denbigh – Provision of Residential Accommodation	2,295
Ysgol Plas Brondyffryn, Denbigh – Refurbish Ty'n Fron, Key Stage 1 & 2 Facility	454
Rhyl Leisure Centre – Major Refurbishment Works	1,187
Cefndy Employment Park, Rhyl – Construction of Workshops	518
Nantclwyd House, Ruthin – Refurbishment of Building	484
Rhyl Going Forward, Major European Scheme to improve West End	978
Mwrog Street Culvert, Ruthin – Flood Alleviation Scheme	492
Bodelwyddan Vehicle Depot – Major Refurbishment	435
PARIS System – Social Care Management Information System	389

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES**4. OTHER SIGNIFICANT ITEMS****PENSIONS**

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

4.2 Investments have performed very strongly over the year to 31 March 2006, with the typical fund generating an investment return of 20-25%. This compares with an expected return calculated at the start of the year of around 6.5% net of expenses. However, the actuarial assumptions used as at 31 March 2006 were significantly more conservative than those used as at 31 March 2005, driven by falls in yields on corporate bonds during the year.

This results in a £3.461m decrease in liabilities for the Council

The market value of the fund at the last actuarial valuation on 31 March 2004 was £559m.

4.3 The accounts for 2005/06 fully incorporate the requirement of Financial Reporting Standard 17. 9

HRA BUSINESS PLAN

4.4 During 2005/06 the Council concluded its review of the future of its Housing Stock.

4.5 It resolved to retain the stock and embark on an investment programme funded by Prudential Borrowing that would enable it to achieve the Welsh Housing Quality Standard by the statutory deadline.

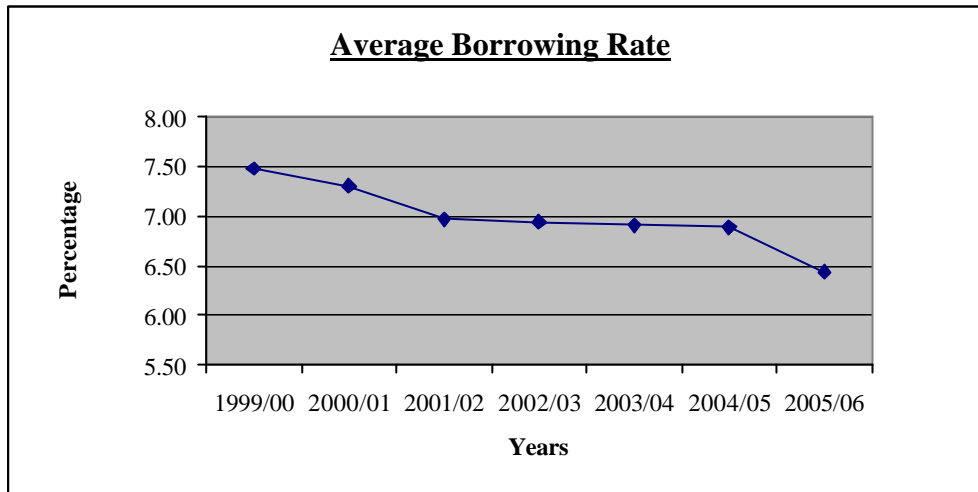
4.6 A thirty year business plan was devised and submitted to the Welsh Assembly Government and the Wales Audit Office. It was further reviewed by a firm of consultants to give the Council a robust view on its deliverability.

4.7 While a number of risks were identified, all parties agreed that the plan appeared to be deliverable and it was formally adopted by full Council on 14 February 2006.

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES

LONG TERM LIABILITIES

4.8 As part of its ongoing efficiency review of service expenditure, the Council took advantage of an opportunity to reschedule a significant proportion of debt. In February 2006, the Council rescheduled £32m (28% of the total £116m debt portfolio). Ten loans, with interest rates varying from 4.6% to 4.9% , were replaced by one loan at 3.7%. This created ongoing annual savings of approximately £0.230m in financing costs. It also created an early repayment premium of £1m and this is written off to the accounts over the 50 year life of the new loan (an element is also charged to the HRA over 10 years).



ACCOUNTING POLICIES

4.9 The Council's Accounting Policies were reviewed during the year to ensure their continued relevance. A number of policies have been revised to ensure they are more understandable and that the Statement complies with the SORP. However, no material changes were made to existing policies. A new policy was added in respect of Prudential Borrowing.

STATUTORY FUNCTIONS

4.10 There were no material changes in the Council's statutory functions during the year.

FURTHER INFORMATION

4.11 Further information relating to the accounts can be obtained from the Financial Controller, Denbighshire County Council, County Hall, Wynnstay Road, Ruthin, LL15 1YN. In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

Alan Evans
Corporate Director – Resources and Deputy Chief Executive

STATEMENT OF RESPONSIBILITIES**The County Council's Responsibilities**

The County Council is required:

- (i) to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that is the Corporate Director - Resources.
- (ii) to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- (iii) to approve the statement of accounts.

AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Denbighshire County Council at 31 March 2006.



Signed Date26th October 2006.....

CHAIR OF DENBIGHSHIRE COUNTY COUNCIL

Responsibilities of the Corporate Director - Resources

The Corporate Director - Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with the proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Corporate Director - Resources 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 SORP.

The Corporate Director - Resources has also:

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

Certificate: Corporate Director - Resources

I certify that the accounts set out on pages 15 - 62 present fairly the financial position of Denbighshire County Council at the accounting date and its income and expenditure for the year ended 31 March 2006.



Alan Evans
Corporate Director – Resources & Deputy Chief Executive

Date 26 October 2006

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is required to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

1.2 In discharging this overall responsibility the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them.

3 THE INTERNAL CONTROL ENVIRONMENT

3.1 The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system. In particular, the system includes:

- A formal Constitution (including Financial Regulations) that sets out how the Council operates and makes decisions;
- The Council's business planning process sets out Corporate Objectives and is directly linked to Directorate Business Plans. Planned improvements are set out in the annual Improvement Plan.
- Policy and decision making is facilitated by:
 - A Cabinet and Corporate Executive Team that operates under a clear set of powers in the Council's constitution
 - Scrutiny Committees that are able to 'call in' decisions made by Cabinet and Officers and to review other relevant areas of work
 - Corporate Governance Committee that monitors corporate risk management, reviews the work of audit, monitors service responses to audit recommendations and reviews complaints received about the Council
- Internal Audit's terms of reference require that work is conducted in accordance with the professional standards set out in the Institute of Internal Auditor's Standards and Guidelines for the Professional Practice of Internal Auditing and CIPFA's Code of Practice for Internal Audit.
- The terms of reference also provide that the Head of Internal Audit has direct access to the Chief Executive, senior management, Cabinet, Corporate Governance Committee and Scrutiny Committees.
- Corporate guidance and support is provided to Directorates for Procurement and Project Management to ensure successful delivery.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

- The Council's risk management procedures require the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing all risks to the Council's priorities, services and major projects.
- The Council has a corporate risk register that is informed by risk assessments carried out during the business planning process. The register is regularly monitored and updated through quarterly meetings with all services, facilitated by the Head of Internal Audit.
- The proper administration of the Financial Affairs of the Authority is the responsibility of the Corporate Director - Resources as required by Section 151 of the Local Government Act 1972, and the role of the Monitoring Officer is fulfilled by the County Clerk.
- Cabinet is provided with monthly updates on the revenue and capital position of the Authority. Full Council is provided with quarterly capital updates.
- Revenue budgets are determined as a result of Directorates' business planning process.
- Capital funds are allocated against the Council's Capital Prioritisation Criteria.
- As part of IIP individual staff Personal Development Reviews are linked to Directorate and Corporate objectives and ensure relevant training needs are identified.

4. REVIEW OF EFFECTIVENESS

4.1 The effectiveness of the system of internal control is informed by:

- the Improvement Planning process;
- the work of managers within the Council;
- the work of internal auditors and
- the external auditors in their annual audit letter and other reports.

4.2 The Council operates an internal audit function whose role includes the review of compliance with financial procedures and other policies, the monitoring of the economy, efficiency and effectiveness of the Council's operations, security of the Council's assets and safeguarding the Council against fraud and corruption. Operational and management arrangements for internal audit are as follows:

- Internal Audit is a service of the Resources Directorate that reports to the Corporate Director of Resources through the Head of Internal Audit Services.
- Internal Audit's annual programme of work is based upon an assessment of risk, linked to the corporate risk management process, thus ensuring that resources are focused on the most critical operations.
- An annual report that provides an opinion on the overall control and risk environment and reports upon significant findings in the year is produced for the Corporate Governance Committee by the Head of Internal Audit Services.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

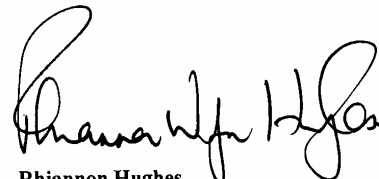
- Based upon the work it has completed during the year, Internal Audit has reached the opinion that the financial control environment within the Council is satisfactory. Work is ongoing to ensure that these controls are operated consistently across all Departments. Satisfactory arrangements have been implemented to ensure the effective, efficient and economic operation of the Council's financial affairs. Work on the Council's fundamental financial systems found that sound financial controls are in place. The Auditor's report highlighted some weaknesses in the procedures around the use of purchase orders and the checking of invoices as well as the overall management of the VAT with the Council, however this had improved substantially from last year and further work is underway to ensure improvements continue.

4.3 During the year the following further actions took place to improve the Council's internal controls:

- Review and update of elements of the Constitution
- Review and update of elements of the Financial Regulations
- Continued development of the Corporate Risk Management Strategy and Risk Register
- Introduction of the new HR system and significant revisions of the staff development process to include a staff appraisal system
- A new capital prioritisation process was introduced
- A review of Project Management capacity and capability within the organisation was begun
- Improvements were made to the management of VAT



Ian Miller
Chief Executive



Rhiannon Hughes
Leader of the Council

INDEPENDENT AUDITOR'S REPORT TO DENBIGHSHIRE COUNTY COUNCIL

I have audited the accounting statements of Denbighshire County Council for the year ended 31 March 2006 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Consolidated Revenue Account, the Housing Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, and the Cash Flow Statement and the related notes. The accounting statements have been prepared under the accounting policies set out in the statement of accounts.

This report is made solely to Denbighshire County Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors, and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly the financial position of the Council in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword, the Welsh Church Acts Fund and the Education Trust Funds (notes 23 and 24 to the Consolidated Balance Sheet). I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements.

Opinion

In my opinion the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Denbighshire County Council as at 31 March 2006 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales.

My conclusion on Denbighshire County Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2006 will be reported separately in the published Relationship Manager Annual Letter.



Date: 27 October 2006

Anthony J Barrett
Wales Audit Office
Unit 4
Lakeside Business Village
St Davids Park
Ewloe
CH5 3XP

The maintenance and integrity of the Denbighshire County Council web site is the responsibility of each Service Department's Manager (Financial Controller); the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF ACCOUNTING POLICIES

General Principles

The statement of accounts summarises the Council's transactions for the 2005/06 financial year and its position at the year-end of 31 March 2006. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2005* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The Authority also complies with the Best Value Accounting Code of Practice (BVACOP) which establishes proper practice with regard to consistent financial reporting below the statement of accounts level and the determination of the total cost of services.

As such, the following policies have been adopted in compiling the accounts:

Debtors and Creditors

The Council's revenue accounts are maintained on a receipts and payments basis during the year and are converted to an income and expenditure basis at the year end by providing for all debtors and creditors on an actual basis. The financing of capital expenditure is based on the actual cash spent during the year.

The Council has a policy of paying creditors within thirty days of date of invoice.

Where appropriate, provisions have been made for bad or doubtful debts.

Provisions

The Council makes provisions for specific future expenses where the exact amount or timing of the payment cannot be guaranteed. The details of the main provisions are given in Note 15 to the Balance Sheet. The amount contained in each provision is reviewed periodically.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The main reserves are detailed in Note 21 to the Balance Sheet. Certain reserves, such as the Capital Financing Account and the Fixed Asset Restatement Account, are kept for statutory or accounting purposes and do not represent usable resources for the Council. These are explained further in Balance Sheet notes 18 and 16 respectively.

Pensions

The County Council participates in two different pension schemes that meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

- **Teachers:**

This is an unfunded scheme administered by the Teachers Pension Agency on behalf of the Government. The pension cost charged to the accounts is a notional rate set by the Department for Education and skills (DfES) on the basis of nationally funded scheme.

Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Council's share of the underlying assets and liabilities and accordingly the Council accounts for contributions to the scheme as if it were a defined contribution scheme. The pension cost reported for a year is equal to the contributions payable to the scheme for the accounting period and is shown within the net cost of the services in the Consolidated Revenue Account. An asset or liability is recognised only to the extent that there are prepaid or outstanding contributions at the balance sheet date.

The cost of additional benefits awarded upon early retirement of teachers outside the Teacher's Pension Scheme are accounted for on a defined scheme basis (see below).

STATEMENT OF ACCOUNTING POLICIES

- **Other Employees:**

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS), specifically the Clwyd Pension Fund administered on the Council's behalf by Flintshire County Council. This scheme meets the definition of a defined benefit scheme and is accounted for as follows:

- (i) The attributable assets of the Scheme, which include current assets as well as investments, are measured at their fair value at the balance sheet date. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The Scheme liabilities comprise:
 - a) any benefits promised under the formal terms of the scheme; and
 - b) any constructive obligations for further benefits where a public statement or past practice by the Council has created a valid expectation for the employees that such benefits will be granted
- (ii) The surplus/deficit in the Scheme is the excess/shortfall in the value of assets in the scheme over/below the present value of the scheme liabilities. The Council recognises an asset to the extent that it is unable to recover a surplus either through reduced contributions in the near future or through refunds from the Scheme. The Council recognises liability to the extent that it reflects its legal or constructive obligation.
- (iii) Any unpaid contribution to the Scheme is included in the balance sheet as a creditor
- (iv) The change in the defined asset or liability is analysed into the following components:
 - i) Periodic costs
 - a. current service cost
 - b. interest cost
 - c. expected return on assets and
 - d. actuarial gains and losses
 - ii) Non periodic costs
 - a. Past service costs
 - b. Gains and losses on settlements and curtailments
- (v) The current service cost is included within net cost of services and the net of the interest cost and expected return on assets included within net operating expenditure in the Consolidated Revenue Account. Actuarial gains and losses arising from any new valuation and from updating the last actuarial valuation are recognised in the Statement of Total Movements in Reserves. Past service costs are recognised in the net cost of the service.
- (vi) In assessing the liabilities for retirement benefits at 31 March 2005 for the 2004/05 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 2.7% real (5.5% actual). For the 2005/06 Statement of Accounts, a rate based on the current rate of return in a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 2.9% real (4.9% actual) is appropriate.

Value Added Tax

Only VAT that is irrecoverable from HM Revenues and Customs is included in income and expenditure accounts.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles CIPFA's Best Value Accounting Code of Practice 2005. The full costs of overheads and support services are shared between users in proportion to the benefits used by various methodologies including time recording, number of items used, etc. The only costs that are not charged to services are:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation

STATEMENT OF ACCOUNTING POLICIES

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two cost categories are accounted for as separate headings in the Consolidated Revenue Account as part of Net Cost of Services.

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (eg software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. The Council currently has no intangible assets.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance (eg buildings, vehicles, land etc) and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that it yields benefits to the Council and the services that it provides for are more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (eg repairs and maintenance) is charged to revenue as it occurs.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings are valued at current value in use as social housing
- Land and property holdings have been categorised into operational and non-operational properties in accordance with the SORP and have been valued in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors. These have been included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Infrastructure assets, community assets and vehicles, plant, furniture and equipment have been included in the balance sheet at historic cost, net of depreciation where appropriate. Variations from the initial valuation of Fixed Assets are credited or debited to the Fixed Asset Restatement Account.

Subsequent revaluations of fixed 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.

The current values used in the accounts are based on revaluations as at 1 April 2001, 1 April 2002, 1 April 2003, 1 April 2004 and 1 April 2005.

Impairment: Fixed assets are reviewed for impairment at the end of each reporting period:

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against the Fixed Asset Restatement Account

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Fixed Asset Restatement Account.

STATEMENT OF ACCOUNTING POLICIES

Amounts in excess of £10,000 received from disposals are credited to the Useable Capital Receipts reserve, which can only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

Depreciation: All fixed assets with a finite useful life (other than investment properties) are depreciated. Depreciation is charged in the year of disposal but not in the year of acquisition. Assets are depreciated using the straight-line method over the following periods.

Buildings	1-200 years
Vehicles, Plant, Furniture and Equipment	5 years
Infrastructure	40 years

Government Grants and Contributions: Where expenditure which may properly be capitalised is financed wholly or in part by a government grant or contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Charges to Revenue for Fixed Assets

A capital charge for all fixed assets used in the provision of services is included in the Revenue Account. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The charge made to the Housing Revenue Account is an amount equal to the statutory financing charges.

The notional rates of interest used are 3.5% for assets carried at current value and 4.95% for assets carried at historic cost as prescribed by the CIPFA/LASAAC Joint Committee.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges applied to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Deferred Charges

Deferred charges represent payments of a capital nature, which do not result in the creation of a fixed asset. Deferred charges are written off as expenditure in the relevant service revenue account in the year the charge is incurred.

Operating Leases

The Council holds various capital assets, principally computer equipment and vehicles, under operating leases. Under the capital accounting regulations, assets obtained by way of operating lease are held off-balance sheet as the ownership does not rest with the Council. Annual rentals for leases are charged to the service revenue account on a payments basis. Details of leases are outlined in Note 20 to the Consolidated Revenue Account. The Council has no finance leases.

Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing where material.

Investments

The Council invests surplus cash for periods between 1 and 364 days. Investments have been recorded in the accounts at cost. Note 11 to the Balance Sheet gives further information.

Interest

External interest income is credited to revenue over the period to which it relates on an accruals basis.

STATEMENT OF ACCOUNTING POLICIES**Stocks and Work in Progress**

The Environmental Services' stores are valued at average purchase price. It is recognised that this is not in accordance with the SORP, which requires stock to be valued at the lower of cost and net realisable value. This is due to the limitations of the computer software used by the stores and is unlikely to change in the short term. The Social Services Disability Equipment Stores are valued on a LIFO basis, again because of limitations of the software system used in the store. Subject to these exceptions, the rest of the stocks and work in progress are valued in accordance with the SORP.

Interests in Companies and Other Entities

The Council has interests in several companies, however none of these are considered material and group accounts have not been prepared. Note 25 to the Balance Sheet gives further details.

Long term Contracts - PFI

A PFI contract for the provision to the Council, of office accommodation, in Ruthin for 25 years, was signed in 2002/03. Service commenced in May 2004 with an all inclusive unitary charge for use of the serviced buildings charged in the accounts for the year.

Prudential Borrowing

Prudential Borrowing allows the Council to borrow additional funds to support its investment in fixed assets. A charge is made in the relevant service account for interest and an element equivalent to a repayment of principal. The charges to revenue are made over the estimated life of the asset.

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

2004/05 Net Expenditure £000s		Note	2005/06 Gross Expenditure £000s	2005/06 Income £000s	2005/06 Net Expenditure £000s
545	Central Services to the Public		8,576	7,396	1,180
153	Courts Services		399	216	183
26,863	Culture, Environmental and Planning		38,914	12,715	26,199
59,174	Education Services		76,601	13,395	63,206
9,975	Highways Roads & Transportation Services		14,612	4,663	9,949
	Housing Services:				
(1,031)	Housing Revenue Account		12,755	8,642	4,113
1,674	General		19,050	17,507	1,543
29,527	Social Services		52,343	17,747	34,596
2,670	Corporate & Democratic Core		6,333	2,782	3,551
1,265	Non Distributed Costs	17	(3,677)	0	(3,677)
130,815	Net Cost of Services		225,906	85,063	140,843
	Precepts and Levies:				
3,789	Fire and Rescue authority	8			3,954
968	Community councils	8			1,014
951	Environment Agency	8			22
(12)	(Surplus) / Deficit on trading undertakings				(1)
(491)	Asset Management Revenue Account	6			(4,846)
(1,208)	Interest and investment income				(1,604)
3,501	Pensions interest cost and expected return on pensions assets	5			4,498
138,313	Net Operating Expenditure				143,880
973	Transfer to/(from) / HRA Balances				203
(26)	Environmental Services Reserves Transfer				38
(548)	Appropriations to/(from) Capital Financing Account				(1,495)
663	Contributions to/(from) earmarked reserves - schools				(206)
(178)	Contributions to/(from) earmarked reserves - other				953
18	CERA deficit from Capital Account				678
(2,664)	Capital Financing Provision for repayment of external loans				(3,155)
(742)	Contribution to/(from) the pensions reserve				3,254
298	Contribution to/(from) the internal insurance fund				(27)
(54)	Contribution to/(from) the risk management fund				53
136,053	Amount to be met from Government Grant and Local Taxpayers				144,176
(86,850)	Revenue Support Grant	9			(90,563)
(19,642)	Share of National Non-Domestic Rates Pool	11			(19,639)
(30,216)	Council Tax	10			(33,567)
(157)	Deprivation Grant				(165)
(136,865)	Total Sources of Financing				(143,934)
(812)	(Surplus) / Deficit for the Year				242
(4,737)	Balance at the beginning of the year				(5,549)
(812)	(Surplus) / Deficit for the year				242
(5,549)	Balance at the end of the year	4			(5,307)

Memorandum Item – Balances attributable to schools (See Note 21 of the Consolidated Balance sheet)

2004/05 Net Expenditure		2005/06 Net Expenditure
£000s		£000s
(896)	Balance at the beginning of the year	(1,559)
(663)	(Surplus) / Deficit for the year	206
(1,559)	Balance at the end of the year	(1,353)

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

2004/05 £000s		Note	2005/06 £000s
	INCOME		
8,319	Dwelling Rents (Gross)	2	8,529
88	Non-Dwelling Rents (Gross)	2	100
0	Charges for Services & Facilities		0
170	Reduction in Provision for Bad Debts	8	13
8,577	Total Income		8,642
	EXPENDITURE		
3,907	Management & Maintenance (Including Repairs)		4,575
23	Rents, Rates, Taxes & Other Charges		14
2,603	HRA Subsidy Payable	3	2,690
0	Increase in Provision for Bad Debt		0
4,428	Capital Charges (Depreciation & Notional Interest)	7	5,447
0	Impairment Loss		0
0	Amortisation of Deferred Charges		0
57	Rent Rebates	1	29
11,018	Total Expenditure		12,755
2,441	Net Cost of HRA Services		4,113
(2,162)	HRA related element of the net income or expenditure on the AMRA	7	(2,744)
9	HRA related element of gains and losses on repurchase or early settlement of borrowing		17
(120)	HRA Interest and Investment Income	11	(153)
168	Net Operating Expenditure – HRA		1,233
(1,199)	Transfer from the Capital Financing Account	7	(1,809)
0	Revenue Contribution to Capital Expenditure		326
0	Transfers/Contributions to/from Housing Repairs Account		0
58	Transfers/Contributions to/from Council Fund HRA Contribution to/from reserves for HRA pensions, assets or liabilities	9	47
(973)	Total (Surplus)/Deficit for the Year		(203)
(662)	Balance at the Beginning of the Year		(1,635)
(1,635)	Balance at the End of the Year		(1,838)

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

31 Mar 05 £000s		Note	31 Mar 06 £000s	
	<u>Fixed Assets</u>			
	Operational Assets	1		
83,243	Council Dwellings		108,755	
139,671	Other Land & Buildings		147,342	
3,531	Vehicles, Plant & Equipment		5,301	
42,482	Infrastructure Assets		44,342	
1,684	Community Assets		1,684	307,424
	Non Operational Assets			
16,047	Investment Properties		16,415	
26	Asset under construction		3,915	
7,240	Surplus Assets held for disposal		4,082	24,412
293,924	TOTAL FIXED ASSETS			331,836
26	Long Term Investments		26	
676	Long Term Debtors	8	169	195
294,626	TOTAL LONG TERM ASSETS			332,031
	<u>Current Assets</u>			
1,128	Stocks / Work In Progress	9	1,227	
28,902	Debtors	10	28,173	
(2,624)	Provision for Bad and Doubtful debts		(2,811)	
21,000	Investments	11	26,100	
528	Cash		479	53,168
343,560	TOTAL ASSETS			385,199
	<u>Current Liabilities</u>			
(189)	Short Term Borrowing	13	(835)	
(27,633)	Creditors	12	(24,914)	
(2,737)	Bank Overdraft		(2,376)	(28,125)
313,001	TOTAL ASSETS less current liabilities			357,074
(108,657)	Long Term Borrowing	13	(115,322)	
(142)	Deferred Credits	14	(118)	
(116,947)	Pensions Liability	27	(113,486)	
(1,701)	Provisions	15	(2,555)	(231,481)
85,554	TOTAL ASSETS less liabilities			125,593

31 Mar 05 £000s		Note	31 Mar 06	
			£000s	£000s
(113,094)	Fixed Asset Restatement Account	16	(134,138)	
(40,883)	Capital Financing Account	18	(41,043)	
(28,410)	Government Grants Deferred	19	(40,562)	
(8,159)	Capital Monies Unapplied	20	(10,147)	
(4,771)	Earmarked Reserves	21	(6,044)	
116,947	Pensions Reserve	27	113,486	
(5,549)	Balances - Council Fund	22	(5,307)	
(1,635)	Housing Revenue Account Balance	22	(1,838)	
(85,554)	TOTAL EQUITY			(125,593)

CASH FLOW STATEMENT

2004/05		2005/06		
		£000s	£000s	£000s
	REVENUE ACTIVITIES			
	Cash Outflows			
(93,013)	Cash paid to and on behalf of employees	(99,429)		
(97,830)	Other operating cash payments	(103,353)		
(10,578)	Housing Benefit paid out	(10,981)		
(15,429)	NNDR payments to national pool	(17,257)		
(10,975)	Precepts & Levies paid	(10,868)		
	Cash Inflows		(241,888)	
3,439	Rents (after rebates)	3,546		
36,367	Council Tax receipts	40,060		
19,642	NNDR receipts from national pool	19,639		
17,336	NNDR receipts (ratepayers)	18,210		
86,850	Revenue Support Grant	90,748		
13,684	DWP grants for benefits	10,397		
44,273	Other Government & EU Grants Note 4	46,070		
23,887	Cash Received for Goods & Services	27,189		
7	Other Operating Cash Receipts	2,988	258,847	
17,660	Revenue Activities Cash Flow			16,959
	SERVICING OF FINANCE			
	Cash Outflows			
(7,521)	- Interest paid		(7,550)	
	Cash Inflows			
945	-Interest Received		2,003	
				(5,547)
	CAPITAL ACTIVITIES			
	Cash Outflows			
(22,262)	- Purchase of Fixed Assets		(33,742)	
	Cash Inflows			
5,408	- Sale of Fixed Assets	5,070		
13,992	- Capital Grants Received	16,411	21,481	(12,261)
8,222	NET CASH INFLOW BEFORE FINANCING			(849)
	FINANCING			
	Payments			
(200)	- Repayments of Amounts Borrowed		(32,418)	
0	- PWLB Premium Paid		(1,050)	
	Receipts			
0	- New Loans Raised		39,729	6,261
8,022	NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS			5,412

STATEMENT OF TOTAL MOVEMENTS ON RESERVES

2004/05 £000s		Notes	2005/06	
			£000s	£000s
	Surplus / (deficit) for the year			
812	Council Fund		(242)	
973	Housing Revenue Account		203	
703	Add back Movements on specific reserves		773	
(743)	Appropriation to/(from) pensions reserve		3,254	
(39,487)	Actuarial gains and losses relating to pensions		207	
(37,742)	Total increase / (decrease) in revenue resources	1		4,195
1,349	Increase / (decrease) in useable capital receipts		1,732	
81	Increase / (decrease) in unapplied capital grants and contributions		256	
1,430	Total increase / (decrease) in realised capital resources	3		1,988
20,165	Gains / (losses) on revaluation of fixed assets		25,407	
20,165	Total increase / (decrease) in unrealised value of fixed assets	4		25,407
(4,538)	Value of assets sold, disposed of or decommissioned	5		(4,363)
4,102	Capital receipts set aside		3,362	
(2,897)	Revenue resources set aside		(3,202)	
7,735	Movement on Government Grants Deferred		12,152	
8,940	Total increase / (decrease) in amounts set aside to finance capital investment	6		12,312
40,230	Increase/(decrease) on the pensions reserve			3,461
28,485	Total recognised gains and losses			43,000

EXPLANATORY NOTES
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CONSOLIDATED REVENUE ACCOUNT NOTES**1. EXPENDITURE UNDER SECTION 137 OF THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY S.36 OF THE LOCAL GOVERNMENT AND HOUSING ACT 1989**

Section 137 of the Local Government Act 1972, empowers a local authority to incur expenditure up to a specified sum, in each financial year, for which specific statutory authority does not exist elsewhere.

The limit is currently set at £5.44 per head of relevant population of the Authority's area, amounting to £0.516m in 2005/06 (£0.472m in 2004/05).

No expenditure was incurred in 2005/06 under this section.

2. PUBLICITY

In accordance with Section 5(i) of the Local Government Act 1986, the Authority is required to disclose total spending on publicity and advertising during the year.

2004/05 £000s		2005/06 £000s
197	Staff advertising	210
228	General advertising	180
163	Publicity	111
588	Total	501

Expenditure on publicity can be analysed as follows: -

2004/05 £000s		2005/06 £000s
1	Chief Executive's Department	1
15	Press and Public Relations	17
103	Economic Development – Tourism	55
14	Culture and Leisure – including Marketing	21
23	Highways Department	4
7	Personal Services	13
163	Total	111

3. AGENCY EXPENDITURE AND INCOME

Trunk Road – Transport and Infrastructure within the Environment Directorate, undertakes Trunk Road Agency work on behalf of the Welsh Assembly Government. At present the Trunk Road Management unit, based at Flintshire County Council, co-ordinates the work for the North-East Wales Partnership. The Authority reclaimed £3.458m in 2005/06 (£2.970m in 2004/05).

Taith – Transport and Infrastructure, within the Environment Directorate, undertakes work on behalf of the Welsh Assembly Government. Flintshire County Council has the role of Taith Management Authority for the Denbighshire area. In 2005/06 the Authority reclaimed £0.848m.

CONSOLIDATED REVENUE ACCOUNT NOTES**4. BALANCES**

The overall Council Fund surplus at the end of 2005/06 was £5.307m (£549m in 2004/05). This consisted of a general unearmarked surplus of £4.059m (£3.655m in 2004/05), earmarked balances arising from service underspends of £0.989m (£1.201m in 2004/05) and the Environmental Services surplus of £0.259m (£0.693m in 2004/05).

5. PENSION COSTS

The County Council participates in two different pension schemes: Teachers' and the Local Government Superannuation Scheme (LGPS).

- (i) The current service cost is included within net cost of services and the net of the interest cost and expected return on assets is included within net operating expenditure in the Consolidated Revenue Account. Actuarial gains and losses arising from any new valuation and from updating the last actuarial valuation are recognised in the Statement of Total Movement of Reserves. Past service costs are recognised in net cost of services on a straight-line basis over the period in which increases in benefit vest.
- (ii) Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised us that this will increase the value Past Service Cost by £4.115m.
- (iii) In assessing liabilities for retirement benefits at 31 March 2005 for the 2004/05 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 2.7% real (5.5% actual). For the 2005/06 Statement of Accounts, a rate based on the current rate of return from a high-quality corporate bond of equivalent currency and term to Scheme liabilities is to be used. The actuary has advised that a rate of 2.9% real (5.4% actual) is appropriate.

2004/05		2005/06	
£000s		£000s	£000s
	Net Cost of Services:		
(6,850)	Current Service Cost	(7,461)	
(742)	Curtailed Cost	(344)	
(307)	Past Service Cost	4,021	(3,784)
	Net Operating Expenditure		
9,678	Expected Return on Assets	9,859	
(13,179)	Interest Costs	(14,357)	(4,498)
	Amount to be met from Government Grants & Local Taxation:		
743	Movement on Pension Reserve		3,254
(10,657)	Actual amount charged against council tax in the year – employers contribution		(5,028)

Note 27 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

The actuarial gains and losses included above represent the extent to which actual outcomes during 2005/06 differed from the assumptions used in calculating the estimated assets and liabilities at 31 March 2006. The table below shows these changes as percentages of the overall assets and liabilities.

	Gain / (Loss) £000s	Percentage of Total Asset / (Liability)
Gain/(loss) on difference between expected and actual return on assets	28,754	15.03% net of assets
Gain/(loss) on difference between actuarial assumptions on liabilities and actual experience	(5,789)	1.89% of liabilities
Gain/(loss) on changes in demographic and financial assumptions affecting estimation of liabilities	(22,758)	7.46% of liabilities
Total	207	0.06% of Liabilities

6. THE ASSET MANAGEMENT REVENUE ACCOUNT

This account was introduced by the 1993 Code and allows the authority to offset the impact of capital charges in arriving at the total level of expenditure to be financed from government grants and local taxpayers.

Capital charges are made to service revenue accounts to reflect the economic effect of using fixed assets in the provision of services. The capital charges made cover depreciation (the cost of using an asset), impairment (the loss in the value of an asset arising from a consumption of economic benefits) and a capital financing charge calculated by applying a notional interest rate to the value at which the asset is shown in the balance sheet (the cost of tying up resources in an asset). The purpose of the Asset Management Revenue Account is to ensure that these capital charges do not impact on the level of Council Tax.

2004/05 £000s		2005/06 £000s
7,674	Provision for Depreciation	8,741
7,509	External Interest Paid	7,718
(596)	Government Grants Deferred	(997)
(15,078)	Capital Charges to Services	(20,308)
(491)	Excess of Capital Charges over Depreciation and Interest Charges	(4,846)

The provision for depreciation is based on the requirements of Financial Reporting Standard 15 (Tangible Assets) and as a result an adjustment is required to the Consolidated Revenue Account to reconcile the provision for depreciation to the amount set aside for the repayment of debt. This is shown at Note 14.

7. APPROPRIATION TO THE CAPITAL FINANCING ACCOUNT

2004/05 £000s		2005/06 £000s
(1,528)	Deferred Charges written off	(1,495)
980	Deferred Purchase Agreement – Principal	0
(548)	Appropriation to the Capital Financing Account	(1,495)

The appropriation is designed to ensure that capital expenditure written off does not impact on the level of Council Tax.

CONSOLIDATED REVENUE ACCOUNT NOTES**8. PRECEPTS AND LEVIES**

The total precepts and levies paid were:-

2004/05 £000s		2005/06 £000s
968	Community Councils	1,014
3,789	North Wales Fire Authority	3,954
157	North Wales Magistrates' Courts Committee *	0
776	Flood Defence Levy **	0
18	North Western and North Wales Sea Fisheries Committee	22
5,708	Total	4,990

* Now funded by the Home Office

** Now funded directly by the Welsh Assembly Government

9. REVENUE SUPPORT GRANT

This is the principal source of finance towards revenue expenditure from the Welsh Assembly Government, with the amount receivable fixed at the start of each financial year. The net amount received in 2005/06 was £90.563m (£86.850m in 2004/05), which includes grant clawback of £0.228m relating to prior year settlements.

10. 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 North Wales Police Authority and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts – 36,633 in 2005/06 (34,777 in 2004/05.)

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was £1,051.30 (£1,006.88 in 2004/05) 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 at 31st Mar 06	3,789	6,898	13,730	7,420	4,968	3,344	1,889	304	164

CONSOLIDATED REVENUE ACCOUNT NOTES**Analysis of the net proceeds from Council Tax:**

2004/05 £000s		2005/06 £000s
35,487	Council Tax collectable	39,390
5,271	Less: payable to North Wales Police Authority	5,823
30,216	Net proceeds from Council Tax	33,567
	Denbighshire County Council Split:	
29,160	Denbighshire County Council	32,459
968	Community Councils	1,014
88	Discretionary non-domestic rate relief	94
30,216		33,567

11. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The government specified the rate of 42.1p in 2005/06 (45.2p in 2004/05) 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 Assembly Government. The Welsh Assembly 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 £17.801m for 2005/006 (£15.109m for 2004/05) was based on an aggregate rateable value of £47.669m for the year.

Analysis of the net proceeds from non-domestic rates:

2004/05 £000s		2005/06 £000s
15,109	Non Domestic rates collectable	17,801
(18)	Transitional Relief amendments	8
15,091		17,809
	Less:	
14,274	Contributions to NNDR pool	17,464
192	Cost of Collection allowance	197
281	Transitional Relief and Refunds of interest etc.	(25)
344	Increase/(decrease) in provision for bad debts	173
0		0
19,642	Redistribution from National Pool	19,639

CONSOLIDATED REVENUE ACCOUNT NOTES**12. EMPLOYEES' REMUNERATION**

The number of employees whose remuneration was £60,000 or more, in bands of £10,000, were:-

2004/05 Total Employees	Remuneration Band	2005/06		
		School Based Staff	Non-School/ Education Staff	Total Employees
4	£60,000 - £69,999	3	1	4
3	£70,000 - £79,999	0	2	2
0	£80,000 - £89,999	0	0	0
0	£90,000 - £99,999	0	0	0
1	£100,000 - £109,999	0	1	1
8	Total	3	4	7

The 2005 SORP defines remuneration as all sums paid or receivable by an employee for work undertaken for the employing Authority. Remuneration includes all expenses chargeable to tax and the money value of benefits. Employer and employee pension contributions are excluded.

The remuneration for the Chief Executive includes payment for employment as Clerk to the North Wales Fire Authority and payment in respect of duties undertaken as Returning Officer for Denbighshire County Council and Community Council elections. Payment for Parliamentary Election duties is excluded.

13. MEMBERS' ALLOWANCES

Details of members' allowances paid in 2005/06 were issued to the press and posted on the Council's website in June 2006. Further copies are obtainable from the Press/Public Relations Officer, County Hall, Wynnstay Road, Ruthin, Denbighshire, LL15 1YN.

2004/05 £000s		2005/06 £000s
505	Basic Allowances	530
202	Special Allowances	223
707	Total	753

14. MINIMUM REVENUE PROVISION

Local authorities are required by statute to set aside from revenue a minimum provision for the redemption of external debt. The method of calculating the provision is defined by statute.

Service revenue accounts are charged with depreciation (offset in some cases by a reduction related to grant income which may have been received to finance the cost of assets). This charge is derived from the value of the fixed assets used to deliver services. The depreciation charge is greater than the minimum revenue provision. It is therefore necessary to offset depreciation with a reconciling amount to bring the overall charge to revenue into line with the minimum revenue provision.

CONSOLIDATED REVENUE ACCOUNT NOTES

The calculation is as follows:

2004/05 £000s		2005/06 £000s
263	Housing amount - 2% of opening Capital Financing Requirement	197
4,151	Non-Housing amount - 4% of Adjusted Capital Financing Requirement	3,902
0	Additional MRP & Adjustments	490
4,414	Minimum Revenue Provision	4,589
7,674	Provision for depreciation	8,741
(596)	Release of grant deferred	(997)
(2,664)	Reconciling amount to minimum revenue provision	(3,155)
4,414	Minimum Revenue Provision	4,589

15. RELATED PARTY TRANSACTIONS

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.

Financial Reporting Standards (FRS 8 Related Party Disclosures), which are incorporated into the Statement of Recommended Practice for local authority accounting, require the disclosure of any related party transaction, when such information is not clearly disclosed elsewhere in the Statement of Accounts.

All current elected members, the Chief Executive, Corporate Directors and Heads of Service were asked to complete a declaration and to disclose any related party transactions. All officers returned a declaration, however four elected members did not return a declaration.

The Welsh Assembly Government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council 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. Details of transactions with government departments are set out in the Consolidated Revenue Account and the Cash Flow Statement.

Elected members of the council have direct control over the council's financial and operating policies. During 2005/06, works and services to the value of £560 were commissioned from a company in which an elected member had declared an interest. Contracts were entered into in compliance with the Council's Financial Regulations. Also, payments totalling £9,912 were paid to an elected member in respect of rent for a short hold tenancy.

One member has received reimbursement of costs relating to his business, whose property is owned by the authority: this amounted to £7,029.

An elected member has declared membership of the college board of Llandrillo College and payments have been made in the amount of £134,971 for educational services for 2005/06. Grants and other payments totalling £139,749 were made to voluntary and other groups in which four members had declared an interest.

Three officers are members of Ruthin Rotary Club which received a grant amounting to £4,035.

CONSOLIDATED REVENUE ACCOUNT NOTES

Additionally, some elected members are members of organisations that precept or levy the council. A list of all elected member appointments to outside organisations and a register of declaration of member interests are maintained by the County Clerk and are open to public inspection.

The council provides payroll services to the four related companies listed (Note 25 Balance Sheet), Denbighshire Voluntary Services Council and to a small number of community organisations. Financial services are provided to Denbighshire Enterprise Agency.

The following transactions are disclosed elsewhere in the Statement of Accounts:

Precepts and Levies	Note 8
Government Grants	Consolidated Revenue Account & Cash Flow Statement
Section 137 Expenditure	Note 1
Agency Expenditure & Income	Note 3
Pension Costs	Note 5
Related Companies	Note 25 (Balance Sheet)

16. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit, such as providing general advice and liaising with other statutory authorities, cannot be charged for. The statement overleaf shows the total cost of operating the Unit during 2005/06.

2004/05 Total £000s		Chargeable £000s	Non Chargeable £000s	2005/06 Total £000s
	Expenditure:			
255	Employees	232	50	282
15	Transport	15	3	18
45	Supplies	42	9	51
89	Support Costs	56	9	65
404		345	71	416
	Income:			
354	Building Regulation Charges	354	0	354
4	Other Income	0	0	0
358		354	0	354
(46)	Net Income/(Expenditure)	9	(71)	(62)

17. NON DISTRIBUTED COSTS

A breakdown of the non distributed costs is shown below:

2004/05 £000s		2005/06 £000s
(305)	Past Service (Gain) Cost	(4,021)
(742)	Curtailement (Gain) Cost	344
2,312	Other FRS 17 Adjustments	0
1,265		(3,677)

In accordance with the latest Best Value Accounting Code of Practice, all costs of past service or curtailment are now shown as a non-distributed cost rather than a charge to the service department.

CONSOLIDATED REVENUE ACCOUNT NOTES**18. TRANSPORT ACT 2000**

The Transport Act 2000 requires Local Authorities to provide details of any scheme of road user charging or workplace parking levy in place. For 2005/06 Denbighshire County Council has entered into no such activities.

19. PRIOR YEAR ADJUSTMENT

There are no prior year adjustments to report.

20. LEASES

The Council holds various capital assets, principally computer equipment and vehicles under operating leases. During 2005/06 operating lease rentals totalled £0.707m (£0.839m 2004/05).

As at 31 March 2006 the Council had a commitment to meet the following rental charges:

Operating Leases	£000s
2006/07	450
2007/08	293
2008/09	158
2009/10	94
2010/11	29
2011/12	3
2012/13	3

The 2006/07 figure is broken down as follows:

Those in which the commitment expires	£000s
Within 1 year	157
Within 2 – 5 years	290
Over 5 years	3

21. AUDIT COSTS

The disclosure of external audit costs brings local government into line with other parts of the public services in disclosing the amounts an authority has paid to auditors for work carried out in performing statutory functions and in providing additional services, such as consultancy work.

External audit work for Denbighshire County Council is undertaken by the Wales Audit Office (WAO). The table below provides an analysis of the sums payable to the WAO as outlined in the Regulatory Plan.

2004/05 £000s		2005/06 £000s
215	External Audit fees payable to the appointed auditor	209
1	National Fraud Initiative	0
77	Inspection Fee	76
293	Total Regulatory Fee	285

In addition to the Regulatory fees, WAO is required to certify grant claims and returns. In 2005/06 the amount paid was £0.092m (£0.099m in 2004/05).

CONSOLIDATED REVENUE ACCOUNT NOTES**22. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970**

The Council is empowered by this Act to provide Goods and Services to other public bodies. The Council is the Clerk to the North Wales Fire Service and also provides legal services. For 2005/06, Denbighshire County Council received £20.6k for providing these services (£20.0k in 2004/05). The Council also provides audit services to the North Wales Police Authority for which it received £30.5k in 2005/06 (£26.6k in 2004/05).

23. TRADING SERVICES

Trading services are disclosed in line with the requirements of the Best Value Accounting Code of Practice (BVACOP) and are mainly activities of a commercial nature which are financed substantially by charges made to the recipients of the service.

Environmental Services

2004/05			ACTIVITY	2005/06		
Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s		Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s
1,566	1,474	92	Environmental Services			
872	867	5	Building Maintenance	1,495	1,432	63
1,253	1,252	1	Grounds Maintenance	0	0	0
1,767	1,765	2	Street Cleansing	1,266	1,226	40
3,000	2,968	32	Refuse Collection	1,788	1,873	(85)
439	436	3	Highways Maintenance/ Sign Shop	3,000	2,984	16
738	729	9	Street Lighting	645	623	22
2,186	2,173	13	Building Cleaning	767	740	27
			Catering	2,209	2,291	(82)
11,821	11,664	157	Total Environment Services	11,170	11,169	1
510	509	1	Transport and Infrastructure			
			Vehicle Maintenance	503	503	0
12,331	12,173	158		11,673	11,672	1

In 2005/06 the Grounds Maintenance Unit was incorporated within the main Environment Directorate's accounts and no longer treated as a trading service.

The accounts of Environmental Services provide details of the expenditure and income of the activities of this Unit and the surpluses and deficits arising from the activities undertaken. These trading accounts were formerly classed as Direct Service Organisations under CCT legislation that has now been repealed. The concept of trading accounts has however, been retained under the current Accounting Code of Practice.

Other Trading Activities

2004/05			ACTIVITY	2005/06		
Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s		Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s
542	760	(218)	Industrial Estates	632	379	253
3,040	3,344	(304)	Cefndy Enterprises	3,157	3,388	(231)
3,582	4,104	(522)		3,789	3,767	22

CONSOLIDATED REVENUE ACCOUNT NOTES

In 2005/06 Industrial Estates had a net income budget from the Authority of £228k (£118k in 2004/05).

In 2005/06 Cefndy Enterprises had a net budget from the Authority of £237k (£285k in 2004/05)

A separate disclosure is provided for Building Control at Note 16 of the Consolidated Revenue Account.

24. LONG TERM CONTRACTUAL OBLIGATIONS**Ruthin Civic Facilities PFI scheme.**

In May 2004 the Council occupied the new civic facilities provided under a Private Finance Initiative arrangement in Ruthin. The contract allows for a unitary charge for the serviced accommodation over 25 years of £2.2m per annum. Seventy percent of the charge is fixed for the entire period and funded through special Welsh Assembly funding, the remainder of the charge is index linked.

25. HEALTH ACT 1999 – SECTION 31 AGREEMENT

In July 2005, a mental health partnership was formed with Conwy County Borough Council and Conwy and Denbighshire NHS Trust under Section 31 of the Health Act 1999. The partnership involves joint commissioning and joint management arrangements but not pooled budgets. The council's financial contribution to the partnership is included in the Social Services Net Cost of Services.

NOTES TO THE HOUSING REVENUE ACCOUNT**1. REBATES**

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. Approximately 63% of the Council's tenants receive some help with the costs of rent and other charges. Since 1 April 2004, these costs are charged to the Council Fund. There is a small cost to the Housing Revenue Account (£29k) in 2005/06 – this is a transitional transfer to the Council Fund to partially offset additional costs incurred by the Council Fund.

Sum Directed by the National Assembly for Wales: The adjustment above relates to a transfer from the Housing Revenue Account (HRA) to the Council Fund (CF) to compensate for deductions made in the rent rebate subsidy by the Department for Works and Pensions due to the Council's policy to set rents above the Welsh Assembly Government HRA subsidy guideline rent for the year. This has been done in anticipation of a formal direction from the National Assembly for Wales. A draft direction was received in October 2006 which when approved, will allow the transfer to be made.

2. GROSS RENT INCOME

This is the total rent income due for the year after allowance is made for voids, etc. The actual average rent was £47.26 per week in 2005/06 (£45.09 per week in 2004/05).

3. HOUSING REVENUE ACCOUNT SUBSIDY

Housing Benefit is administered by the Council and the cost of its administration is borne by the Council Fund. Since 1 April 1990, the cost of rebates granted to Council tenants formed part of the main Housing Revenue Account Subsidy and was not specifically reimbursed. However, from 1 April 2004, rent rebates paid (and the grant received) have been charged to the Council Fund. The figure below is therefore the total charge to the Housing Revenue Account in 2005/06 in respect of the HRA subsidy payable to the Welsh Assembly Government.

2004/05 £000s		2005/06 £000s
2,603	Reimbursement	2,690
2,603	Net Cost to Tenants	2,690

4. MORTGAGE INTEREST

This figure represents interest on mortgages granted to tenants of the former Rhuddlan and Glyndwr Councils to enable them to purchase their Council houses under the Right to Buy Scheme. The mortgage facility is no longer available and it is anticipated, therefore, that the amount of interest will reduce year by year.

5. HOUSING STOCK

The Council was responsible for managing an average of 3,528 dwellings during 2005/06 (3,611 in 2004/05). The stock was made up as follows:-

2004/05 No. of Properties		2005/06 No. of Properties
2,014	Houses	1,935
986	Flats	985
611	Bungalows	608
3,611	Total	3,528

NOTES TO THE HOUSING REVENUE ACCOUNT

The change in actual stock can be summarised as follows:-

2004/05 No. of Properties		2005/06 No. of Properties
3,673	Stock at 1 April	3,548
(125)	Less Sales	(45)
0	Add New Buildings	0
3,548	Stock at 31 March	3,503

The sale of 45 properties resulted in capital receipts of £2.312m. The total net receipt from the sale of stock after the deduction of fees was £2.140m. The average discount applied to sales was 23.92%. This is summarised below:

Housing Sales	£000s
Receipts	2,312
Less Fees	(593)
Net Receipts	1,719

6. ANALYSIS OF HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

During 2005/06, capital expenditure of £6.397m was incurred on improvements to the Council's housing stock. The expenditure included a major improvements contract, window replacements and a central heating contract started in 2005/06 as part of the Council's strategy to improve its housing stock. The capital expenditure has been financed by four sources: the Major Repairs Allowance (a government grant), capital receipts (from Right to Buy sales), new borrowing under the Prudential Code of Borrowing and a contribution from revenue funding. The MRA was used in full in 2006/06. The capital expenditure and financing is detailed in the table below:

Housing Capital Expenditure	£000s
Housing Repair Work (pre 2005/06)	752
Environmental Improvement Works	172
2005/06 Major Improvements	2,719
2005/06 Window Replacements	2,011
2005/06 Central Heating	743
Total	6,397
<i>Financed by:</i>	
Major Repairs Allowance (Grant)	2,400
Useable Capital Receipts	1,186
Prudential Borrowing	2,485
Financed from Revenue (CERA)	326
Total	6,397

In addition to the expenditure above, the HRA made a contribution from Usable Capital Receipts of £113k towards the financing of capital works on housing stock under the Disabled Facility Grant Scheme. This contribution is reported as part of the Council's main capital expenditure analysis (part of Consolidated Balance Sheet Notes 1 – 6).

NOTES TO THE HOUSING REVENUE ACCOUNT**7. CAPITAL CHARGES**

In line with the new Resource Accounting framework, the capital charges below were applied to the HRA in 2005/06. The cost of capital charge is based on the Balance Sheet value of dwellings and has been introduced to reflect the resources held and consumed in the delivery of the service. This is the first year that the HRA has been presented in the Resource Accounting format to parallel the format of the Consolidated Revenue Account, thereby more clearly reflecting, on a consistent basis, the resources used over the lifetime of the assets, rather than simply the cash spent on them each year. A depreciation and notional interest charge is made to the HRA Net Cost of Services and is reversed out via an HRA Asset Management Revenue Account (AMRA) adjustment. This adjustment is shown within the appropriations sections of the HRA and the reversal brings the net capital charge to the HRA back to the statutory charge, which is calculated in line with Item 8 of the Housing Revenue Account Subsidy (Wales) Determination 2005/06. The entries are summarised below:

Transaction	£000s	
Capital Charges	5,447	Depreciation & Notional Interest
Premia, Discounts and DME	23	
Balance on HRA AMRA	(2,744)	
Balance to Capital Financing Reserve	(1,809)	
Total	917	Equal to Item 8 Charge

8. RENT ARREARS

At the 31 March 2006, tenants' net rent arrears were £0.461m, (£0.505m as at 31 March 2005) which represented 5.02% of the net rent income due in the year. Arrears totalling £0.027m were written off during the year. The Provision for Bad and Doubtful Debts has been reduced by £0.013m to £0.388m in 2005/06.

9. RETIREMENT PENSIONS

The revised policy on accounting for pension costs has been applied to the HRA (see Note 5 to the Consolidated Revenue Account). A pension reserve movement is made to adjust the pension costs borne by the HRA to the pension scheme payments for the year.

10. CHARGES FOR SERVICES AND FACILITIES

The Council did not provide and therefore did not levy charges under this provision of the Local Government and Housing Act (1989) during 2005/06.

11. INTEREST ON CASH BALANCES

The Council has continued to calculate the notional interest applicable to HRA cash balances and has included this income as part of the notional cash balance on the HRA.

12. ABORTIVE STOCK TRANSFER COSTS

Abortive stock transfer costs of £397k were written off during 2005/06.

CONSOLIDATED BALANCE SHEET NOTES**1. FIXED ASSETS**

a) Movements of Operational Assets during the year were as follows:

	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Total Operational Assets £000s
Gross Book Value 31/03/05	86,447	149,608	7,851	49,398	1,684	294,988
20% Revaluation	23,905	3,650	0	0	0	27,555
Gross Book Value 01/04/05	110,352	153,258	7,851	49,398	1,684	322,543
Additions	6,397	8,980	2,734	3,486	36	21,633
Disposals	(1,417)	0	0	0	0	(1,417)
Revaluations	(2,375)	(3,792)	(2)	(403)	(36)	(6,608)
Reclassification / Transfers	0	(423)	(33)	0	0	(456)
Impairments	0	(96)	0	0	0	(96)
Gross Book Value 31/3/06	112,957	157,927	10,550	52,481	1,684	335,599
Cumulative Depreciation to 31/03/05	(3,204)	(9,937)	(4,320)	(6,916)	0	(24,377)
20% Revaluation	1,009	3,639	0	0	0	4,648
Cumulative Depreciation to 01/04/05	(2,195)	(6,298)	(4,320)	(6,916)	0	(19,729)
Depreciation	(2,060)	(4,406)	(956)	(1,223)	0	(8,645)
Disposals	53	0	0	0	0	53
Revaluations	0	119	27	0	0	146
Reclassification	0	0	0	0	0	0
Cumulative Depreciation to 31/03/06	(4,202)	(10,585)	(5,249)	(8,139)	0	(28,175)
Net Book Value 31/03/05	83,243	139,671	3,531	42,482	1,684	270,611
20% Revaluation	24,914	7,289	0	0	0	32,203
Net Book Value 01/04/05	108,157	146,960	3,531	42,482	1,684	302,814
Additions	6,397	8,980	2,734	3,486	36	21,633
Depreciations	(2,060)	(4,406)	(956)	(1,223)	0	(8,645)
Disposals	(1,364)	0	0	0	0	(1,364)
Revaluation	(2,375)	(3,673)	25	(403)	(36)	(6,462)
Reclassification	0	(423)	(33)	0	0	(456)
Impairment	0	(96)	0	0	0	(96)
Net Book Value 31/03/06	108,755	147,342	5,301	44,342	1,684	307,424

b) Movements in non-operational assets were as follows:

	Investment Properties £000s	Assets Under Construction £000s	Surplus Assets Held for Disposal £000s	Total Non-Operational Assets £000s	Total Fixed Assets £000s
Gross Book Value 31/03/05	16,099	1,146	6,360	23,605	318,593
20% Revaluation	0	0	818	818	28,373
Gross Book Value 01/04/05	16,099	1,146	7,178	24,423	346,966
Additions	762	3,137	76	3,975	25,608
Disposals	(532)	0	(2,467)	(2,999)	(4,416)
Revaluations	(204)	(368)	201	(371)	(6,979)
Reclassification	0	0	(906)	(906)	(1,362)
Impairments	290	0	0	290	194
Gross Book Value 31/03/06	16,415	3,915	4,082	24,412	360,011
Cumulative Depreciation to 31/03/05	(217)	(11)	(65)	(293)	(24,670)
20% Revaluation	0	0	0	0	4,648
Cumulative Depreciation to 01/04/05	(217)	(11)	(65)	(293)	(20,022)
Depreciation	0	0	0	0	(8,645)
Disposals	0	0	0	0	53
Revaluations	0	0	0	0	146
Reclassification	217	11	65	293	293
Cumulative Depreciation to 31/03/06	0	0	0	0	(28,175)
Net Book Value 31/03/05	15,882	1,135	6,295	23,312	293,923
20% Revaluation	0	0	818	818	33,021
Net Book Value 01/04/05	15,882	1,135	7,113	24,130	326,944
Additions	762	3,137	76	3,975	25,608
Depreciation	0	0	0	0	(8,645)
Disposals	(532)	0	(2,467)	(2,999)	(4,363)
Revaluation	(204)	(368)	201	(371)	(6,833)
Reclassification	217	11	(841)	(613)	(1,069)
Impairment	290	0	0	290	194
Net Book Value 31/03/06	16,415	3,915	4,082	24,412	331,836

2. FIXED ASSET VALUATION

The freehold and leasehold properties which comprise the Authority's property portfolio were all valued as at 1 April 2001. As part of a 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 at 1 April 2003 and 1 April 2004, by J E Powell Bsc (Hons), MRICS, Valuation and Estates Manager of the Council and on 1 April 2005 by Mr C D Mathews 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 January 2006 and June 2006.

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

Council dwellings are valued at current value in use as social housing.

CONSOLIDATED BALANCE SHEET NOTES**3. INFORMATION ON ASSETS HELD**

Type of Property	31 Mar 06
Museums	2
Libraries	8
Sport Centres	7
Parks	13
Theatres	5
Schools	65
Depots	10
Farms	46
Residential Homes	5
Day Centres	2
Sheltered Workshops	1
Factory Units	4
Youth Centres	8
Offices	14
Public Conveniences	21
Council Dwellings	3,503
Car Parks	47
Cemeteries	8
Town/County Halls	4
Industrial Centres	14

CONSOLIDATED BALANCE SHEET NOTES**4. DEFERRED CHARGES**

Balance at 31 Mar 05 £000s	Classification	Gross Additions £000s	Grants & Contributions £000s	Net Additions £000s	Write Off £000s	Balance at 31 Mar 06 £000s
0	Housing Improvement Grant	3,582	(3,469)	113	(113)	0
0	Renewal Areas	2,318	(2,205)	113	(113)	0
0	School Accommodation	121	(4)	117	(117)	0
0	Legal Services	33	0	33	(33)	0
0	Community Projects	83	0	83	(83)	0
0	Feasibility	128	0	128	(128)	0
0	Office Accommodation	75	0	75	(75)	0
0	Town Schemes	128	(128)	0	0	0
0	Business Development Grant	211	(97)	114	(114)	0
0	Economic Development Grant	765	(673)	92	(92)	0
0	Adaptations to Homes of Disabled	100	0	100	(100)	0
0	Depots	435	0	435	(435)	0
0	Play Grounds	2	0	2	(2)	0
0	Conservation	153	(63)	90	(90)	0
0	Total	8,134	(6,639)	1,495	(1,495)	0

In 2005/06 £1.495m was written off to the Council Fund Revenue Account (£1.528m in 2004/05).

5. SIGNIFICANT ITEMS OF CAPITAL EXPENDITURE

Project	2005/06 £000s
Rhyl High School – Replacement Windows	622
Ysgol Glan Clwyd, St Asaph – All Weather Pitch & Refurbishment of Gymnasium	347
Ysgol Plas Brondyffryn, Denbigh – Provision of Residential Accommodation	2,295
Ysgol Plas Brondyffryn, Denbigh – Refurbish Ty'n Fron, Key Stage 1 & 2 Facility	454
Rhyl Leisure Centre – Major Refurbishment Works	1,187
Cefndy Employment Park, Rhyl – Construction of Workshops	518
Nantclwyd House, Ruthin – Refurbishment of Building	484
Rhyl Going Forward, Major European Scheme to improve West End	978
Mwrog Street Culvert, Ruthin – Flood Alleviation Scheme	492
Bodelwyddan Vehicle Depot – Major Refurbishment	435
PARIS System – Social Care Management Information System	389

CONSOLIDATED BALANCE SHEET NOTES**6. FINANCING OF CAPITAL EXPENDITURE**

In previous years, Capital Expenditure has been recorded on an accruals basis in the Statement of Accounts, whereas only the actual payments made in the year were financed. In 2004/05 and 2005/06 accruals have been included in the expenditure and financed.

2004/05 £000s		2005/06 £000s
16,029	Fixed Assets (note 1)	25,608
5,876	Deferred (note 4)	8,134
21,905	Total Capital Expenditure	33,742
357	Plus Creditors Brought Forward	0
0	Less Creditors Carried Forward	0
22,262	Total Capital Payments	33,742
	Financed By:	
8,196	Borrowing	10,749
12,770	Capital Grants*	19,590
0	Reserves	38
1,075	Capital Receipts	1,757
203	Contributions	930
18	Revenue	678
22,262	Total Finance	33,742

* Capital Grants include General Capital Grant from Welsh Assembly Government of £2.974m.
(2004/05 £2.830m)

7. SIGNIFICANT CONTRACTS FOR FUTURE CAPITAL SPENDING

At 31 March 2006, the Council was contractually committed to capital works which amounted to £11.294m on the following schemes:

Project	TOTAL FUTURE CONTRACT PAYMENTS		TOTAL
	2006/07 £000s	2007/08 £000s	£000s
Housing Refurbishment Contract 2005	907	323	1,230
Housing Window Replacement Contract 2005	2,982	1,869	4,851
Ysgol Plas Brondyffryn, Denbigh (52 Weeks)	412	0	412
Ty'n y Fron – Ysgol Plas Brondyffryn, Denbigh – Key Stage 1 & 2	581	0	581
Drift Park, West Promenade, Rhyl	2,273	145	2,418
Ysgol Emmanuel, Rhyl – 4 Classroom Extension	283	0	283
Ysgol Bro Fammau, Llanferres - Extension	274	0	274
Ty Coch Barns, Llangynhafal – Repair & Renovation	685	0	685
Oak Tree Centre, Rhyl – Extension to Integrated Centre	352	0	352
Ysgol Plas Brondyffryn, Denbigh (38 Weeks)	208	0	208
Total	8,957	2,337	11,294

CONSOLIDATED BALANCE SHEET NOTES**8. LONG TERM DEBTORS**

31 Mar 05 Balance £000s		Advances 2005/06 £000s	Repayments 2005/06 £000s	31 Mar 06 Balance £000s
	(i) Loan Agreements			
464	Higher Education - Colleges	0	(464)	0
142	Mortgages	0	(24)	118
70	(ii) Car Loans	22	(41)	51
676	Total	22	(529)	169

9. STOCKS & WORK IN PROGRESS

At 31 March 2006 the Authority held stocks and work in progress to the value of £1.227m (£1.128m at 31 March 2005).

The stocks and work in progress held are analysed by Directorate as follows:

31 Mar 05 £000s		31 Mar 06 £000s
	Stocks	
320	Environmental Services	299
532	Social Services & Housing	668
39	Environment	68
126	Lifelong Learning	88
1,017	Total Stocks	1,123
111	Work in Progress	104
1,128	Total Stocks & Work in Progress	1,227

10. DEBTORS AND PAYMENTS IN ADVANCE

31 Mar 05 £000s		31 Mar 06 £000s
	Debtors	
	Amounts falling due in one year:	
3,855	Government Department/Grants	7,502
2,604	Council Tax Debtors	2,649
3,085	NNDR Debtors	1,739
653	Housing Rents	606
4,811	Capital Debtors	3,464
2,502	Taxes and Social Security Debtors (incl. VAT)	1,956
9,538	Sundry Debtors	7,538
27,048	Total Debtors	25,454
1,854	Payments in Advance	2,719
28,902	Total	28,173

CONSOLIDATED BALANCE SHEET NOTES**11. TEMPORARY INVESTMENTS**

The Council manages its cash flow and invests cash balances which arise as a result of this strategy. All investments of cash were made with regard to the National Assembly of Wales' Guidance on Local Government Investments, CIPFA's Code of Practice on Treasury Management and the Local Authorities (Capital Finance and Accounting) Regulations 2004. All the Banks and Building Societies having credit ratings satisfying the Council's criteria laid down in its Treasury Management Policy Statement. Cash investments were also permitted with other local authorities. At 31 March 2006 the Council had nine individual cash investments totalling £26.1m (£21.0m at 31 March 2005) three of which were with Banks, the remaining six being with Building Societies. All these investments are of a short-term nature and will mature within 364 days.

12. CREDITORS AND RECEIPTS IN ADVANCE

31 Mar 05 £000s		31 Mar 06 £000s
	Creditors	
3,380	Government Departments/Grants	939
1,854	Tax and Social Security Creditor	2,030
15,174	Trade Creditors	12,775
2,596	Capital Creditors	3,785
5	Taxes and Social Security	1
251	Sundry Creditors	320
23,260	Total Creditors	19,850
4,373	Receipts in Advance	5,064
27,633	Total	24,914

13. ANALYSIS OF TOTAL BORROWING**(i) By type of loan**

31 Mar 2005 £000s	%	Lender	31 Mar 2006 £000s	%
108,846	100.00	Public Works Loan Board	116,157	100.00

CONSOLIDATED BALANCE SHEET NOTES**(ii) By maturity**

	Years	31 Mar 2006 £000s	%
Short Term Borrowing	Less than 1 year	835	0.72
Long Term Borrowing	Over 1 under 2	179	0.15
	Over 2 under 3	612	0.53
	Over 3 under 4	698	0.60
	Over 4 under 5	1,696	1.46
	Over 5 under 6	140	0.12
	Over 6 under 10	7,926	6.82
	Over 10 under 15	5,841	5.03
	Over 15 under 20	8,251	7.10
	Over 20 under 25	5,468	4.71
	Over 25 under 30	9,060	7.80
	More than 30	75,451	64.96
Total Long Term Borrowing		115,322	99.28
Total Borrowing		116,157	100.00

14. DEFERRED CREDITS

This item refers to deferred capital receipts. These have arisen in instances where the Council granted former tenants of Council Houses mortgages to enable them to purchase their homes under the 'Right to Buy' scheme.

15. PROVISIONS**Insurance Fund**

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

As at 31 March 2006 the £1.039m provision has been set aside for the full estimated cost of meeting insurance liabilities.

The movement (increase of £0.24m) in the value of the insurance provision during 2005/06 was due to the costs of settling claims to the value of £0.22m from the provision and additional contributions of £0.42m from revenue and £0.04m from reserves made to the provision.

Wirral and North Wales Purchasing Organisation

The stores and stock element of Wirral and North Wales Purchasing Organisation's (W&NWPO) business transferred from Local Authority management and ownership on 31 July 2003. The Council has included in the 2005/06 accounts a provision of £0.753m for its anticipated share of the accumulated trading deficit and closedown costs of the W&NWPO. The final cost to Denbighshire County Council will be determined at a future date.

CONSOLIDATED BALANCE SHEET NOTES**Council Tax Revaluation Appeals**

Householders have the right to appeal against the recent Council Tax Revaluation exercise. The deadline is October 2006. An assumption on successful appeals was built into the Council Tax Base calculations and used at budget setting time to calculate the level of council tax chargeable at Band D.

This assumption has been used to arrive at the level of provision that needs to be made to cover the eventual refunds likely to be made, backdated to 1 April 2005.

31 Mar 05 £000s		31 Mar 06 £000s
747	Insurance Fund	991
670	W.N.W.P.O. Deficit	753
104	Other	149
0	Council Tax Revaluations Appeals	512
180	Health & Safety	150
1,701	Total	2,555

16. FIXED ASSET RESTATEMENT ACCOUNT

This balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The reserve is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on revaluations. As part of a programme to revalue all fixed assets within a five-year period, certain fixed assets were revalued as at 1 April 2004 and 1 April 2005.

2004/05 £000s		2005/06 £000s
97,467	Balance at beginning of year	113,094
(4,538)	Disposal of Fixed Assets	(4,363)
20,165	Revaluation of Fixed Assets	25,407
113,094	Balance at end of year	134,138

17. ANALYSIS OF NET ASSETS EMPLOYED

The Accounting Code of Practice requires disclosure of the Authority's overall net asset position between the Council Fund, the Housing Revenue Account and any trading undertakings where material. Since none of the Authority's trading services uses a material level of the overall net assets, the analysis below identifies the split between net assets employed by the HRA and the Council Fund.

2004/05 £000s		2005/06 £000s
10,826	Council Fund	27,107
74,728	Housing Revenue Account	98,486
85,554	Total	125,593

CONSOLIDATED BALANCE SHEET NOTES**18. CAPITAL FINANCING ACCOUNT**

2004/05 £000s		2005/06 £000s
39,678	Balance at beginning of year	40,883
3	Adjustment	0
(1,528)	Deferred charges written off	(1,495)
	Grants and Contributions:	
294	Written off from Government Grants Deferred	732
3,027	Capital Receipts set aside	1,605
	Capital Financing:	
1,075	Capital Receipts used to fund capital expenditure	1,757
18	Revenue used to finance capital expenditure	678
0	Reserves used to finance capital expenditure	38
(2,664)	MRP (less depreciation provision)	(3,155)
980	Deferred Purchase Agreement – Principal	0
40,883	Balance at end of year	41,043

The Capital Financing Account contains the amounts that are required by statute to be set aside from capital receipts, the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. In 2005/06 deferred charges of £1.495m were written off via revenue.

19. GOVERNMENT GRANTS DEFERRED ACCOUNT

2004/05 £000s		2005/06 £000s
20,675	Balance at beginning of year	28,410
	Applied in year	
12,892	Capital Grants	19,590
81	Capital Contributions	930
33,648		48,930
(4,348)	Less: Applied to Deferred Charges	(6,639)
29,300		42,291
(596)	Written off to Revenue	(997)
(294)	Written off to Capital Financing Account	(732)
28,410	Balance at end of year	40,562

Capital grants and contributions applied to finance capital expenditure in 2005/06 have initially been credited to this account. Where grants have been used to finance capital expenditure on deferred charges the value of these grants has been transferred to deferred charges. Where grants have been used to finance capital expenditure on fixed assets that are not depreciated, the value of these grants has been written off in full to the Capital Financing Account. Otherwise, grants are released to the Asset Management Revenue Account in annual instalments to offset depreciation charges on related fixed assets.

CONSOLIDATED BALANCE SHEET NOTES**20. CAPITAL MONIES UNAPPLIED****(i) Summary**

31 Mar 05 £000s	Summary	31 Mar 06 £000s
7,152	Capital Receipts	8,884
1,007	Capital Grants & Contributions	1,263
8,159	Total Capital Monies Unapplied	10,147

(ii) Capital Receipts

	Housing £000s	Council Fund £000s	Total £000s
Balance at beginning of year	1,854	5,298	7,152
Plus Asset Sale Proceeds	2,312	3,050	5,362
Deferred Capital Receipts	24	0	24
	4,190	8,348	12,538
Less Applied during year:			
Costs	196	96	292
Financing Capital Expenditure	1,696	61	1,757
Debt Redemption	1,605	0	1,605
Balance at end of year	693	8,191	8,884

(iii) Capital Grants & Contributions

	£000s	£000s
Unapplied at 31 Mar 05		1,007
Less Capital Debtors at 31 Mar 05		3,917
Plus Capital Creditors at 31 Mar 05		4,303
Net Balance at 1 Apr 05		1,393
Plus Grants & Contributions received in year		16,416
		17,809
Less Amounts Transferred		5
Grants and Contributions applied in year		
-Capital Grants	19,590	
-Capital Contributions	930	20,520
		(2,716)
Plus Capital Debtors at 31 Mar 06		6,350
		3,634
Less Capital Creditors at 31 Mar 06		2,371
Unapplied at 31 Mar 06		1,263

CONSOLIDATED BALANCE SHEET NOTES**21. RESERVES**

Details of significant reserves are given below:

31 Mar 05 £000s		Transfers In / (Out) £000s	31 Mar 06 £000s
351	Capitalschemes	0	351
1,559	Schools balances	(206)	1,353
47	Environmental Services	(7)	40
153	Early Retirement Fund - Schools	0	153
30	Environment Directorate - Reserves	84	114
380	HB Subsidy Clawback	0	380
48	Mousematics	(22)	26
234	Winter Maintenance	(19)	215
100	North Wales Child Abuse Inquiry Major Events Reserve (Urdd Eisteddfod)	0	100
182		(88)	94
10	Llys Marchan Reserve	0	10
250	Supporting People Reserve	0	250
201	Sustainable Waste Management	170	371
79	S.117 Mental Health Act	(27)	52
159	Risk Management Fund	53	212
291	Renewals Fund	41	332
298	Insurance Fund	(27)	271
399	PFI	546	945
0	Elections	25	25
0	Health and Safety Works	250	250
0	Single Status	500	500
4,771	Total	1,273	6,044

22. 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 Mar 05 £000s		31 Mar 06 £000s
	<u>Council Fund Revenue Balances:</u>	
3,655	General Balances	4,059
1,201	Earmarked Balances	989
693	Environmental Services Balances	259
5,549	Total Council Fund Balances	5,307
1,635	Housing Revenue Account Balances	1,838

CONSOLIDATED BALANCE SHEET NOTES**23. WELSH CHURCH ACTS FUND**

Under the requirements of the Welsh Church Act Funds (Designation and Specification) Order 1996, the former Clwyd County Council fund is administered by Flintshire County Council and income is distributed to successor authorities on a population basis. The application of this fund covers a wide field ranging from education, social and recreational needs, the relief of sickness and protection of historical buildings. The total balance on the fund, held by Flintshire County Council, is £599,452 (£550,684 in 2004/05). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Fund. The balance on the Fund as at 31 March 2006 was £5,396 (£6,656 as at 31 March 2005).

The Council does not hold full governance documents for the Welsh Church Acts Fund.

The following is an extract of the Welsh Church Acts Fund 31 March 2006:

	Income £000s	Expenditure £000s	Investments £000s
31 March 2006	23	24	617
31 March 2005	23	23	554

24. EDUCATION TRUST FUNDS

The County Council administered 55 Education Trust Funds during 2005/06. Each Education Trust Fund consists of a relatively small sum of money received largely from individuals and invested in order to provide an annual income for prizes etc.

- During 2005/06, Fund income amounted to £6,187 (£10,412 in 2004/05). Awards made during the year amounted to £5,179 (£4,191 in 2004/05).
- The Council has no outstanding liabilities in respect of the trust funds it administers.

The Fund balances as at 31 March 2006 amounted to £262,026 which is not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2006 was £111,677.

CONSOLIDATED BALANCE SHEET NOTES**25. RELATED COMPANIES**

The Accounting Code of Practice requires that where an authority has material interests in one or more subsidiary and associated companies, it should prepare a group revenue account and balance sheet. Denbighshire County Council's interests in the associated companies are not considered material in relation to the overall scale of the Council's operations and consequently Group Accounts have not been prepared.

Details of the related companies are as follows:

(i) Clwydfro Cyfyngedig (trading as Denbighshire Enterprise Agency)

Clwydfro is a company limited by guarantee, having no share capital. The objective of the company is to promote and encourage industrial and commercial activity or enterprise within the county with a view to reducing unemployment. Its payroll and accounting services are provided by the Council. The Clwydfro audited statement of accounts for the financial year 2005/06 is not yet available. However, the net assets of the company as at 31 March 2005 were £585,097 and the net loss of the company was £99,925. The Board of Directors consists of eleven members in total, of which eight are Denbighshire County Councillors. The Chair of Denbighshire Enterprise Agency is a Denbighshire County Councillor.

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

Further information can be obtained from Denbighshire Enterprise Agency, Clwyd Business Centre, Lon Parcwr Industrial Estate, Ruthin, LL15 1NJ.

(ii) ECTARC

Ectarc is a company limited by guarantee, having no share capital. The objectives of the company are to promote, maintain and advance education within the UK and elsewhere in Europe and to promote the traditional cultures of Europe.

Denbighshire County Council gives an annual grant to the company and during 2005/06 ECTARC received £48,757. In addition Denbighshire County Council allowed ECTARC to lease its premises on Parade Street, Llangollen at a Peppercorn rental. The value of this lease has been assessed at £12,500 per annum. The Council also provides its payroll services. The Board of Directors consists of six members in total, including one Denbighshire County Councillor, who is the Chair of ECTARC. The ECTARC audited statement of accounts for the financial year 2005/06 is not yet available. For information, in 2004/05 financial year, the company achieved net income of £146,745 and the net assets were £175,008 as at 31 March 2005.

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

Further information can be obtained from ECTARC, Parade Street, Llangollen, LL20 8RB.

(iii) Bodelwyddan Castle Trust and Bodelwyddan Castle Enterprises Ltd.

Bodelwyddan Castle Trust is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2005/06 the Trust received £189,179. The Council provides its payroll services. The audited statement of accounts for the financial year 2005/06 is not yet available. However, in 2004/05 financial year, the net assets of the company as at 31 March 2005 were £395,541 and the net operating profit was £29,666. The Board of Directors consists of twelve members in total, of which two are Denbighshire County Councillors. The Chair of the Trust is a Denbighshire County Councillor.

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

CONSOLIDATED BALANCE SHEET NOTES

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

Bodelwyddan Castle Enterprises Ltd. is private company limited by shares that is a wholly owned subsidiary of Bodelwyddan Castle Trust. The objectives of the company are to promote in whatever way it sees fit the charitable objects of Bodelwyddan Trust. All profits from Bodelwyddan Castle Enterprises Ltd. contribute to the running costs of Bodelwyddan Castle Trust via a deed of covenant. The audited statement of accounts for the financial year 2005/06 is not yet available. For information in the 2004/05 financial year, the net liabilities of the company as at 31 March 2005 were £748 and the net operating profit was £67,087. The Board of Directors consists of eight members, which includes one Denbighshire County Councillor.

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

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

(iv) Clwyd Leisure Ltd.

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The objectives of the company are to provide and operate facilities, attractions, goods and services for recreation and leisure time primarily for the community and visitors to Denbighshire. It is grant aided by Denbighshire County Council and during 2005/06 Clwyd Leisure Ltd. received £296,406. The Council provides both creditor and payroll services. The company's audited financial statement for the 2005/06 year is not yet available. However, the net assets of the company as at 31 March 2005 were £402,725 and the company had a net surplus of £51,808 in 2004/05. The Board of Directors consists of twelve members in total, including two Denbighshire County Councillors. The Chair of Clwyd Leisure Ltd. is a Denbighshire County Councillor.

There is no legal liability for the council to contribute to losses or deficits of the company. The council has however guaranteed a loan on behalf of the company, the balance of which at 31 March 2006 was £412,251.

Further information can be obtained from Clwyd Leisure Ltd, 22 Parc Fforddilas, Rhyl, LL18 2DQ.

26. CONTINGENT LIABILITIES

A contingent liability is defined as either:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control;

or

- A present obligation that arises from past events but is not recognised because:

- (i) It is not probable that a transfer of economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

Mwrog Street, Ruthin – Flood Alleviation Scheme

The cost of this scheme increased significantly compared with original forecasts. Substantial additional financial support has been obtained from the Welsh Assembly Government towards meeting the increased costs. The scheme was completed in December 2003. The final contract payment has been made. Although some payments have been made the final Land acquisition costs and compensation payments are still subject to ongoing negotiations.

Fitness Centre Project

Cabinet at its meeting of 25 November 2003 gave authority for the Council to act as guarantor to Clwyd Leisure Limited for the funding of the fitness centre project at Rhyl Sun Centre. The guarantee amounts to £0.412m at 31 March 2006.

Single Status/Equal Pay

As part of a national pay agreement, the Council is evaluating its terms and conditions for a significant number of staff. During this process, it became clear that, in line with other Public Bodies, some of its terms and conditions could be viewed as discriminatory. This is likely to lead to a requirement for Council to create a specific provision in

the 2006/07 accounts. The exact amount is not yet known as negotiations are still underway and it is unlikely the Council will be able to capitalise any payments.

27. NET PENSIONS LIABILITY

Note 5 to the Consolidated Revenue Account contains details of the council's participation in the Local Government Pension Scheme administered by Flintshire County Council.

The underlying assets and liabilities for retirement benefits attributable to the council at 31 March were as follows:

31 Mar 05 £000s	ESTIMATED	31 Mar 06 £000s
149,275	Estimated assets in scheme	191,229
(266,222)	Estimated liabilities in scheme	(304,715)
(116,947)	Net Liability	(113,486)

The liability shows the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £113.4m has a substantial impact on the net worth of the council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected method, an estimate of the pension that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Clwyd Pension Fund liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, with estimates for the Fund being based on the latest valuation of the scheme as at 31 March 2004. The main assumptions used in their calculations have been:

31 Mar 05 %	ACTUARIAL ASSUMPTIONS	31 Mar 06 %
i) Financial Assumptions		
2.90	Rate of inflation	2.90
4.15	Rate of increase in salaries	4.15
2.90	Rate of increase in pensions	2.90
5.40	Discount rate	4.90
ii) Expected rate of return on assets		
7.50	Equities	7.00
4.70	Government Bonds	4.30
5.40	Other Bonds	4.90
6.50	Property	6.00
4.75	Cash/Liquidity	4.50
7.50	Other	7.00
iii) Split of assets between investment categories		
62.50	Equities	66.00
2.60	Government Bonds	2.20
9.50	Other Bonds	7.90
5.90	Property	5.70
7.90	Cash/Liquidity	5.80
11.60	Other	12.40
100.00		100.00

Assets in the fund are valued at fair value, principally market value for investments.

CIPFA have now determined that 2005/06 and future years the scheme liabilities are to be calculated on the basis of AA rated Corporate Bond rate, which is 4.9% in 2005/06.

With regard to the Teachers Pension Scheme there were no contributions remaining payable at the year end.

The scheme is a defined benefit scheme, administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by the Council. However it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these accounts it is therefore accounted for on the basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers Scheme. These benefits are fully accrued in the pensions liability outlined above.

Changes to the Local Government Pension Scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised us that this will reduce the Value of the Council's pension liabilities by £4.115m and this has been included within Non-distributed Costs on the face of the Consolidated Revenue Account.

28. EVENTS AFTER THE BALANCE SHEET DATE

FRS 21 requires the disclosure of certain events that may occur between the balance sheet date and the date that the accounts are authorised by the Council.

These events are ones that materially affect the financial statements and their disclosure is required for the fair presentation of the financial position of the Authority

Between the balance sheet date and the statement of Accounts being authorised by the Council on 25 July 2006 there were no such material events

29. PRIVATE FINANCE INITIATIVE (PFI)

Due to a lack of clarity regarding the accounting treatment (for Wales) and no specific guidance from CIPFA, the Authority has not recognised in the accounts the residual value on the Authority's PFI scheme (Council Offices Wynnstay road). If this had been done the amount in the PFI Acquisition Reserve would have been £1.2m.

During 2006/07 financial year, the Council will seek formal clarification for the proper accounting treatment of the residual value of the PFI scheme from CIPFA. Upon their advice, the Authority will make the necessary accounting adjustments in the current year's accounts.

CASH FLOW STATEMENT NOTES**1. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET DEBT**

	31 Mar 06 £000s
Movement in Cash	5,412
<u>Movements in:</u>	
Fixed Assets	37,912
Long Term Investments	0
Long Term Debtors	(507)
Stocks & Work in Progress	99
Debtors	(729)
Provision for Bad Debts	(187)
Short Term Borrowing	(646)
Creditors	2,719
Long Term Borrowing	(6,665)
Deferred Liabilities	0
Deferred Credits	24
Pensions Liability	3,461
Provisions	(854)
Movement in Net Debt	40,039

2. RECONCILIATION OF THE CONSOLIDATED REVENUE ACCOUNT SURPLUS TO THE CASH FLOW STATEMENT NET REVENUE INFLOW

	31 Mar 06 £000s
Council Fund – (Surplus) / Deficit for the Year	242
HRA – (Surplus) / Deficit for the Year	(203)
Total (Surplus) / Deficit for the Year	39
Interest Paid	(7,550)
Interest Received	2,003
Items on Accruals Basis	
Increase / (Decrease) in Stock	99
Increase / (Decrease) in Long Term Debtors	(507)
Increase / (Decrease) in Debtors	(4,027)
Increase / (Decrease) in Payments in Advance	(185)
(Increase) / Decrease in Creditors	1,479
(Increase) / Decrease in Receipts in Advance	(691)
Non Cash Transactions	
MRP	(4,589)
Transfers (to) / from provisions	(854)
Bad Debt Provision	(187)
CERA deficit from Capital Account	(678)
Reserves used to finance capital expenditure	(38)
Transfers (to) / from reserves	(1,273)
Cash Flow Statement – Net Revenue (Inflow) / Outflow	(16,959)

CASH FLOW STATEMENT NOTES**3. ANALYSIS OF MOVEMENT IN CASH AND EQUIVALENTS**

31 Mar 05 £000s		31 Mar 06 £000s	Movement £000s
528	Cash	479	(49)
21,000	Investments	26,100	5,100
(2,737)	Cash Overdrawn	(2,376)	361
18,791		24,203	5,412

4. ANALYSIS OF GRANTS RECEIVED

2004/05 £000s		2005/06 £000s
13,363	Government Grants	11,503
21,600	Housing Grants	22,378
2,741	Education Grants	2,983
2,961	Social Services Grants	3,456
211	Environmental Grants	677
3,397	European Grants	5,073
44,273	Total Grants Received	46,070

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES**1. MOVEMENTS IN REVENUE RESOURCES**

	General Fund Balances £000s	HRA Balances £000s	Earmarked Revenue Reserves £000s	Pension Reserves £000s
Surplus (deficit) for 2005/06	(242)	203	0	0
Appropriations to (from) Revenue	0	0	1,273	3,254
Actuarial gains and losses relating to pensions	0	0	0	207
Balance brought forward at 1 April 2005	(242)	203	1,273	3,461
Balance carried forward at 31 March 2006	5,549	1,635	4,771	(116,947)
	5,307	1,838	6,044	(113,486)

2. MOVEMENTS ON THE PENSIONS RESERVE

The actuarial gains identified as movements on the Pension Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

	2002/03		2003/04		2004/05		2005/06	
	£000	%	£000s	%	£000s	%	£000s	%
Difference between the expected and actual return on assets	(1,409)	28.10	17,875	13.60	4,771	3.19	28,754	15.03
Differences between actuarial assumptions about liabilities and actual experience	(10)	0.10	0	0	2,758	(0.01)	(5,789)	1.89
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	0	0	(47,015)	17.66	(22,758)	7.46
	(1,419)		17,875		(39,486)		207	

3. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Usable Capital Receipts £000s	Unapplied Capital Grants & Contributions £000s
Amounts receivable in 2005/06	3,489	20,781
Amounts applied to finance new capital investment in 2005/06	1,757	20,525
Total increase/(decrease) in realised capital resources in 2005/06	1,732	256
Balance at beginning of year	7,152	1,007
Balance at end of year	8,884	1,263

For further details see note 21 to the Consolidated Balance Sheet

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES**4. MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS**

	Fixed Asset Restatement Account £000s
Gains/losses on revaluation on fixed assets 2005/06	25,407
Impairment losses on fixed assets due to general changes in prices in 2005/06	0
Total increase/(decrease) in unrealised capital resources in 2005/06	25,407

5. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

	Fixed Asset Restatement Account £000s
Amounts written off fixed asset balances for disposals in 2005/06	(4,363)
Total movements on reserve in 2005/06	25,407
Balance at beginning of year	113,094
Balance at end of year	134,138

For further details see note 16 to the Consolidated Balance Sheet.

6. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Capital Financing Account £000s	Government Grants deferred £000s	Total £000s
Capital receipts set aside in 2005/06:			
Reserved receipts	1,605		
Useable receipts applied	1,757		
Total capital receipts set aside in 2005/06	3,362		3,362
Revenue resources set aside in 2005/06			
Capital expenditure financed from revenue and reserves	716		
Reconciling amount or provisions for loan repayment	(3,918)		
Total revenue resources set aside in 2005/06	(3202)		(3202)
Grants applied to capital investment in 2005/06		13,149	
Amounts credited to the asset management reserve account in 2005/06		(997)	
Movement on Government Grants Deferred		12,152	12,152
Total increase/(decrease) in amounts set aside to finance capital investment			12,312
Total movement on reserve in 2005/06	160	12,152	
Balance at beginning of year	40,883	28,410	
Balance at end of year	41,043	40,562	

For further details see note 18 and 19 to the Consolidated Balance Sheet.