

DENBIGHSHIRE COUNTY COUNCIL

ANNUAL STATEMENT OF ACCOUNTS

2006/07

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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.

The Statement of Accounts will include the following elements:

- ❖ **Explanatory Foreword**
- ❖ **Statement of Accounting Policies**
- ❖ **Statement on the System of Internal Control**
- ❖ **Statement of Responsibilities for the Accounts**
- ❖ **The Accounting Statements and notes to the accounts including pension disclosures**

1.2 Section 1 - Introduction

This 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, and the Council's responsibilities to adhere to the relevant regulations.

1.3 Section 2 - Statement of Accounting Policies

This document provides details of the Accounting Policies used to produce the financial information within the Statement of Accounts.

1.4 Section 3 - Main Financial Statements.

The 2006 SORP makes significant changes to the presentation of some of the main financial statements. It also brings the Accounts closer to UK Generally Accepted Accounting Practice (GAAP) and has made some changes to how costs are shown in the statements. As a result the 2005/06 Accounts have been restated in this document to comply with the SORP and to aid analysis of any year on year movements. The effect of the SORP on the presentation of accounts is shown in the table below. The order in which statements and notes is presented has also been changed.

Previous Statement	Revised Statement
Consolidated Revenue Account	Income and Expenditure Account Statement on the Movement on the Council Fund Balance
Statement of Total Movement on Reserves	Statement of Total Recognised Gains and Losses
Housing Revenue Account	Housing Revenue Account Income and Expenditure Account Statement of Movement on the Housing Revenue Account Balance
Consolidated Balance Sheet	Balance Sheet
Cashflow Statement	Cashflow Statement

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES**1.5 Introduction of a 'Core Single Entity Statement' which includes :****Income and Expenditure Account**

This replaces the consolidated revenue account (CRA) and is a summary of the resources generated and consumed by the Authority in the year 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 the Welsh Assembly Government.

Statement of the Movement on the Council Fund Balance

This is a new statement in the accounts and is a reconciliation showing how the balance of the resources generated / consumed in the year links in with the statutory requirements for raising Council Tax. Movement of the Council Fund Balance for the year is comprised of the surplus/deficit on the Income and Expenditure Account for the year and net additional amounts required by statute and non statutory proper practices to be debited / credited to the Council Fund Balance for the year.

Statement of Total Recognised Gains and Losses (STRGL)

This is also a new statement which demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus / deficit and to other unrealised gains and losses. This statement replaces the Statement of Total Movement in Reserves (or STMR) and a note to the accounts disclosing the movements on Reserves.

The Authority is required to disclose all gains and losses to be included in the STRGL. It is to be shown as a primary statement and is given the same prominence as other primary statements. Not all gains and losses experienced by a Local Authority are recorded in the Income and Expenditure account.

Balance Sheet

Previously this was known as the Consolidated Balance Sheet. The name change is as a direct result of the CRA being transformed in the Income and Expenditure Account. Where applicable changes to the format will now show:

- ❖ Premia and discounts on early redemption of debt are now shown in the top of the Balance Sheet.
- ❖ Deferred Government Grants are presented in the top half of the balance sheet as these are treated as receipts in advance.
- ❖ Deferred Credits (also known as deferred capital receipts) are shown as a balance in the bottom half of the Balance Sheet
- ❖ Pension Fund Creditors for employer contributions reduce the FRS17 liability (if applicable) by the employer's contribution outstanding at the year end

The 2006 SORP also introduces changes bringing the treatment of revalued assets into line with UK GAAP. However the Balance Sheet still 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.

Cash Flow Statement

This 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.

FOREWORD BY THE CORPORATE DIRECTOR – RESOURCES**1.6 Section 4 Explanatory Notes**

There is a 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. In this year's financial statement these notes now follow both the Core and Supplementary Financial Statements.

1.7 Section 5 Supplementary Financial Statements and Notes**Housing Revenue Account (HRA)**

Local Authorities are required to account separately for the cost of local authority housing provision by way of a HRA Income and Expenditure Account and a Statement of Movement on the HRA balance. This account shows where money is spent in maintaining and managing Council houses, payment of subsidy to the Welsh Assembly Government and how these costs are met from rents and other income.

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

1.8 Section 7 - External Auditors Report

The accounts are subject to an independent external audit by the Auditor appointed by the Wales Audit Office and the **External Auditor's Report** is included in this section.

1.9 Section 8 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.**1.10 Prior Period Adjustments**

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure account. Details of these changes can be found in the notes to the Income and Expenditure Account.

2. REVENUE SUMMARY**REVENUE BUDGET 2006/07**

2.1 The Council's net revenue budget for 2006/07 was originally set at £151.949m (2005/06 £142.382m) 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 £4.19m (2.8%) above the SSA of £147.759m

2.2 The Welsh Assembly Government fixed Denbighshire's Revenue Support Grant at £97.945m (excluding Deprivation Grant of £0.165m) and Denbighshire's share of non-domestic rate income at £21.422m. Council taxpayers were required to fund £32.196m at £881.99 per Band D property.

REVENUE OUTTURN 2006/07

2.3 Actual net expenditure totalled £152.570m. The main components of the Budget for 2006/07 and how these compare with the actual income and expenditure are set out over leaf.

2.4 Please note that these figures are presented on a different basis from the Income and Expenditure Account which includes Support Services recharges and are required to comply with the Best Value Accounting Code of Practice.

FOREWORD BY THE CORPORATE DIRECTOR – RESOURCES

	Original Budget 2006/07 £000s	Actual 2006/07 £000s	Variance 2006/07 £000s
Net expenditure on services	151,949	148,435	(3,514)
Contribution to balances - General	-	1,784	1,784
Less additional contribution to schools		(255)	(255)
Contribution to balances - Earmarked	-	989	989
Contribution to/(from) balances – Schools	-	454	454
Contribution to Reserves	-	1,163	1,163
Total expenditure	151,949	152,570	621
<i>Funded by:</i>			
Council Tax	32,196	32,818	622
Revenue Support Grant	97,945	97,945	0
National Non-Domestic Rates	21,422	21,422	0
Deprivation Grant	164	165	1
LABGI	222	220	(2)
Total Resources	151,949	152,570	621

BALANCES

2.5 Balances at 31 March 2007 stood at £8.605m.

2.6 In accordance with the Council's Constitution, service underspends can be carried forward from one financial year to the next, but is 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 2005/06 underspends of £0.989m were carried forward into 2006/07 to finance service expenditure in the year. During 2006/07 underspends of £1.020m were identified. Council at its meeting of 27 June 2007 confirmed these would be carried forward into 2007/08 as earmarked balances to be used to finance service expenditure in that year.

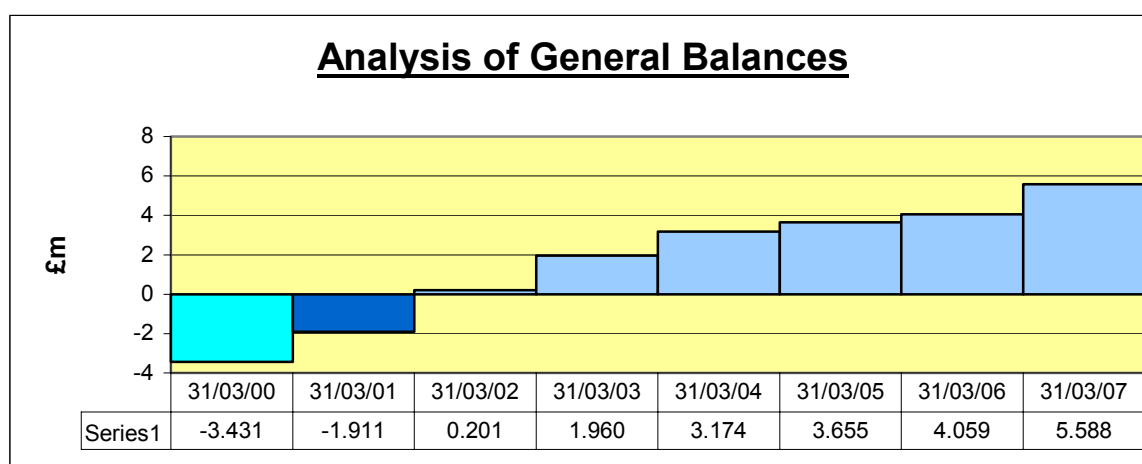
2.7 The Council maintains general balances to ensure it is able to fund any unforeseen costs. The Council's general balances at 31 March 2007 equate to 3.6% of the 2006/07 expenditure.

2.8 The budgets for individual schools are ring fenced with surpluses and deficits at year-end carried forward. Schools' expenditure was under budget at the year-end by £0.199m. In addition to this, a deficit of £0.255m relating to one school was written off, which resulted in an increase in Schools' balances from £1.353m to £1.807m. 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.

FOREWORD BY THE CORPORATE DIRECTOR – RESOURCES

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

	Budget 2006/07 £000s	Actual 2006/07 £000s	Variance 2006/07 £000s
Analysis of General Balances:			
Balances Brought Forward	4,059	4,059	0
Plus Contribution to balances - General	-	1,494	1,494
Balances Carried Forward	4,059	5,553	1,494
Analysis of Earmarked Balances:			
Balances Brought Forward	989	989	0
Less 2004/05 Budget Underspends Applied	(56)	(56)	0
Less 2005/06 Budget Underspends Applied	(933)	(900)	33
Plus 2006/07 Budget Underspends	-	989	989
Balances Carried Forward	-	1,022	1,022
Analysis of Environmental Services Balances:			
Balances Brought Forward	259	259	0
Plus Net Surplus for the year	-	29	29
Less Contribution from balances	-	(65)	(65)
Balances Carried Forward	259	223	(36)
Total Balances	4,318	6,798	2,480
Analysis of Schools Balances:			
Balances Brought Forward	1,353	1,353	0
Net Contributions from balances	0	454	454
Balances Carried Forward	1,353	1,807	454



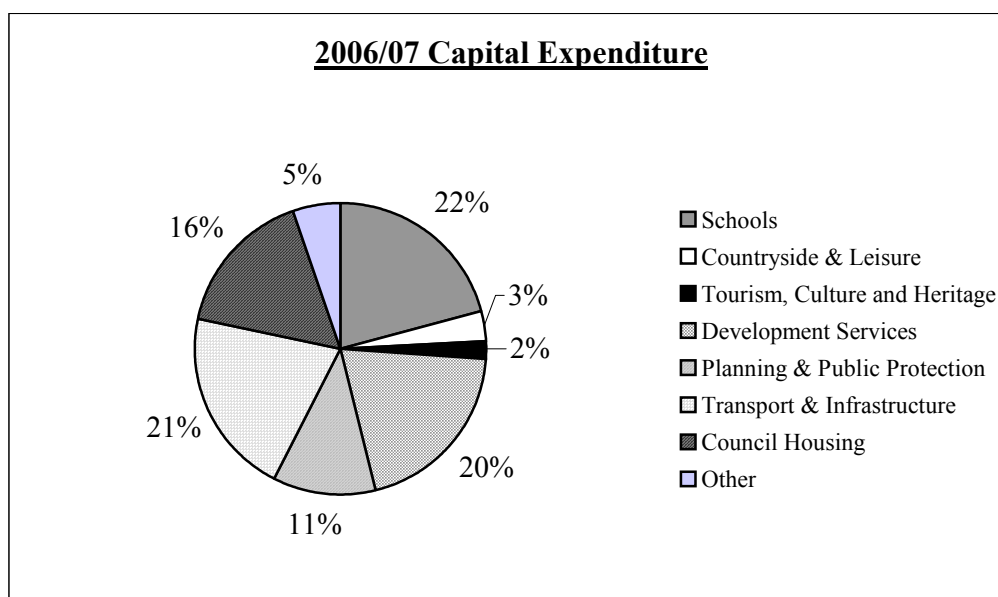
3. **CAPITAL SUMMARY**

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.

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES

- 3.2 The use of Prudential Borrowing has increased in 2006/07 with £8.8m 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 to The CIPFA Code of Practice on Prudential Borrowing.
- 3.3 The 2006/07 Capital Plan consisted mainly of works to maintain and improve Council owned assets, with £4.3m being spent on Renewal Areas and Private Sector Housing. The only new material assets acquired during the year were £0.6m of vehicles acquired through Prudential Borrowing and the purchase of 6.1 acres of land in Prestatyn to enable the construction of a new primary school. There were no major disposals during the year.
- 3.4 In 2006/07 the Council spent £37.9m on capital items (including Housing Revenue Account).



- 3.5 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.
- 3.6 Expenditure on major projects undertaken during the year includes (table continued overleaf):

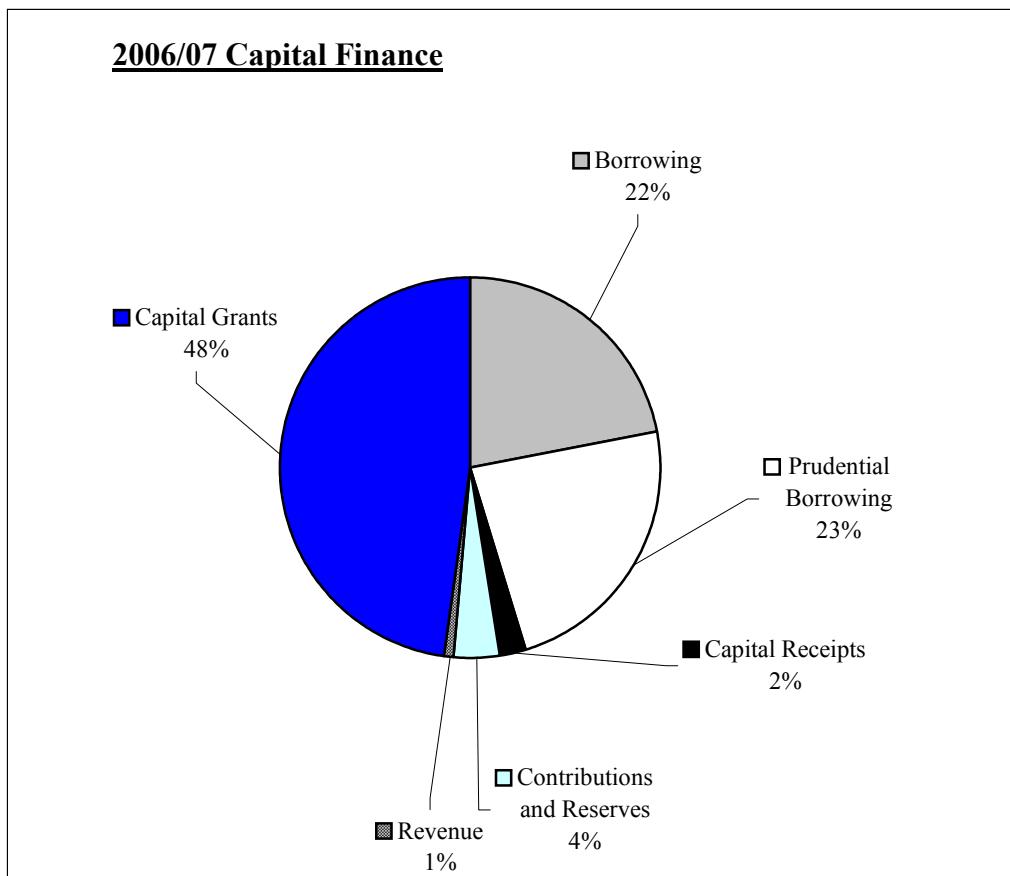
Project	2006/07 £000s
Ysgol Bro Famau, Llanferres – Extension to provide New Classroom	298
Ysgol Clawdd Offa, Prestatyn – Provision of New Primary School	1,140
Ysgol Emmanuel, Rhyl – Classroom Extension Block	426
Ysgol Glan Clwyd, St Asaph – New Science Block to provide Science Classrooms	804
Ysgol Plas Brondyffryn, Denbigh – Provision of Residential Accommodation	568
Ysgol Plas Brondyffryn, Denbigh – Refurbish Ty'n Fron, Key Stage 1 & 2 Facility	734
The Oaktree Centre, Rhyl – Provision of Integrated Children's Centre Ph 11	355
Ruthin – Provision of New Craft Centre	363
Denbigh Leisure Centre – Major Refurbishment of Gym/Changing Rooms	525
Scala, Prestatyn – Provision of New Cinema and Arts Centre	249
Denbigh – Townscape Heritage Initiative Ph 1&2	467
Rhyl – Townscape Heritage Initiative	376
Rhyl Going Forward – Major European Scheme to Improve West End	3,302
Ty Coch, Llangynhafal – Construction of Business Units	708

FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES

Project	2006/07 £000s
14 Edwards Henry Street, Rhyl – Construction of Business Units	257
Mwrog Street Culvert, Ruthin – Flood Alleviation Scheme	836
A5151 – Dyserth to Rhuddlan Cycle Track	453
Rhyl – Relocation of CCTV Control Room	254
Bodelwyddan Vehicle Depot – Major Refurbishment	240
Corwen – Pen y Pigyn – Stabilisation Work	501

3.7 In addition, the following major projects commenced on site in 2006/07 although the bulk of expenditure will occur in future years.

Project	Total £000s
Ysgol Clawdd Offa, Prestatyn	£8.3m
Redevelopment of the Scala Cinema	£3.5m
Phase 2 Ysgol Tir Morfa	£2.0m
Ruthin Craft Centre	£4.3m
Ysgol Brynhyfryd Dining Facilities	£1.0m



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 preformed broadly in line with FRS17 assumptions over the year to 31 March 2007. The result of this has been a reduction in net liabilities for Denbighshire of £14.3m which represents 4.79% of the total liabilities in the scheme. The actuarial assumptions used as at 31 March 2007 were less conservative than those used as at 31 March 2006, driven by the yields on corporate bonds rising to a greater extent than inflation expectations during the year. This has resulted in a loss on the difference between the expected and the actual return on assets of £0.2m of net assets in the scheme as at 31 March 2007. The market value of assets at the end of the year was £207m against the market value of liabilities at £306m

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

The accounts for 2006/07 fully incorporate the requirement of Financial Reporting Standard 17.

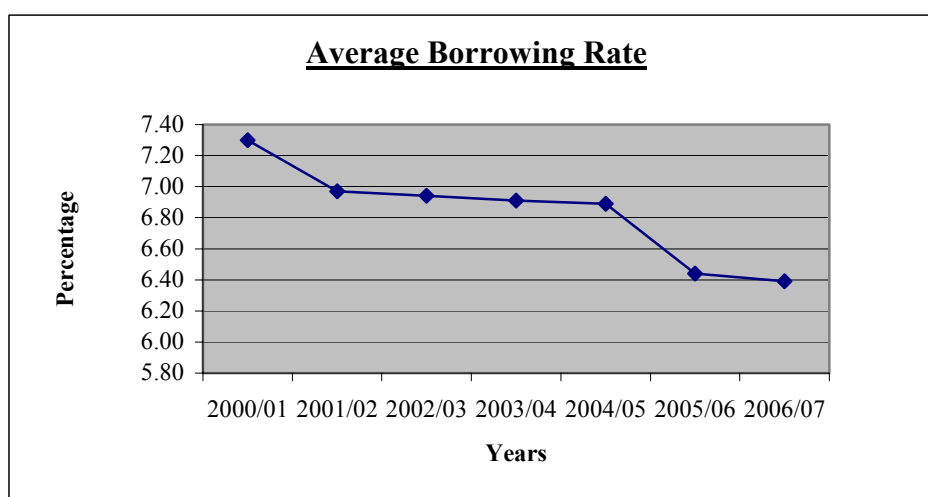
HRA BUSINESS PLAN

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

4.4 During 2006/07 the Council undertook a fundamental review of the plan and while a number of risks still exist, it is still a robust plan and should allow the Council to deliver its housing aspirations.

LONG TERM LIABILITIES

4.5 As part of its ongoing efficiency review of service expenditure, the Council took advantage of an opportunity to reschedule £5m of debt. This created ongoing annual savings. During the year one new loan of £1.08m was undertaken. The financing costs of this loan will be funded by a contribution from Prestatyn Town Council.

**ACCOUNTING POLICIES**

4.6 The Council's Accounting Policies were reviewed during the year to ensure their continued relevance. A number of new policies were adopted as a response to the 2006 SORP. This has led to a significant change in the presentation of the main financial statements although there is no effect on the financial standing of the organisation as a result.

FOREWORD BY THE CORPORATE DIRECTOR – RESOURCES**STATUTORY FUNCTIONS**

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

SINGLE STATUS / EQUAL PAY

4.8 As part of the pay negotiations in 1997 a national agreement was reached that by April 2007 all employees would have their jobs evaluated under a common method. This is known as 'Single Status'. It is likely to have an impact on the cost of the Council's services from 2007/08 onwards. The exact amount of this impact is unknown however the Council has set up a reserve to address this.

During the evaluation process it became clear at a number of Councils that there could be an element of discrimination in the way that jobs had historically been evaluated and this has led to claims for back pay. This is known as 'Equal Pay'. After taking appropriate legal advice, Denbighshire County Council believes it has no liability, it will defend any such claims it receives and will not therefore set up any specific provisions or reserves for this purpose.

The note on Contingent Liabilities in the 'Notes to the Core Financial Statements' gives further detail on this issue.

FURTHER INFORMATION

4.9 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 of Resources – 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 2007.

SignedDate28 September 2007

CHAIR OF CORPORATE GOVERNANCE COMMITTEE

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 Code of Practice.

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 17- 57 present fairly the financial position of Denbighshire County Council at the accounting date and its income and expenditure for the year ended 31 March 2007.

Alan Evans
Corporate Director – Resources & Deputy Chief Executive

Date 28 September 2007

STATEMENT OF ACCOUNTING POLICIES**General Principles**

The statement of accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. 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 2006* (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.

The 2006 SORP introduced significant changes to the presentation of the accounts. The changes are highlighted in the Corporate Director - Resources' introduction. The Council has amended its presentation of the accounts to comply with these changes. The SORP has also removed the Asset Management Revenue Account and this has meant changes to the policy on charges to revenue for fixed assets.

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. No significant estimates have been included in debtors and creditors figures

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 36 to the Core Financial Statements. 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 43 to the Core Financial Statements. 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 notes 39 and 37 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 a nationally funded scheme.

STATEMENT OF ACCOUNTING POLICIES

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 services in the Income and Expenditure 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).

• **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 Income and Expenditure 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 2006 for the 2005/06 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 2.9% real (5.4% actual). For the 2006/07 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 Revenue and Customs is included in income and expenditure accounts.

STATEMENT OF ACCOUNTING POLICIES**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 2006. 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
- 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 Income and Expenditure 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 (e.g. 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 (e.g. 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 (e.g. 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 2002, 1 April 2003, 1 April 2004, 1 April 2005 and April 2006.

STATEMENT OF ACCOUNTING POLICIES

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. However, where there is a gain or loss on disposal, this is written off against revenue and is shown as a separate line on the Income and Expenditure Account. This is a change in policy from previous years.

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

During the year there were no material changes.

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 relevant service's revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates. This is a change in policy from previous years.

Charges to Revenue for Fixed Assets

A depreciation charge is made in all service revenue accounts in the Income and Expenditure Account in respect of their use of Council assets. To ensure that the Council's depreciation policy does not impact on Council Tax requirements this charge is reversed in the 'Statement of Movement on the Council Fund Balance'. This is a change in policy from previous years.

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 14 to the Core Financial Statements. 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 Income and Expenditure 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. Deferred discounts and premium are now shown separately in the Balance Sheet. This is a change in policy from previous years.

STATEMENT OF ACCOUNTING POLICIES**Investments**

The Council invests surplus cash for periods up to 2 years. Investments have been recorded in the accounts at cost. Note 32 to the Core Financial Statements gives further information. External interest income is credited to revenue over the period to which it relates on an accruals basis.

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 48 to the Core Financial Statements 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. In accordance with the 2006 SORP these changes are removed from the cost of services and shown under 'interest payable' in the Income and Expenditure Account and in the Statement on the Council Fund Balance. This is a change in policy from previous years.

External Interest Charges

External interest is no longer charged to services via the Asset Management Revenue Account. It is now shown as a separate line on the Income and Expenditure Account. This is a change in policy from previous years.

CORE FINANCIAL STATEMENTS**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007**

2005/06 Net Expenditure £000s		Note	2006/07 Gross Expenditure £000s	2006/07 Income £000s	2006/07 Net Expenditure £000s
1,167	Central Services to the Public		9,264	7,830	1,434
183	Courts Services		439	237	202
22,398	Culture, Environmental and Planning		44,611	21,871	22,740
60,029	Education Services		79,307	15,199	64,108
7,269	Highways Roads & Transportation Services		12,549	4,622	7,927
1,543	Non HRA Housing General		21,913	19,360	2,553
34,424	Social Services		56,475	18,497	37,978
3,084	Corporate & Democratic Core		3,149	1,293	1,856
(3,586)	Non Distributed Costs		244	-	244
828	Housing Revenue Account		10,272	9,348	924
127,339	Net Cost of Services		238,223	98,257	139,966
0	Gain or Loss on disposal of Fixed Assets				0
	Precepts and Levies:				
3,954	Fire and Rescue authority				4,160
1,014	Community councils				1,079
22	NW & NW Sea Fisheries Committee				24
7,996	Interest payable and similar charges				7,783
(1)	(Surplus) / Deficit on trading undertakings not included in Net Cost of Services				(29)
(1,882)	Interest and investment income				(1,922)
4,498	Pensions interest cost and expected return on pensions assets	4			3,156
142,940	Net Operating Expenditure				154,217
	Financed by				
(90,563)	Revenue Support Grant				(97,945)
(19,639)	Share of National Non-Domestic Rates Pool	6			(21,422)
(33,567)	Council Tax	5			(34,472)
(165)	Deprivation Grant				(165)
(143,934)	Total Sources of Financing				(154,004)
(994)	(Surplus) / Deficit for the Year				213

STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE 2006/07

The following statement shows the Income and Expenditure Surplus / (Deficit) and the amounts that are required by statute and non – statutory proper practices to be charged or credited to Council Fund.

The income and expenditure account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main difference being:

- ❖ Capital investment is accounted for as it is financed rather than when the fixed assets are consumed
- ❖ Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The Council Fund Balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Council Fund Balance

STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE	Note	2005/06 £000s	2006/07 £000s
(Surplus) or deficit for the year on the Income and Expenditure Account		(994)	213
Net additional amount required by statute and non– statutory proper practices to be debited or credited to the Council Fund Balances for the year	20	1,442	(2,158)
Increase / decrease in Council Fund balance for the year		448	(1,945)
Council Fund Balance brought forward		(7,108)	(6,660)
Council Fund Balances carried forward		(6,660)	(8,605)
Amount of Council Fund Balance held by governors under schemes to finance school expenditure		(1,353)	(1,807)
Amount of Council Fund Balance generally available for new expenditure	44	(5,307)	(6,798)
		(6,660)	(8,605)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

The following statement brings the gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in an authority's net worth for the year. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	Notes	2005/06 £000	2006/07 £000
Surplus/(deficit) on the Income and expenditure account for the year		994	(213)
Surplus arising on revaluation of fixed assets	21	26,406	24,948
Actuarial gains and losses on Pension Fund Assets and Liabilities	4	207	14,529
TOTAL RECOGNISED GAINS FOR THE YEAR		27,607	39,264

BALANCE SHEET AS AT 31 MARCH 2007

31 Mar 06 £000s		Note	31 Mar 07 £000s	
	<u>Fixed Assets</u>	22		
	Tangible Fixed Assets			
	Operational Assets			
108,755	Council Dwellings		132,039	
147,342	Other Land & Buildings		157,276	
5,301	Vehicles, Plant & Equipment		6,729	
44,342	Infrastructure Assets		48,704	
1,684	Community Assets		1,684	346,432
	Non Operational Assets			
16,415	Investment Properties		16,869	
3,915	Asset under construction		5,034	
4,082	Surplus Assets held for disposal		6,530	28,433
331,836	TOTAL FIXED ASSETS			374,865
26	Long Term Investments		26	
169	Long Term Debtors	28	238	
1,076	Deferred premiums on early repayment of debt	29	1,046	1,310
333,107	TOTAL LONG TERM ASSETS			376,175
	<u>Current Assets</u>			
1,227	Stocks / Work In Progress	30	1,294	
27,162	Debtors	31	28,428	
(2,811)	Provision for Bad and Doubtful debts		(2,756)	
26,100	Investments	32	29,000	55,966
384,785	TOTAL ASSETS			432,141
	<u>Current Liabilities</u>			
(835)	Short Term Borrowing	34	(179)	
(24,914)	Creditors	33	(32,914)	
(1,897)	Bank Overdraft		(2,919)	(36,012)
357,139	TOTAL ASSETS less current liabilities			396,129
(115,322)	Long Term Borrowing	34	(116,223)	
(1,263)	Capital Grants in Advance	42	(1,519)	
(40,562)	Government Grants Deferred	40	(53,899)	
(65)	Deferred Discounts on early repayment of debt	29	(269)	
(113,486)	Pensions Liability to defined benefit scheme	4	(99,161)	
(2,555)	Provisions	36	(1,909)	(272,980)
83,886	TOTAL ASSETS less liabilities			123,149

31 Mar 06 £000s		Note	31 Mar 07 £000s
	RESERVES		
(134,138)	Fixed Asset Restatement Account	37	(157,848)
(41,043)	Capital Financing Account	39	(36,588)
(8,884)	Usable capital receipts reserve	41	(8,443)
(118)	Deferred Capital Receipts	35	(84)
113,486	Pensions Reserve		99,161
(1,838)	Housing Revenue Account Balance	44	(2,779)
(6,660)	Balances - Council Fund	44	(8,605)
(4,691)	Earmarked Reserves	43	(7,963)
(83,886)	TOTAL EQUITY		(123,149)

CASH FLOW STATEMENT

2005/06 £000s		2006/07		
		£000s	£000s	£000s
	REVENUE ACTIVITIES			
	Cash Outflows			
99,429	Cash paid to and on behalf of employees	111,572		
103,353	Other operating cash payments	107,031		
10,981	Housing Benefit paid out	12,123		
17,257	NNDR payments to national pool	17,659		
10,868	Precepts & Levies paid	11,377		
	Cash Inflows		259,762	
(3,546)	Rents (after rebates)	(3,692)		
(40,060)	Council Tax receipts	(41,375)		
(19,639)	NNDR receipts from national pool	(21,422)		
(18,210)	NNDR receipts (ratepayers)	(18,467)		
(90,748)	Revenue Support Grant	(97,760)		
(10,397)	DWP grants for benefits	(9,795)		
(46,070)	Other Government & EU Grants Note 55	(48,806)		
(27,189)	Cash Received for Goods & Services	(31,768)		
(2,988)	Other Operating Cash Receipts	(7,233)	(280,318)	
(16,959)	Revenue Activities Cash Flow			(20,556)
	SERVICING OF FINANCE			
	Cash Outflows			
7,550	- Interest paid		7,454	
	Cash Inflows			
(2,003)	-Interest Received		(1,362)	
				6,092
	CAPITAL ACTIVITIES			
	Cash Outflows			
33,742	- Purchase of Fixed Assets		37,884	
	Cash Inflows			
(5,070)	- Sale of Fixed Assets	(1,238)		
(16,411)	- Capital Grants Received	(23,601)	(24,839)	13,045
849	NET CASH INFLOW BEFORE FINANCING			(1,419)
	FINANCING			
	Payments			
32,418	- Repayments of Amounts Borrowed		8,835	
1,050	- PWLB Premium Paid		0	
	Receipts			
(39,729)	- New Loans Raised		(9,080)	
0	-PWLB Discount Received		(214)	(459)
(5,412)	NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS			(1,878)

EXPLANATORY NOTES
TO THE
CORE FINANCIAL
STATEMENTS

CORE FINANCIAL STATEMENTS**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 £5.64 per head of relevant population of the Authority's area, amounting to £0.539m 2006/07 (£0.516m in 2005/06).

No expenditure was incurred in 2006/7 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.

2005/06 £000s		2006/07 £000s
210	Staff advertising	156
180	General advertising	203
111	Publicity	146
501	Total	505

Expenditure on publicity can be analysed as follows: -

2005/06 £000s		2006/07 £000s
1	Chief Executive's Department	0
17	Press and Public Relations	8
0	Resources	4
55	Economic Development – Tourism	64
21	Culture and Leisure – including Marketing	19
4	Highways Department	14
13	Personal Services	37
111	Total	146

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. In 2006/07 the North Wales Trunk Road Agency replaced the North-East Wales Partnership with Gwynedd County Council as the lead authority. The Authority reclaimed £5.685m in 2006/07 (£3.458m in 2005/06).

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 2006/07 the Authority reclaimed £0.838m (£0.848m in 2005/06).

4. PENSION COSTS

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:

Teachers – This is an unfunded scheme administered by the Teachers Pension Agency on behalf of the Government. 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 services in the Income and Expenditure Account. For 2006-07 employer contributions paid over to the Teachers Pension Agency amounted to £4.156m. There are no added years payments awarded in respect of the Teachers' Pension Scheme by the authority. For the period April to December 2007, the employers contribution rate was 13.5% and for the period January to March 2007, this rate changed to 14.1%.

Other employees – Other employees subject to certain qualifying criteria are eligible to join Local Government Pension Scheme (LGPS), specifically the Clwyd Pension Fund, administered on the Council's behalf by Flintshire County Council.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made against council tax is based on the employers' contributions payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the Council Fund Balance. The following transactions have been made in the I&E Account and Statement of Movement in the Council Fund Balance during the year:

2005/06		2006/07	
£000s		£000s	£000s
	Net Cost of Services:		
7,461	Current Service Cost	8,872	
344	Curtailed Cost	218	
(4,021)	Past Service Cost	26	9,116
	Net Operating Expenditure:		
(9,859)	Expected Return on Assets	(11,798)	
14,357	Interest Costs	14,954	3,156
	Amount to be met from Government Grants & Local Taxation:		
3,254	Movement on Pension Reserve		(204)
11,536	Actual amount charged against council tax in the year – employers contribution		12,068

Investments have performed broadly in line with FRS 17 assumptions over the year to 31 March 2007 and as a result the difference between the expected and the actual return on assets represents a small loss of £0.2m of net assets.

During the year, the yields on corporate bonds had risen to a greater extent than inflation expectations. This has resulted in a difference between the expected and the actual change in the financial assumptions affecting the estimation of liabilities of £14.7m or 4.79% of liabilities in the scheme. This is within the typical range for the Clwyd Pension Fund of 4-7% of the pension liabilities at the end of the year

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

31 Mar 06 £000s		31 Mar 07 £000s
191,229	Estimated assets in scheme	207,031
(304,715)	Estimated liabilities in scheme	(306,192)
(113,486)	Net Liability	(99,161)

The liability shows the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £99.16m 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 06 %	ACTUARIAL ASSUMPTIONS	31 Mar 07 %
i) Financial Assumptions		
2.90	Rate of inflation	3.1
4.15	Rate of increase in salaries	4.35
2.90	Rate of increase in pensions	3.1
4.90	Discount rate	5.4
ii) Expected rate of return on assets		
7.0	Equities	7.5
4.3	Government Bonds	4.7
4.9	Other Bonds	5.4
6.0	Property	6.5
4.5	Cash/Liquidity	5.25
7.0	Other	7.5
iii) Split of assets between investment categories		
66.0	Equities	63.4
2.20	Government Bonds	0.0
7.90	Other Bonds	12.4
5.70	Property	6.4
5.80	Cash/Liquidity	1.6
12.40	Other	16.2
100.00		100.00

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

The actuarial gains identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

	2003/04		2004/05		2005/06		2006/07	
	£000s	%	£000s	%		%	£000s	%
Difference Between the expected and actual return on assets	17,875	13.60	4,771	3.19	28,754	15.00	(123)	(0.06)
Differences between actuarial assumptions about liabilities and actual experience	0	0	2,758	(0.01)	(5,789)	2.00	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	(47,015)	17.66	(22,758)	7.50	14,652	4.59
	17,875		(39,486)		207		14,529	

5. 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 –£37,089 in 2006/07 (£36,633 in 2005/06).

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was £1,078.33 (£1,051.30 in 2005/06) 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 07	3,896	6,908	13,790	7,466	5,094	3,364	1,877	296	164

Analysis of the net proceeds from Council Tax:

2005/06 £000s		2006/07 £000s
39,390	Council Tax collectable	40,586
5,823	Less: payable to North Wales Police Authority	6,114
33,567	Net proceeds from Council Tax	34,472
	Denbighshire County Council Split:	
32,459	Denbighshire County Council	33,288
1,014	Community Councils	1,079
94	Discretionary non-domestic rate relief	105
33,567		34,472

6. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The government specified the rate of 43.2p in 2006/07 (42.1p in 2005/06) 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 £18.217m for 2006/007 (£17.801m for 2005/06) was based on an aggregate rateable value of £48.144m for the year.

Analysis of the net proceeds from non-domestic rates:

2005/06 £000s		2006/07 £000s
17,801	Non Domestic rates collectable	18,217
8	Transitional Relief amendments	3
17,809	Non domestic rates collectable	18,220
(197)	Cost of Collection allowance	(196)
(173)	Provision for bad debts	(215)
25	Transitional Relief and Refunds of interest etc.	(27)
17,464	Payment into national pool	17,782
19,639	Redistribution from National Pool	21,422

7. EMPLOYEES' REMUNERATION

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

2005/06 Total Employees	Remuneration Band	2006/07		
		School Based Staff	Non-School Staff	Total Employees
7	£60,000 - £69,999	6	4	10
1	£70,000 - £79,999	3	1	4
3	£80,000 - £89,999	0	3	3
0	£90,000 - £99,999	0	0	0
0	£100,000 - £109,999	0	0	0
1	£110,000 - £119,999	0	1	1
12	Total	9	9	18

The 2006 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 2005-06 note has been restated, as it had not been reported on this basis.

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.

8. MEMBERS' ALLOWANCES

Details of members' allowances paid in 2006/07 were issued to the press and posted on the Council's website in June 2007. Further copies are obtainable from the Press/Public Relations Officer, County Hall, Wynnstay Road, Ruthin, Denbighshire, LL15 1YN.

2005/06 £000s		2006/07 £000s
530	Basic Allowances	559
223	Special Allowances	229
753	Total	788

9. 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.

The calculation is as follows:

2005/06 £000s		2006/07 £000s
197	Housing amount - 2% of opening Capital Financing Requirement	161
3,902	Non-Housing amount - 4% of Adjusted Capital Financing Requirement	4,057
490	Additional MRP & Adjustments	1,572
4,589	Minimum Revenue Provision	5,790
8,741	Provision for depreciation	11,211
(997)	Release of grant deferred	(1,373)
(3,155)	Reconciling amount to minimum revenue provision	(4,048)
4,589	Minimum Revenue Provision	5,790

10. 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.

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 Income and Expenditure Account and the Cash Flow Statement.

Elected members and chief officers of the council have direct control over the council's financial operating policies and the following relevant declarations have been made by individual elected members for 2006/07:

- Payments to an elected member totalling £10,061 in respect of rent for a short hold tenancy.
- Payments of £5,689 were made to a company in which an elected member had declared an interest.
- An elected member is Deacon of Capel Cefn Meiriadog. The Chapel received a grant of £12,000.
- Two members declared membership of Rhyl & District Benefit Advice Shop. The Advice Shop received grants totalling £10,447.
- One elected member declared membership of the Denbigh Youth Project. The Project received a grant of £26,273.
- An elected member is Chair of Prestatyn Youth Arts Festival Committee. The Festival received a grant of £6,000
- An elected member is Chair of Corwen War Memorial Ground Committee. The Committee received grants and other payments totalling £36,991.
- An elected member is Director of the Board of Clwyd Leisure Trust. Grants and other payments of £299,700 were paid to the Trust (See Balance Sheet Note 48 – Related Companies).
- One elected member declared membership of Rhyl Shop Mobility. The organisation received a grant of £5,047.
- An elected members spouse is Chief Executive of Denbighshire Enterprise Agency (see Balance Sheet Note 48 – Related Companies) received a grant of £18,800
- A chief officer's spouse is Chair and Trustee of Menter Iath, Sit Ddinbych. The organisation received a grant of £10,000.

Additionally, three elected members declared membership of organisations that precept of levy the council. A list of all elected members interests are maintained by the County Clerk and are open to the public inspection.

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

Agency Expenditure & Income	Note 3
Related Companies	Note 48

11. 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 below shows the total cost of operating the Unit during 2006/07.

2005/06 Total £000s		Chargeable £000s	Non Chargeable £000s	2006/07 Total £000s
	Expenditure:			
282	Employees	227	51	278
18	Transport	13	4	17
51	Supplies	42	12	54
65	Support Costs	49	9	58
416		331	76	407
	Income:			
354	Building Regulation Charges	334	0	334
0	Other Income	0	0	0
354		334	0	334
(62)	Net Income/(Expenditure)	3	(76)	(73)

12. 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. On 1 April 2005 Denbighshire County Council introduced Decriminalised Parking Enforcement within the Authority.

2005/06 £000		2006/07 £000
(412)	Income	(481)
255	Expenditure	311
(157)	Net Income	(170)

To date the surplus on the DPE has been used as part of the Transport and Infrastructure Department's overall budget allocation.

For the period 1 April 2006 to 31 March 2007, 17,157 Penalty Charge Notices were issued, 6,224 for Car Parks (off street and 10,933 for on street.

13. PRIOR YEAR ADJUSTMENT

The introduction of the 2006 SORP required the 2005/06 accounts to be restated in a new format. Paragraphs 1.5 and 1.10 of the forward give more detail on the changes made. Other than this change of format there were no prior year adjustments.

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts, instead services receive a depreciation charge.
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

In addition, other adjustments were made to the costs of disposal of fixed assets and a change in the treatment of a reserve.

These changes had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts.

	CONSOLIDATED REVENUE A/C 2005 / 06 Statement of Accounts	REMOVAL OF CAPITAL FINANCING CHARGES	RELOCATION OF GOVT. GRANTS DEFERRED CREDITS	RECOGNITION OF GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS	OTHER ADJUSTMENTS	2005 /06 COMPARATIVES IN INCOME AND EXPENDITURE ACCOUNT
	£000s	£000s	£000s	£000s		£000s
Central Services to the Public	1,180	(2)	(11)	0	0	1,167
Courts Services	183	0	0	0	0	183
Culture Environmental and Planning	26,199	(2,817)	(984)	0	0	22,398
Education Service	63,206	(2,932)	(245)	0	0	60,029
Highways Roads & Transportation Services	9,949	(2,301)	(380)	0	0	7,268
Housing Services						
HRA	4,113	(3,361)	(80)	0	155	827
GENERAL	1,543	0	0	0	0	1,543
Social Services	34,596	(143)	(29)	0	0	34,424
Corporate and Democratic Core	3,551	(8)	0	0	(459)	3,084
Non Distributed Costs	(3,677)	(3)	0	0	94	(3,586)
IMPACT ON NET COST OF SERVICE	140,843	(11,567)	(1,729)	0	(259)	127,338
Loss on the disposal of fixed assets		0	0	0	0	0
Asset management revenue account (Interest payable and similar charges in 2006/07)		11,567	1,729	0	259	13,555
IMPACT ON NET OPERATING EXPENDITURE	140,843	0	0	0	0	140,843

The table identifies how the restated amounts relate to the published 2005/06 Statement of Accounts.

The restatement is required to remove the capital financing charges and the government grants deferred credits. These were originally charged to Asset Management Revenue Account; this account is no longer required in the 2006/07 statement. There were no gains or losses in the disposal of fixed assets.

14. LEASES

The Council holds various capital assets under operating leases. During 2006/07 operating lease rentals totalled £0.618m split between Plant and Vehicles £0.561m and IT equipment £0.057m (total for 2005/06 amounted to £0.707m).

As at 31 March 2007 the Council had a commitment to meet the following rental charges:

Operating Leases	£000s
2007/08	391
2008/09	209
2009/10	159
2010/11	77
2011/12	8
2012/13	8
2013/14	0

The 2007/08 figure is broken down as follows:

Those in which the commitment expires	£000s
Within 1 year	182
Within 2 – 5 years	201
Over 5 years	8

15. AUDIT COSTS

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.

2005/06 £000s		2006/07 £000s
209	External Audit fees payable to the appointed auditor	210
76	Inspection Fee	78
285	Total Regulatory Fee	288

In addition to the Regulatory fees, WAO is required to certify grant claims and returns. In 2006/07 the amount payable is £0.080m (£0.092m in 2005/06).

16. 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 2006/07, Denbighshire County Council received £28.2k for providing these services (£20.6k in 2005/06). The Council also provides audit services to the North Wales Police Authority for which it received £33.2k in 2006/07 (£30.5k in 2005/06) and the Countryside Council for Wales for which it received £27.1k in 2006/07 (not provided in 2005/06).

17. 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

2005/06			ACTIVITY	2006/07		
Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s		Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s
			Environmental Services			
1,495	1,432	63	Building Maintenance	1,509	1,435	74
1,266	1,226	40	Street Cleansing	0	0	0
1,788	1,873	(85)	Refuse Collection	0	0	0
3,000	2,984	16	Highways Maintenance/ Sign Shop	2,895	2,881	14
645	623	22	Street Lighting	797	755	42
767	740	27	Building Cleaning	823	789	34
2,209	2,291	(82)	Catering	2,216	2,351	(135)
11,170	11,169	1	Total Environment Services	8,240	8,211	29
			Transport and Infrastructure			
503	503	0	Vehicle Maintenance	0	0	0
11,673	11,672	1		8,240	8,211	29

- In 2006/07 Refuse Collection and Street Cleaning were no longer classified as trading accounts, these services amalgamated into the Environment Directorate Budget as part of the Council's decision to merge the client and the contractor.
- Vehicle maintenance has now been incorporated into Fleet Management.
- 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

2005/06			ACTIVITY	2006/07		
Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s		Turnover £000s	Expenditure £000s	Surplus/ (Deficit) £000s
632	379	253	Industrial Estates	712	337	375
3,157	3,388	(231)	Cefndy Enterprises	3,117	3,417	(300)
3,789	3,767	22		3,829	3,754	75

In 2006/07 Industrial Estates had a net income budget from the Authority of £338k (£228k in 2005/06).

In 2006/07 Cefndy Enterprises had a net budget from the Authority of £291k (£237k in 2005/06)

A separate disclosure is provided for Building Control at Note 11 of the Income and Expenditure Account.

18. 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.

The Assembly funding reduces over time and the Council has created a reserve which will meet this shortfall in future years. The reserve is detailed in Note 43 and 51.

19. HEALTH ACT 2006 – SECTION 33 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 (superseded by the 2006 Act). 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 in the Income and Expenditure Account. The council's gross contribution to the partnership in 2006/07 was £909k (£734k net).

During 2006/07, work began on a Section 33 agreement for a joint community equipment store which will develop during 2007/08.

20. STATEMENT OF MOVEMENT ON COUNCIL FUND BALANCE

This note explains the net additional amount required by statute and non statutory proper practice to be debited or credited to the Council fund balance for the year.

AMOUNTS INCLUDED IN THE INCOME AND EXPENDITURE ACCOUNT REQUIRED BY STATUTE TO BE EXCLUDED WHEN DETERMINING THE MOVEMENT ON THE COUNCIL FUND BALANCE FOR THE YEAR	2005/06 £000s	2006/07 £000s
Depreciation and impairment of fixed assets	(8,741)	(11,211)
Government Grants Deferred amortisation	1,729	2,469
Amortisation of Deferred charges	(1,495)	(3,784)
Capital receipts less applied during the year	(292)	0
Net charges made for retirement benefits in accordance with FRS17	(8,282)	(12,272)
	(17,081)	(24,798)
AMOUNTS NOT INCLUDED IN THE INCOME AND EXPENDITURE ACCOUNT REQUIRED BY STATUTE TO BE INCLUDED WHEN DETERMINING THE MOVEMENT ON THE COUNCIL FUND BALANCE FOR THE YEAR		
Statutory provision for repayment of debt	4,589	4,218
Capital expenditure financed by revenue	678	252
Employer's contributions payable to Clwyd Pension Fund and retirement benefits payable direct to pensioners	11,536	12,069
	16,803	16,539
TRANSFERS TO OR FROM THE COUNCIL FUND BALANCE THAT ARE REQUIRED TO BE TAKEN INTO ACCOUNT WHEN DETERMINING THE MOVEMENT ON THE COUNCIL FUND BALANCE FOR THE YEAR		
Housing Revenue Account balance	203	941
Voluntary provision for repayment of debt	0	1,573
Net transfer to or from earmarked reserves	1,517	3,272
Capital Expenditure financed by Reserves and Balances	0	315
	1,720	6,101
Net Additional amount required to be credited to the Council Fund Balance for the year	1,442	(2,158)

21. SURPLUS ARISING ON THE REVALUATION OF FIXED ASSETS

2005/06 £000s		2006/07 £000s
(4,363)	Disposal of Fixed Assets	(1,238)
5,362	Receipts – Asset Sales	1,238
25,407	Revaluation of Fixed Assets	24,948
26,406	Balance at end of year	24,948

22. 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 31/03/06	112,957	157,927	10,550	52,481	1,684	335,599
20% Revaluation	21,073	9,194	0	0	0	30,267
Gross Book Value 01/04/06	134,030	167,121	10,550	52,481	1,684	365,866
Additions	6,043	6,900	2,844	7,032	5	22,824
Disposals	(1,188)	0	0	0	0	(1,188)
Revaluations	(437)	(2,901)	0	(1,370)	(5)	(4,713)
Reclassification / Transfers	0	(1,864)	0	0	0	(1,864)
Impairments	0	0	0	0	0	0
Gross Book Value 31/3/07	138,448	169,256	13,395	58,143	1,684	380,925
Cumulative Depreciation to 31/03/06	(4,202)	(10,585)	(5,249)	(8,139)	0	(28,175)
20% Revaluation	561	3,139	0	0	0	3,700
Cumulative Depreciation to 01/04/06	(3,641)	(7,446)	(5,249)	(8,139)	0	(24,475)
Depreciation	(2,790)	(4,687)	(1,416)	(1,300)	0	(10,193)
Disposals	0	0	0	0	0	0
Revaluations	22	0	0	0	0	22
Reclassification	0	153	0	0	0	153
Cumulative Depreciation to 31/03/07	(6,409)	(11,980)	(6,665)	(9,439)	0	(34,493)
Net Book Value 31/03/06	108,755	147,342	5,301	44,342	1,684	307,424
20% Revaluation	21,634	12,333	0	0	0	33,967
Net Book Value 01/04/06	130,389	159,675	5,301	44,342	1,684	341,391
Additions	6,043	6,900	2,844	7,032	5	22,824
Depreciations	(2,790)	(4,687)	(1,416)	(1,300)	0	(10,193)
Disposals	(1,188)	0	0	0	0	(1,188)
Revaluation	(415)	(2,901)	0	(1,370)	(5)	(4,691)
Reclassification	0	(1,711)	0	0	0	(1,711)
Impairment	0	0	0	0	0	0
Net Book Value 31/03/07	132,039	157,276	6,729	48,704	1,684	346,432

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 31/03/06	16,415	3,915	4,082	24,412	360,011
20% Revaluation	36	0	535	571	30,838
Gross Book Value 01/04/06	16,451	3,915	4,617	24,983	390,849
Additions	1,611	6,098	0	7,709	30,533
Disposals	0	0	(50)	(50)	(1,238)
Revaluations	(1,988)	(4,207)	1,140	(5,055)	(9,768)
Reclassification	795	(772)	1,841	1,864	0
Impairments	0	0	(1,018)	(1,018)	(1,108)
Gross Book Value 31/03/07	16,869	5,034	6,530	28,433	409,358
Cumulative Depreciation to 31/03/06	0	0	0	0	(28,175)
20% Revaluation	0	0	0	0	3,700
Cumulative Depreciation to 01/04/06	0	0	0	0	(24,475)
Depreciation	0	0	0	0	(10,193)
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	22
Reclassification	0	0	0	0	153
Cumulative Depreciation to 31/03/07	0	0	0	0	(34,493)
Net Book Value 31/03/06	16,415	3,915	4,082	24,412	331,836
20% Revaluation	36	0	535	571	34,538
Net Book Value 01/04/06	16,451	3,915	4,617	24,983	366,374
Additions	1,611	6,097	0	7,709	30,533
Depreciation	0	0	0	0	(10,193)
Disposals	0	0	(50)	(50)	(1,238)
Revaluation	(1,988)	(4,207)	1,140	(5,055)	(9,746)
Reclassification	795	(772)	1,841	1,864	153
Impairment	0	0	(1,018)	(1,018)	(1,018)
Net Book Value 31/03/07	16,869	5,034	6,530	28,433	374,865

23. 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 between 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 and 1 April 2006 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 2007 and June 2007

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.

24. INFORMATION ON ASSETS HELD

Type of Property	31 Mar 07
Museums	2
Libraries	8
Sport Centres	7
Parks	13
Theatres/ Craft Centre	4
Schools	61
Depots & Lon Parcwr Stores	10
Farms	47
Residential Homes	4
Day Centres	5
Sheltered Workshops	1
Factory Units	2
Youth Centres	6
Offices	15
Public Conveniences	20
Council Dwellings	3,484
Car Parks	48
Cemeteries	8
Town/County Halls	4
Industrial Centres	16

25. DEFERRED CHARGES

Classification	Value at 31 Mar 06 £000s	Gross Additions £000s	Grants & Contributions £000s	Net Additions £000s	Write off to Revenue £000s	Balance at 31 Mar 07 £000s
Housing Improvement Grant	0	2,200	(2,200)	0	0	0
Renewal Areas	0	2,094	(177)	1,917	(1,917)	0
School Accommodation	0	410	(38)	372	(372)	0
Legal Services	0	35	0	35	(35)	0
Community Projects	0	359	0	359	(359)	0
Members Priority Grants	0	39	0	39	(39)	0
Feasibility	0	25	0	25	(25)	0
Project Management	0	41	0	41	(41)	0
Exchequer Division	0	3	0	3	(3)	0
Office Accommodation	0	22	0	22	(22)	0
Town Schemes	0	843	(672)	171	(171)	0
Business Development Grant	0	91	(56)	35	(35)	0
Economic Development Grant	0	166	(166)	0	0	0
Adaptations to Homes of Disabled	0	112	(7)	105	(105)	0
Depots	0	240	(127)	113	(113)	0
Drift Park Compensation	0	8	0	8	(8)	0
CCTV Rhyl	0	254	0	254	(254)	0
Agriculture Estates - Compensation	0	33	0	33	(33)	0
Play Grounds	0	15	0	15	(15)	0
HRA – RTB Sale Costs	0	168	0	168	(168)	0
Heather and Hillforts	0	87	(85)	2	(2)	0
Woodlands and Conservation	0	108	(41)	67	(67)	0
Total	0	7,353	(3,569)	3,784	(3,784)	0

In 2006/07, in line with the SORP, £7.185m was written off to the Income and Expenditure Account and £0.168m written off to the HRA. Also £3.569m was credited to the Income and Expenditure Account in respect of grants and contributions. In 2005/06 £1.495m was written off to the Council Fund Revenue Account.

26. FINANCING OF CAPITAL EXPENDITURE

2005/06 £000s		2006/07 £000s
25,608	Fixed Assets (note 22)	30,531
8,134	Deferred Charges (note 25)	7,353
33,742	Total Capital Expenditure	37,884
	Financed By:	
4,928	Supported Borrowing	8,253
5,821	Prudential Borrowing	8,766
19,590	Capital Grants*	18,232
38	Reserves	315
1,757	Capital Receipts	922
930	Contributions	1,144
678	Revenue	252
33,742	Total Finance	37,884

*In 2006/07 a General Capital Grant of £1.732m was received from the Welsh Assembly Government, £0.279m was used to finance capital expenditure (£2.974m in 2005/06).

27. SIGNIFICANT CONTRACTS FOR FUTURE CAPITAL SPENDING

At 31 March 2007, the Council was contractually committed to capital works which amounted to £29.388m on the following schemes:

PROJECT	TOTAL FUTURE CONTRACT PAYMENTS			TOTAL
	2007/08 £000s	2008/09 £000s	2009/10 £000	£000s
Housing Refurbishment 2005 – Windows and Doors	1,765	715	0	2,480
Housing Refurbishment – 2006/11	3,316	4,787	2,990	11,093
Proposed Office Units, Colomendy	668	21	0	689
Foryd Harbour, Rhyl – Stage 1	770	35	0	805
Ysgol Brynhyfryd – New Dining Facility	759	13	0	772
Ysgol Tir Morfa, Rhyl – Phase 2	1,457	23	0	1,480
Scala Cinema and Arts Centre Development	2,137	290	0	2,427
Lon Parcwr Depot, Ruthin	489	13	0	502
Ruthin Craft Centre	3,030	78	0	3,108
Ysgol Clawdd Offa	4,018	1,346	166	5,530
Gamlin Street Housing Renewal – Phase 7/1	502	0	0	502
Total	18,911	7,321	3,156	29,388

28. LONG TERM DEBTORS

31 Mar 06 Balance £000s		Advances 2006/07 £000s	Repayments 2006/07 £000s	31 Mar 07 Balance £000s
118	(i) Loan Agreements Mortgages	0	(34)	84
51	(ii) Car Loans	37	(30)	58
0	(iii) PFI – Residual Value	96	0	96
169	Total	133	(64)	238

29. PREPAYMENTS AND DEFERRED DISCOUNTS

Discounts and premia arise when external loans are repaid prematurely by the County Council.

Premia arise when the rate of interest paid on the loan that is repaid is in excess of the current long term interest rates. Conversely discounts arise when the rate of interest paid on the loan repaid early is below the level of current long term interest rates.

Any premia or discounts are charged to the Income and Expenditure Account over a period of time in accordance with the relevant regulations.

30. STOCKS & WORK IN PROGRESS

At 31 March 2007 the Authority held stocks and work in progress to the value of £1.294m (£1.227m at 31 March 2006).

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

31 Mar 06 £000s		31 Mar 07 £000s
	Stocks	
299	Environmental Services	345
668	Social Services & Housing	599
68	Environment	112
88	Lifelong Learning	98
1,123	Total Stocks	1,154
104	Work in Progress	140
1,227	Total Stocks & Work in Progress	1,294

31. DEBTORS AND PAYMENTS IN ADVANCE

31 Mar 06 £000s		31 Mar 07 £000s
	Debtors	
	Amounts falling due in one year:	
7,502	Government Department/Grants	5,657
2,649	Council Tax Debtors	2,680
1,739	NNDR Debtors	1,761
606	Housing Rents	566
3,464	Capital Debtors	4,666
1,956	Taxes and Social Security Debtors (incl. VAT)	1,808
7,538	Sundry Debtors	9,242
25,454	Total Debtors	26,380
1,708	Payments in Advance	2,048
27,162	Total	28,428

32. 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 2007 the Council had ten individual cash investments totalling £29.0m (£26.1m at 31 March 2006) eight of which were with Banks, the remaining two being with Building Societies. Nine of these investments are of a short-term nature and will mature within 364 days. One of the investments is longer-term and will mature within 2 years

33. CREDITORS AND RECEIPTS IN ADVANCE

31 Mar 06 £000s		31 Mar 07 £000s
	Creditors	
939	Government Departments/Grants	3,042
2,030	Tax and Social Security Creditor	2,106
12,775	Trade Creditors	17,382
3,785	Capital Creditors	4,303
1	Taxes and Social Security	13
320	Sundry Creditors	294
19,850	Total Creditors	27,140
5,064	Receipts in Advance	5,774
24,914	Total	32,914

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

31 Mar 2006 £000s	%	Lender	31 Mar 2007 £000s	%
116,157	100.00	Public Works Loan Board	116,402	100.00

(ii) By maturity

	Years	31 Mar 2007 £000s	%
Short Term Borrowing	Less than 1 year	179	0.15
Long Term Borrowing	Over 1 under 2	612	0.53
	Over 2 under 3	698	0.60
	Over 3 under 4	1,696	1.46
	Over 4 under 5	140	0.12
	Over 5 under 6	1,621	1.39
	Over 6 under 10	8,248	7.09
	Over 10 under 15	7,452	6.40
	Over 15 under 20	5,791	4.98
	Over 20 under 25	5,468	4.70
	Over 25 under 30	4,047	3.48
	More than 30	80,450	69.10
Total Long Term Borrowing		116,223	99.85
Total Borrowing		116,402	100.00

35. DEFERRED CAPITAL RECEIPTS

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.

36. PROVISIONS**Insurance Fund**

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

As at 31 March 2007 a £0.9m provision has been set aside for the full estimated cost of meeting insurance liabilities.

The movement (decrease of £0.1m) in the value of the insurance provision during 2006/07 was due to the costs of settling claims to the value of £0.3m from the provision and additional contributions of £0.3m from revenue and a contribution to reserves of £0.2m.

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 2006/07 accounts a provision of £0.589m for its share of the accumulated trading deficit and closedown costs of the W&NWPO. The final cost to Denbighshire County Council has now been calculated and a payment of £0.589m made in April in full and final settlement.

Fire Service Pension

This is distributed former balances held by the Fire Authority following the transfer of the Fire Fighters pension liabilities to a central fund. The annual support from Welsh Assembly Government will eventually be less than the level of future levies, thus requiring use of this provision.

31 Mar 06 £000s		31 Mar 07 £000s
991	Insurance Fund	892
753	W.N.W.P.O. Deficit	589
149	Other	159
512	Council Tax Revaluations Appeals	0
150	Health & Safety	127
0	Fire Service Pension	142
2,555	Total	1,909

37. 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 2005 and 1 April 2006.

2005/06 £000s		2006/07 £000s
113,094	Balance at beginning of year	134,138
(4,363)	Disposal of Fixed Assets	(1,238)
25,407	Revaluation of Fixed Assets	24,948
134,138	Balance at end of year	157,848

38. 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. The 2005/06 figures have been amended to reflect the Balance Sheet revised format in the 2006 SORP.

2005/06 £000s		2006/07 £000s
30,567	Council Fund	2,802
53,319	Housing Revenue Account	120,347
83,886	Total	123,149

39. CAPITAL FINANCING ACCOUNT

2005/06 £000s		2006/07 £000s
40,883	Balance at beginning of year	41,043
(1,495)	Deferred charges written off	(3,784)
	Grants and Contributions:	
732	Written off from Government Grants Deferred	1,096
1,605	Capital Receipts set aside	791
	Capital Financing:	
1,757	Capital Receipts used to fund capital expenditure	922
678	Revenue used to finance capital expenditure	252
38	Reserves and balances used to finance capital expenditure	315
(3,155)	MRP – Reconciling Amount	(4,048)
41,043	Balance at end of year	36,588

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 2006/07 deferred charges of £3.784m were written off via revenue.

40. GOVERNMENT GRANTS DEFERRED ACCOUNT

2005/06 £000s		2006/07 £000s
28,410	Balance at beginning of year	40,562
0	Adjustment	(1)
	Applied in year	
19,590	Capital Grants	18,232
930	Capital Contributions	1,144
48,930		59,937
(6,639)	Less: Applied to Deferred Charges	(3,569)
42,291		56,368
(997)	Written off to Revenue	(1,373)
(732)	Written off to Revenue - Capital Financing Account	(1,096)
40,562	Balance at end of year	53,899

Capital grants and contributions applied to finance capital expenditure in 2006/07 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 Revenue Account in the first instance then to the Capital Financing Account, this is a different treatment from 2005/06.

From 2006/07 grants previously released to the Asset Management Revenue Account, in annual instalments to offset the depreciation charges on related fixed assets, are now released direct to the Revenue Account.

41. USABLE CAPITAL RECEIPTS RESERVE

	Housing £000s	Council Fund £000s	Total £000s
Plus			
Balance at beginning of year	693	8,191	8,884
Receipts – Asset Sales	1,112	23	1,135
Receipts – RtB Discounts Repaid	76	0	76
Receipts – Other	0	27	27
Deferred Capital Receipts	34	0	34
	1,915	8,241	10,156
Less			
Applied during year:			
Financing Capital Expenditure – RtB Costs	168	0	168
Financing Capital Expenditure – Other	363	391	754
Debt Redemption	791	0	791
Balance at end of year	593	7,850	8,443

42. CAPITAL GRANTS IN ADVANCE

		£000s	£000s
	Unapplied at 31 Mar 06		1,263
Less	Capital Debtors at 31 Mar 06		6,350
Plus	Capital Creditors at 31 Mar 06		2,371
	Net Balance at 1 Apr 06		(2,716)
Plus	Grants & Contributions received in year		23,896
			21,180
Less	Grants and Contributions applied in year		
	-Capital Grants	18,232	
	-Capital Contributions	1,144	19,376
			1,804
Plus	Capital Debtors at 31 Mar 07		4,694
			6,498
Less	Capital Creditors at 31 Mar 07		4,979
	Unapplied at 31 Mar 07		1,519

43. RESERVES

Details of significant reserves are given below:

31 Mar 06 £000s		Transfers In / (Out) £000s	31 Mar 07 £000s
351	Capital schemes	0	351
40	Environmental Services	31	71
153	Early Retirement Fund – Schools	(23)	130
114	Environment Directorate - Reserves	62	176
380	HB Subsidy Clawback	(380)	0
26	Mousematics	(4)	22
215	Winter Maintenance	0	215
100	North Wales Child Abuse Inquiry	0	100
94	Major Events Reserve (Urdd Eisteddfod)	(90)	4
10	Llys Marchan Reserve	0	10
250	Supporting People Reserve	1,183	1,433
371	Sustainable Waste Management	489	860
52	S.117 Mental Health Act	0	52
212	Risk Management Fund	45	257
332	Renewals Fund	31	363
271	Insurance Fund	271	542
945	PFI	524	1,469
0	PFI Acquisition Reserve	96	96
25	Elections	25	50
250	Health and Safety Works	(250)	0
500	Single Status	618	1,118
0	Major Projects	160	160
0	Spend to Save	184	184
0	Design and Development	100	100
0	Council Tax Revaluation	200	200
4,691	Total	3,272	7,963

44. 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 06 £000s		31 Mar 07 £000s
	<u>Council Fund Revenue Balances:</u>	
4,059	General Balances	5,553
1,353	Schools Balances	1,807
989	Earmarked Balances	1,022
259	Environmental Services Balances	223
6,660	Total Council Fund Balances	8,605
1,838	Housing Revenue Account Balances	2,779

45. 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, and the relief of sickness and protection of historical buildings. The total balance on the fund, held by Flintshire County Council, is £612,611 (£599,452 in 2005/06). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Fund. The balance on the Fund as at 31 March 2007 was £2,152 (£5,396 as at 31 March 2006).

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 2007:

	Income £000s	Expenditure £000s	Investments £000s
31 March 2007	28	23	636
31 March 2006	23	24	617

46. EDUCATION TRUST FUNDS

The County Council administered 54 Education Trust Funds during 2006/07. 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 2006/07, Fund income amounted to £4,585.92 (£6,187 in 2005/06). Awards made during the year amounted to £1,322.19 (£5,179 in 2005/06).
- The Council has no outstanding liabilities in respect of the trust funds it administers.

The Fund balances as at 31 March 2007 amounted to £262,510 which is not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2007 was £94,493

47. OTHER FUNDS

The Council is holding £104,220 on behalf of a developer, the Council granted planning permission for a development but required the developer to place the necessary funds with the Council to be released to the developer once specified works have been carried out.

48. 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. Due to differences in the financial year end of each of the related companies, the latest audited statements of accounts are for 2005/06

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 2006/07 is not yet available. However, the net assets of the company as at 31 March 2006 were £517,014 and the net loss achieved by the company was £68,083.

The Board of Directors consists of eleven members in total, of which 8 are Denbighshire County Councillors. The Chair of Denbighshire Enterprise Agency is a Denbighshire County Councillor.

The balance owed to Denbighshire County Council as at 31 March 2007 was £11,208.

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 2006/07 ECTARC received £48,269. 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 2006/07 is not yet available. For information, in 2005/06, the company reported a deficit of £911 and the net assets were £174,097 as at 31 March 2006

The balance owed to Denbighshire County Council as at 31 March 2007 was £113,231.

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 2006/07 the Trust received £187,287. The Council provides its payroll services. The audited statement of accounts for the financial year 2006/07 is not yet available. However, in 2005/06, the net assets of the company as at 31 March 2006 were £434,206 and the net surplus for the year was £38,665. 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.

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 2006/07 is not yet available. For information in 2005/06, the net assets of the company as at 31 March 2006 were £2,252 and the net operating loss for the year was £3,678. The Board of Directors consists of eight members, which includes one Denbighshire County Councillor.

The balance owed to Denbighshire County Council as at 31 March 2007 was £75,152.

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 2006/07 Clwyd Leisure Ltd. received £299,700. The Council provides both creditor and payroll services. The company's audited financial statement for the 2006/07 year is not yet available. However, the net assets of the company as at 31 March 2006 were £224,647 and the company had made a net loss of £103,078 in 2005/06. 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.

The balance owed to Denbighshire County Council as at 31 March 2007 was £275,066.

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 £342,994.

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

49. 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 £0.343m at 31 March 2007.

Equal Pay

In April 2007 CIPFA released LAAP Bulletin 68, to give guidance on the treatment of Equal Pay claims. It advises that FRS12 requires a provision to be set up if the conditions meet all of the following criteria:

- The Authority has a present obligation (legal or constructive) as a result of a past event,
- It is probable that a transfer of economic benefits will be required to settle the obligation,
- A reliable estimate can be made of the amount of the obligation.

After taking specialist legal advice it is the Council's opinion that there is no obligation and that any claim will be rigorously defended. At the current time it is therefore not probable that there will be a transfer of economic benefits. The Council will continue to closely monitor the situation.

50. 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 29 June 2007 there were no such material events

51. PRIVATE FINANCE INITIATIVE (PFI)

During 2006/07, the Council received clarification of the proper accounting treatment of the residual value of the PFI Scheme. A Long-term Debtor and Acquisition Reserve have been set up.

52. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

	31 Mar 07 £000s
Movement in Cash	1,878
<u>Movements in:</u>	
Fixed Assets	43,029
Long Term Investments	0
Long Term Debtors	69
Payments Relating to Premiums	(30)
Stocks & Work in Progress	67
Debtors	1,266
Provision for Bad Debts	55
Short Term Borrowing	656
Creditors	(8,000)
Long Term Borrowing	(901)
Capital Grants in Advance	(256)
Government Grants Deferred	(13,337)
Deferred Discounts	(204)
Pensions Liability	14,325
Provisions	646
Movement in Net Debt	39,263

53. RECONCILIATION OF THE COUNCIL FUND SURPLUS TO THE CASH FLOW**STATEMENT NET REVENUE INFLOW**

	31 Mar 07 £000s
Council Fund – (Surplus) / Deficit for the Year	(3,298)
HRA – (Surplus) / Deficit for the Year	(941)
Total (Surplus) / Deficit for the Year	(4,239)
Interest Paid	(7,454)
Interest Received	1,362
Items on Accruals Basis	
Increase / (Decrease) in Stock	67
Increase / (Decrease) in Long Term Debtors	69
Increase / (Decrease) in Debtors	2,454
Increase / (Decrease) in Payments in Advance	310
(Increase) / Decrease in Creditors	(4,554)
(Increase) / Decrease in Receipts in Advance	(700)
Non Cash Transactions	
MRP	(5,791)
Transfers (to) / from provisions	646
Bad Debt Provision	55
Revenue used to finance capital expenditure	(252)
Reserves used to finance capital expenditure	(315)
Transfers (to) / from reserves	(1,919)
Capital Grants Transferred	(295)
Cash Flow Statement – Net Revenue (Inflow) / Outflow	(20,556)

54. ANALYSIS OF MOVEMENT IN CASH AND EQUIVALENTS

31 Mar 06 £000s		31 Mar 07 £000s	Movement £000s
(1,897)	Cash	(2,919)	(1,022)
26,100	Investments	29,000	2,900
24,203		26,081	1,878

55. ANALYSIS OF GRANTS RECEIVED

2005/06 £000s		2006/07 £000s
11,503	Government Grants	12,512
22,378	Housing Grants	23,954
2,983	Education Grants	3,199
3,456	Social Services Grants	4,669
677	Environmental Grants	431
5,073	European Grants	4,041
46,070	Total Grants Received	48,806

SUPPLEMENTARY
STATEMENTS
AND
EXPLANATORY NOTES

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT FOR THE
PERIOD 31 MARCH 2007**

2005/06 £000s		Note	2006/07 £000s
	INCOME		
8,529	Dwelling Rents (Gross)		9,084
100	Non-Dwelling Rents (Gross)		104
80	Government Grants Deferred		160
13	Reduction in Bad Debt Provision		0
8,722	Total Income		9,348
	EXPENDITURE FRS17 Basis		
2,649	Repairs and Maintenance		2,495
2,074	Supervision and management		1,955
14	Rents, Rates, Taxes & Other Charges		217
2,690	Negative housing revenue account subsidy payable	2	2,761
29	Sums directed by the National Assembly		0
2,087	Depreciation and Impairment of Fixed Assets	7	2,790
6	Debt Management costs		5
0	Increase in bad debt provision	8	7
9,549	Total Expenditure		10,230
827	Net Cost of Services per Authority Income and Expenditure Account		882
41	HRA Share of Corporate & Democratic Core HRA Share of Other non- allocated amounts included in the Whole Authority Income and Expenditure Account		42
868	Net Cost of HRA Services		924
0	Gains or Losses on sale of HRA Fixed Assets		0
697	Interest payable and similar charges		758
17	Amortisation of premiums discounts		0
(153)	Interest and Investment income		(153)
1,429	(Surplus) or deficit for the year on HRA services		1,529

STATEMENT OF MOVEMENT IN THE HRA BALANCE

2005/06 £000s		2006/07 £000s
1,429	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	1,529
(1,632)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(2,470)
(203)	(Increase) or decrease in the Housing Revenue Account Balance	(941)
(1,635)	Housing Revenue Account surplus brought forward	(1,838)
(1,838)	Housing Revenue Account surplus carried forward	(2,779)

NOTE TO THE MOVEMENT IN THE HRA BALANCE

2005/6 £000s		2006/07 £000s
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
(195)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any)	(168)
(2,087)	Depreciation and impairment of fixed assets	(2,790)
80	Government Grants Deferred	160
0	Gain or loss on sale of HRA fixed assets	0
47	Net charges made for retirement benefits in accordance with FRS 17	42
(2,155)		(2,756)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
197	HRA Minimum Revenue Provision	286
326	Capital expenditure funded by the HRA	0
523		286
(1,632)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(2,470)

**EXPLANATORY NOTES TO THE SUPPLEMENTARY
FINANCIAL STATEMENTS**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. PRESENTATION OF THE HOUSING REVENUE ACCOUNT

In line with the new accounting policies introduced by the Statement of Recommended Practice (SORP) 2006, the format of the HRA statement has changed. The 2005/06 figures have been restated on the same basis for comparison.

2. HOUSING REVENUE ACCOUNT SUBSIDY

HRA Subsidy is paid to meet any shortfall between expenditure and income on a Government model of each authority's HRA (called the notional HRA). The HRA subsidy calculation is based on annual assumptions covering the rents each authority will charge (guideline rents), allowances for management and maintenance (M&M) and the HRA share of debt financing and management costs. Denbighshire, like many other councils, pay a negative subsidy to the National Assembly Government because rent income is in excess of the expenditure allowed under the subsidy system. The figure below is the total subsidy paid in 2006/07.

2005/06 £000s		2006/07 £000s
2,690	Reimbursement	2,761
2,690	Net Cost to Tenants	2,761

3. HOUSING STOCK

The Council was responsible for managing an average of 3,487 dwellings during 2006/07 (3,528 in 2005/06). The stock was made up as follows:-

2005/06 No. of Properties		2006/07 No. of Properties
1,935	Houses	1,904
985	Flats	978
608	Bungalows	605
3,528	Total	3,487

In addition an average of 39 leased properties were used during 2006/07.

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

2005/06 No. of Properties		2006/07 No. of Properties
3,548	Stock at 1 April	3,503
(45)	Less Sales	(18)
0	Add Leased Property	42
3,503	Stock at 31 March	3,527

From April 2006, leased properties have been included in the HRA for subsidy purposes and are therefore shown above for information.

4. RIGHT TO BUY COSTS

In selling council dwellings, expenses of £168k were incurred. The expenses relate to salary costs, legal fees and other expenditure directly attributable to the sale of council dwellings and the creation of a capital receipt. The Right to Buy costs have been included in Management & Maintenance costs but are reversed out in the Statement of Movement in the HRA Balance. This is because the council is permitted to offset these costs against the capital receipts received. The Right to Buy costs are therefore included as a capital expense and classed as a deferred charge. (See Note 6 below).

5. CAPITAL RECEIPTS

The sale of 18 properties resulted in capital receipts of £1.112m, with repaid discounts amounting to £76k and mortgage repayments £35k. The average discount applied to sales was 20.6%. Fees incurred in the sale of council dwellings totalling £168k have been notionally added to the HRA Net Cost of Services and reversed in the Statement of Movement on the HRA Balance. The fees are shown as an actual charge to capital expenditure (see Note 6 below).

HRA capital receipts for 2006/07 are summarised below:

Housing Sales	£000s
Receipts	1,112
Repaid Discounts	76
Mortgages	35
Net Receipts	1,223

6. ANALYSIS OF HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

During 2006/07, capital expenditure of £6.210m was incurred on improvements to the Council's housing stock. The expenditure included major improvement contracts, window replacements and a central heating contract as part of the Council's strategy to improve its housing stock. The capital expenditure has been financed by three sources: the Major Repairs Allowance (a government grant), capital receipts (from Right to Buy sales) and new unsupported borrowing under the Prudential Code of Borrowing. The MRA was used in full in 2006/7. The capital expenditure and financing is detailed in the table below:

Housing Capital Expenditure	£000s
Housing Repair Work (Pre 06/07 Contracts)	35
Environmental Improvement Works	17
2006/07 Major Improvement Programme	2,278
2006/07 Window Replacements	2,572
2006/07 Central Heating	1,140
RTB Sales – Fees (Deferred Charge)	168
Total	6,210
<i>Financed by:</i>	
Major Repairs Allowance (Grant)	2,400
Useable Capital Receipts	431
Prudential Borrowing	3,379
Total	6,210

In addition to the expenditure above, the HRA made a contribution from Usable Capital Receipts of £100k 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 (included in the notes to the Core Financial Statements).

7. DEPRECIATION & INTEREST CHARGE

In line with the Resource Accounting framework, a depreciation charge is applied to the HRA Net Cost of Services in 2006/07. The depreciation charge is based on the Balance Sheet value of dwellings and other assets and has been introduced to reflect the assets held and consumed in the delivery of the service, 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 charge is made to the HRA Net Cost of Services and is reversed out via the Statement of Movement on the HRA Balance. 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 2006/07.

The total depreciation charge for 2006/07 is shown below :

Depreciation	£000s
Operational Assets - Dwellings	2,769
Operational Assets - Garages	21
Non-Operational Assets	0
Total	2,790

8. RENT ARREARS

At the 31 March 2007, tenants' net rent arrears were £0.419m, (£0.461m as at 31 March 2006) which represented 4.37% of the net rent income due in the year. Arrears totalling £0.032m were written off during the year. The Provision for Bad and Doubtful Debts has been increased by £7k to £362k in 2006/07.

9 TRANSACTIONS RELATING TO RETIREMENT BENEFITS

The policy regarding accounting for pension costs has been applied to the HRA (see note 4 to the Core Financial Statements).

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

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the HRA Balance during the year:

2005/06 £000	<u>INCOME AND EXPENDITURE ACCOUNT</u>	2006/07 £000
	<u>Net cost of services:</u>	
136	Current Service Cost	146
0	Past Service Cost	0
	<u>Net Operating Expenditure</u>	
297	Interest cost on gross pension liability	281
(203)	Expected return on gross pension assets	(222)
230		205
	<u>STATEMENT OF MOVEMENT IN THE HRA BALANCE</u>	
(230)	Reversal of net charges made for retirement benefits in accordance with frs17	(205)
183	Employers contributions payable to Clwyd Pension Fund Scheme	163

INDEPENDENT AUDITOR'S REPORT TO DENBIGHSHIRE COUNTY COUNCIL**Independent auditor's report to the Members of Denbighshire County Council**

I have audited the accounting statements of Denbighshire County Council for the year ended 31 March 2007 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Income and Expenditure Account, Statement of Movement on Housing Revenue Account Balance 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 2006 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 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. 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 we 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. 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 2006, the financial position of the Denbighshire County Council as at 31 March 2007 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 2007 will be reported separately in the published Relationship Manager Audit Letter.

"The maintenance and integrity of the Denbighshire County Council website is the responsibility of the Accounting Officer/ client officer; 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 website."

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Anthony J Barrett
September 2007
Wales Audit Office
Unit 4
Lakeside Business Park
St David's Park
Ewloe
CH5 3XP

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.
- 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.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

- 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 (Investors in People) individual staff Performance Appraisals 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 annual Improvement Planning process which reviews performance against key indicators and assesses where changes can be made.
- External auditors in their annual audit letter and other reports.
- External inspections from WAG departments such as SSIW and Estyn.
- Regular reviews of the Council's constitution and Financial Regulations.
- Regular risk reviews carried out by senior managers and assisted by Internal Audit.
- Regular reviews by Scrutiny Committees of performance and decision making.

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.
- 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 purchasing procedures including purchase

orders and invoice checking. Actions have been identified to address this. A further weakness related to an individual school and an action plan has been put in place to improve the situation

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

- a) Continued development of the Corporate Risk Management Strategy and Risk Register
- b) Development of an e-procurement system to improve the control of purchasing, authorisation and coding of payments
- c) The capital prioritisation process was reviewed and improved by the introduction of a Capital Strategy Group whose role is to review all projects, and test their robustness, prior to their inclusion in the capital plan.
- d) The role of the project management team has been developed with additional staff recruited to manage individual projects and develop the corporate methodology
- e) The Internal Audit department is now at full strength
- f) The security and resilience of IT systems has been improved

4.4 During the coming year further improvements are planned such as:

- Development programme for senior managers
- The introduction of a new HR system
- The production of a workforce development plan
- Role out of the project management methodology and associated training
- The centralisation of the financial management function

Alan Evans
Deputy Chief Executive - Corporate Director Resources

Rhiannon Hughes
Leader of the Council