

STATEMENT OF ACCOUNTS 2011/12

DENBIGHSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2011/12

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INTRODUCTION

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

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

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

Should you have any queries on the accounts please contact the Chief Finance Officer, Denbighshire County Council, County Hall, Wynnstay Road, Ruthin, LL15 1YN. In addition, you have a legal right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

THE STATEMENT OF ACCOUNTS

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

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

The Statement of Accounts contains the following sections:

Section 1- Explanatory Foreword

This Foreword by the Chief Finance Officer provides a summary of the financial activities of the Council during the year and at the year-end.

Section 2 - Statement of Responsibilities

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

Section 3 - Main Financial Statements & Notes to the Accounts

The 2011 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

The Balance Sheet shows a snapshot of the Council's financial position as at 31st March 2012. It sets out the value of the items it owns (assets) and the value of what it owes to others (liabilities). It incorporates all the council's funds, both capital and revenue.

Cash Flow Statement

This summarises the Council's cash and cash equivalent transactions over the year, showing actual cash received and cash spent and the changes in the Council's cash position. The statement is presented using the indirect method in order to match its presentation in the Whole of Government Accounts.

Notes to the Accounts

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

Section 4 - Supplementary Financial Statements and Notes

Housing Revenue Account (HRA)

Councils are required to account separately for the cost of the council housing service by way of a HRA Income and Expenditure Account and a Statement of Movement on the HRA balance. This account shows where money is spent in maintaining and managing council houses, payment of subsidy to the Welsh 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 in HRA reserves.

Section 5 - External Auditor's Report

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

Section 6 – Annual Governance Statement

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

Section 7 – Glossary

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

SECTION 1: EXPLANATORY FOREWORD

1.1 <u>REVIEW OF THE YEAR – REVENUE EXPENDITURE</u>

The Council sets a revenue budget each year. This is a budget for services it will provide in the year and that will be paid for by service users, Welsh Government Grants and Council Tax and Business Rate payers. For 2011/12, this gross budget was £258m. A savings target of £6.3m was set and delivered in 2011/12 as the first year of a four year savings programme to deliver approximately £18m by the end of 2014/15.

By the end of the year, the Council had spent £1.6m less than it budgeted for on services and corporate budgets, including making a budgeted contribution to balances of £300k.

Balances, Provisions and Reserves

The final revenue position this year has meant that it has been possible to make a net contribution to reserves within the accounts of £4.5m.

The Council's general balances now stand at £7.6m. The Council must make sure it keeps enough money in these balances so it can be sure it is able to deal with any unexpected problems it faces. Details of all provisions and reserves are contained within the Notes to the Statement of Accounts.

How We Report Our Budget

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

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

The table below shows the final revenue position as reported and approved by Cabinet in June 2012.

| | Final Revenue Outturn Report £000 |
|--|--|
| Service and Corporate Budgets Business Planning & Performance Legal & Democratic Services Finance & Assets Highways & Infrastructure Planning, Regeneration & Public Protection Adult & Business Services Children & Family Services Housing Services Leisure, Libraries & Community Development Strategic HR Customer Services Environmental Services Modernising Education School Improvement & Inclusion Schools Corporate Total Service and Corporate Budgets | 789 1,520 6,016 10,418 3,677 31,802 8,800 388 5,986 1,260 2,874 11,409 1,298 4,227 60,146 5,666 156,276 |
| Other Capital Finance / Investment Interest Levies | 12,104 4,549 |
| Total Expenditure (excludes HRA) | 172,929 |
| Less Funding | (175,446) |
| In-year Position Budgeted Contribution to Balances Final Outturn | (2,517) 300 (2,217) |
| Contribution to Reserves and General Balances Reported to Members: | |
| Allocated as follows: Earmarked Balances – Services General Balances Modernising Education/21 st Century Schools Reserves School Balances Total | 1,349 45 600 223 2,217 |

The Final Revenue Outturn Report was presented to Cabinet on 19 June 2012. The version above includes subsequent audit adjustments in order to reconcile with the Statement of Accounts for 2011/12.

1.2 <u>REVIEW OF THE YEAR – CAPITAL EXPENDITURE</u>

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

In 2011/12, capital expenditure consisted mainly of works to maintain and improve Council owned assets. There was no significant investment in the procurement of new assets. During the year, properties were purchased in Rhyl to either demolish or refurbish as part of the major regeneration project underway in the town.

The table below shows how much the Council spent on its assets per service block in 2011/12 and how the expenditure was funded:

| Expenditure | £000s |
|---|--------|
| Business Planning & Performance | 17 |
| Legal & Democratic Services | 40 |
| Finance & Assets | 3,882 |
| Highways & Infrastructure | 17,927 |
| Planning, Regeneration & Public Protection | 6,852 |
| Adult & Business Services | 122 |
| Housing Services | 5,835 |
| Leisure, Libraries & Community Development | 669 |
| Customer Services | 265 |
| Environmental Services | 1,556 |
| Modernising Education | 2,839 |
| School Improvement & Inclusion | 69 |
| Total | 40,073 |
| Funding | £000s |
| Grants | 19,210 |
| Supported Borrowing | 6,378 |
| Prudential Borrowing | 10,950 |
| Capital Receipts | 3,533 |
| Capital Expenditure charged against the Council | 2 |
| Fund | |
| Total | 40,073 |

Expenditure on major Projects undertaken during the year includes:

| Project | Description | 2011/12 £000s |
|-----------------------------|--|------------------|
| Denbigh | Townscape Heritage Initiative – Phase 2 | 668 |
| Foryd Harbour, Rhyl | Works to Cycle/Pedestrian Bridge, Quayside | |
| | Units, Public Square & Quay Wall | 1,176 |
| Apollo Cinema, Rhyl | Redevelopment Works – North Wales Coast SRA | 943 |
| Denbighshire | Property and Environment Grants (PEG) | 517 |
| Denbigh | Flood Alleviation Scheme | 1,064 |
| Prestatyn Bus Station | Enabling Works | 521 |
| Prestatyn Railway Station | Works to Car Park | 280 |
| Rhyl | Recycling Centre and Marsh Tracks Cycle | 201 |
| | Scheme | |
| Rhyl | Property Acquisition/Demolition & Public Realm | 1,083 |
| | Works | 5.070 |
| Rhyl | Coastal Defence Works | 5,378 |
| Llangollen | Dee Valley Cycle Crossing Improvements | 357 |
| Council Housing | Major Improvements | 4,163 |
| Council Housing | Disabled Adaptations | 439 |
| Ysgol Bryn Collen/Gwernant, | Extension and Refurbishment | 528 |
| Llangollen | | |
| Section 106 | Town and Country Planning | 718 |
| Prestatyn Leisure Centre | Provision of Multi Use Games Area | 263 |

1.3 OTHER ISSUES

Pensions

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

The pension fund, by law, has to work out how much money it would owe if all of the individual members became entitled to immediate payment of their pension. It then has to work out how much money it has in investments. Due to the problems with the economy and its effect on shares and investments and the fact that people are generally living longer, the pension fund has less in investments than the theoretical amount it would have to pay out. This is known as a deficit. Although it is highly unlikely that the Council would ever have to pay out this money, it must show this deficit in its accounts. The notes to the accounts show further details.

Housing Business Plan

During 2005/06, the Council looked at the future of its Housing Service. It decided to keep all of its council houses (rather than transfer them to a registered social landlord) and to borrow the money required to improve them and bring them up to the Welsh Housing Quality Standard by the end of 2012.

During 2011/12, the Council reviewed the plan again. There are still some risks, but it continues to be a robust plan that should allow the Council to deliver its housing improvements on time.

Borrowing & Investments

Due to the careful management of its investments, the Council avoided any problems with banks in financial difficulty. The ongoing low interest rates and reduced number of banks that meet minimum investment requirements mean that the Council will not be able to earn as much money from its investments as it did before 2008. The Council's strategy in 2011/12 has been to reduce new borrowing and investment balances through use of temporary cash surpluses but maintain a level of cash that is sufficient for cash flow purposes. Investment balances are continually monitored with the aim of maintaining sufficient levels to meet the Council's cash flow requirements. The Council's outstanding debt at 31 March 2012 was £135m.

Accounting Policies & International Financial Reporting Standards (IFRS)

The Accounting Policies are detailed fully in Note1 to the accounts. This is the second year that the Council's accounts have been produced to comply with international standards and the Code of Practice on Local Authority Accounting. There was a significant change to the way the accounts were presented in 2010/11 and although the major changes were implemented last year, there are some further changes introduced this year, such as the requirement to have an accounting policy for heritage assets.

Statutory Functions

There were no significant changes to the Council's statutory functions during 2011/12.

Management Structure

A new management structure was introduced in 2010/11. The new structure reflected the council's corporate priorities and emphasises clear leadership and shared responsibilities. The Chief Executive and Corporate Directors will performance manage a group of Heads of Services. The difference between line management and performance management is fundamental. Heads of Service are completely accountable for their service area. They are not line managed by Corporate Directors. Corporate Directors will focus on the overall performance of Heads of Service and the delivery of business plans. This structure will be amended slightly during 2012/13 to reflect the Council's latest priorities, with some responsibilities transferring between Heads of Service.

Single Status / Equal Pay

As part of the pay negotiations in 1997, representatives of councils and trade unions reached a national agreement that by April 2007 all employees would have their jobs evaluated under a common method. This is known as 'Single Status'. However, due to the complexities of the negotiations, the Council and Unions agreed any changes to people's terms and conditions would start from 1 April 2008. Work on implementing Single Status is now nearing completion, with most posts having been through the process.

During the evaluation process, it became clear that some Councils may not have had properly evaluated jobs in the past. This has led to legal cases for discrimination and claims for back pay. While the Council will defend any claims received, it considers that it is prudent to maintain a provision to cover any possible future claims.

Looking Ahead

The council will have to carefully manage demands for services whilst the amount of money available to pay for them is reduced. Reductions in the amount the council spends each year will continue to be required and some very tough decisions will have to be taken to ensure the council continues to live within its means. During 2010/11, a process of service challenges was introduced which meant that each service had to give an assessment of its budget priorities and propose savings for the next three years. For 2011/12, a saving target of over £6m was achieved and a target of £3.5m has been included in the budget for 2012/13. Similar savings will be required for future years which will require robust financial stewardship as well as the continued support of staff managing services and elected members.

Paul McGrady Chief Financial Officer/Head of Finance & Assets

SECTION 2: STATEMENT OF RESPONSIBILITIES

The County Council's Responsibilities

The County Council is required to:

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

| AUTHORITY'S CERTIFICATE |
|---|
| I approve the Statement of Accounts of Denbighshire County Council. |
| Signed |
| CHAIR OF CORPORATE GOVERNANCE COMMITTEE |
| |
| |

Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

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

Certificate: Chief Financial Officer I certify that the accounts presented give a true and fair view of the financial position of Denbighshire County Council at the reporting date and its income and expenditure for the year ended 31 March 2012. Paul McGrady Date 26/9/11 Paul McGrady Date 26/9/11

SECTION 3: FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS 2011/12

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Movement in Reserves

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

| | Note | Council Fund Balance £000 | Earmarked Reserves £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|--|------|------------------------------------|-------------------------------|---------------------------------------|--|--|-------------------------------------|------------------------------|--|
| Balance at 31 March 2010 | | (6,896) | (18,018) | (1,544) | (3,026) | (4,974) | (34,458) | (240,818) | (275,276) |
| Movement in reserves during 2010/11 | | (29,802) | | 9,251 | | | (20,551) | | (20,551) |
| (Surplus) or deficit on the provision of services | CI&E | | | | | | | | |
| Other Comprehensive Income & Expenditure | CI&E | | | | | | | (44,871) | (44,871) |
| Total Comprehensive Income & Expenditure | | (29,802) | 0 | 9,251 | 0 | 0 | (20,551) | (44,871) | (65,422) |
| Adjustments between accounting basis & funding basis under regulations | 7 | 20,435 | | (9,693) | (452) | (740) | 9,550 | (9,550) | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves Transfers to/from Earmarked | | (9,367) | 0 | (442) | (452) | (740) | (11,001) | (54,421) | (65,422) |
| Reserves | 8 | 7,982 | (7,959) | (23) | | | 0 | 0 | 0 |
| Increase/Decrease in 2010/11 | | (1,385) | (7,959) | (465) | (452) | (740) | (11,001) | (54,421) | (65,422) |
| Balance at 31 March 2011 | | (8,281) | (25,977) | (2,009) | (3,478) | (5,714) | (45,459) | (295,239) | (340,698) |

| | Note | Council Fund Balance £000 | Earmarked Reserves £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|--|------|------------------------------------|-------------------------------|---------------------------------------|--|--|-------------------------------------|------------------------------|--|
| Balance at 31 March 2011 | | (8,281) | (25,977) | (2,009) | (3,478) | (5,714) | (45,459) | (295,239) | (340,698) |
| Movement in reserves during 2011/12 | | | | | | | | | |
| (Surplus) or deficit on the provision of services | CI&E | 5,745 | | 8,629 | | | 14,374 | | 14,374 |
| Other Comprehensive Income & Expenditure | CI&E | | | | | | | 11,338 | 11,338 |
| Total Comprehensive Income & Expenditure | | 5,745 | 0 | 8,629 | 0 | 0 | 14,374 | 11,338 | 25,712 |
| Adjustments between accounting basis & funding basis under regulations | 7 | (11,164) | | (7,477) | 1,884 | 779 | (15,978) | 15,978 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves Transfers to/from Earmarked | | (5,419) | 0 | 1,152 | 1,884 | 779 | (1,604) | 27,316 | 25,712 |
| Reserves | 8 | 4,542 | (4,528) | (14) | | | 0 | 0 | 0 |
| Increase/Decrease in 2011/12 | | (877) | (4,528) | 1,138 | 1,884 | 779 | (1,604) | 27,316 | 25,712 |
| Balance at 31 March 2012 | | (9,158) | (30,505) | (871) | (1,594) | (4,935) | (47,063) | (267,923) | (314,986) |

Comprehensive Income and Expenditure Statement

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

| | 2010/11 | | | | | 2011/12 | |
|-------------|-----------|-------------|---|------|-------------|-----------|-------------|
| Gross | Gross | Net | | Note | Gross | Gross | Net |
| Expenditure | Income | Expenditure | | | Expenditure | Income | Expenditure |
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 12,069 | (10,237) | 1,832 | Central Services to the Public | | 12,501 | (10,488) | 2,013 |
| 21,923 | (6,536) | 15,387 | Cultural & Related Services | | 22,535 | (8,336) | 14,199 |
| 106,507 | (20,988) | 85,519 | Children's & Education Services | | 121,002 | (22,433) | 98,569 |
| 19,949 | (10,305) | 9,644 | Environmental & Regulatory Services | | 20,831 | (10,622) | 10,209 |
| 24,632 | (12,766) | 11,866 | Highways & Transport Services | | 25,185 | (14,149) | 11,036 |
| 21,130 | (10,835) | 10,295 | Local Authority Housing (HRA) | | 20,894 | (11,302) | 9,592 |
| 35,476 | (33,147) | 2,329 | Housing Services | | 37,249 | (34,158) | 3,091 |
| 51,412 | (17,864) | 33,548 | | | 49,227 | (16,069) | 33,158 |
| 8,315 | (5,100) | 3,215 | Planning Services | | 7,004 | (3,361) | 3,643 |
| 11,425 | (7,621) | 3,804 | Corporate & Democratic Core | | 14,773 | (7,185) | 7,588 |
| (21,421) | 0 | (21,421) | Non Distributed Costs* | | 541 | 0 | 541 |
| 291,417 | (135,399) | 156,018 | Cost of Services | | 331,742 | (138,103) | 193,639 |
| 13,591 | (45) | 13,546 | Other Operating Expenditure | 9 | 14,131 | (560) | 13,571 |
| 16,635 | (1,047) | 15,588 | Financing & Investment Income & Expenditure | 10 | 14,169 | (4,451) | 9,718 |
| 0 | (205,703) | (205,703) | Taxation & Non-specific Grant Income | 11 | | (202,554) | (202,554) |
| | | (20,551) | (Surplus) or Deficit on Provision of Services** | | | | 14,374 |

| | 2010/11 | | | 2011/12 | | | |
|------------------------------|-------------------------|----------------------------|---|---------|------------------------------|-------------------------|----------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| | | (· · ·) | (Surplus) or deficit on revaluation of Property, Plant & Equipment assets Impairment losses on non-current assets charged to the Revaluation Reserve | 24 | | | (15,603) 2,451 |
| | | (12,673) | Actuarial (gains)/losses on pension assets/liabilities | 42 | | | 24,490 |
| | | (44,871) | Other Comprehensive Income & Expenditure | | | | 11,338 |
| | | (65,422) | Total Comprehensive Income & Expenditure | | | | 25,712 |

*The 2010/11 Non Distributed Costs negative expenditure figure includes an amount of (£21,805,000) relating to past service costs that are calculated in accordance with IAS19 retirement benefits. Further detail regarding this is shown in Note 42.

** A subjective breakdown of Income and Expenditure included within the (Surplus) or Deficit on the Provision of Services can be found in Note 28 Amounts Reported for Resource Allocated Decisions.

Balance Sheet

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

Denbighshire County Council

| 01April 2010 £000 | 31 March 2011 £000 | | Note | 31 March 2012 £000 | 31 March 2012 £000 |
|---|--|--|------|--|--------------------------|
| 265,973 186,115 9,558 70,958 2,775 7,547 3,075 546,011 | 289,347 181,088 10,052 81,522 3,035 7,898 2,633 575,575 | Council Dwellings Other Land & Buildings Vehicles, Plant, Furniture & Equipment Infrastructure Community Assets Assets Under Construction Surplus Assets not Held for Sale | 14 | 286,011 176,862 8,034 93,890 3,172 3,559 1,824 | |
| 10,182 | 10,103 | Property, Plant & Equipment Heritage Assets | 47 | 573,352 11,854 | |
| 10,102 | 10,103 | Investment Property | 15 | 12,925 | |
| 7 | 7 | Long Term Investments | 16 | 7 | |
| 1,446 | 1,120 | Long Term Debtors | 16 | 1,102 | |
| 568,041 | 596,816 | LONG TERM ASSETS | | | 599,240 |
| 18,599 | 19,219 | Short Term Investments | 16 | 16,233 | |
| 76 | 410 | Assets Held for Sale (<1yr) | 20 | 1,754 | |
| 1,361 | 1,404 | Inventories | 17 | 2,001 | |
| 26,369 | 24,200 | Short Term Debtors | 18 | 24,121 | |
| 95 | 3,617 | Cash and Cash Equivalents | 19 | 3,875 | |
| 46,500 | 48,850 | CURRENT ASSETS | | | 47,984 |
| (3,395) | (2,508) | Short Term Borrowing | 16 | (3,013) | |
| (30,583) | (25,206) | Short Term Creditors | 21 | (23,709) | |
| (331) | (311) | Provisions | 22 | (693) | |
| | (1,117) | Revenue Grants Receipts in Advance | 35 | (1,157) | |
| (1,833) | (1,513) | Capital Grants Received in Advance | 35 | (1,664) | |
| (36,142) | (30,655) | CURRENT LIABILITIES | | | (30,236) |

Denbighshire County Council

| 01 April 2010 £000 | 31 March 2011 £000 | | Note | 31 March 2012 £000 | 31 March 2012 £000 |
|--------------------------|--------------------------|--|------|--------------------------|--------------------------|
| (10,781) | (10,480) | Long Term Creditors | 16 | (9,889) | |
| (4,900) | (5,023) | Provisions | 22 | (5,847) | |
| (125,262) | (129,130) | Long Term Borrowing | 16 | (132,432) | |
| (162,180) | (129,680) | Other Long Term Liabilities | 24 | (153,834) | |
| 0 | 0 | Capital Grants Receipts in Advance | 35 | 0 | |
| (303,123) | (274,313) | LONG TERM LIABILITIES | | | (302,002) |
| 275,276 | 340,698 | NET ASSETS | | | 314,986 |
| (6,896) | (8,281) | Council Fund | | (9,158) | |
| (18,018) | (25,977) | Earmarked Reserves | | (30,505) | |
| (1,544) | (2,009) | Housing Revenue Account | | (871) | |
| (3,026) | (3,478) | Capital Receipts Reserve | | (1,594) | |
| (4,974) | (5,714) | Capital Grants Unapplied | | (4,935) | |
| (34,458) | (45,459) | Usable Reserves | 23 | | (47,063) |
| (173,259) | (199,801) | Revaluation Reserve | | (206,312) | |
| 162,180 | 129,680 | Pensions Reserve | | 153,834 | |
| (232,249) | (227,756) | Capital Adjustment Account | | (219,008) | |
| (19) | (14) | Deferred Capital Receipts | | (9) | |
| 345 | 339 | Financial Instruments Adjustment Account Short Term Accumulating | | 339 | |
| 2,184 | 2,313 | Compensated Absences Account | | 3,233 | |
| (240,818) | (295,239) | Unusable Reserves | 24 | | (267,923) |
| (275,276) | (340,698) | TOTAL RESERVES | | | (314,986) |

Cash Flow Statement

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

| 2010/11 £000 | | Note | 2011/12 £000 |
|-----------------|---|------|-----------------|
| (20,551) | | | 14,374 |
| 5,699 | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements Adjustments for items included in the net (surplus) or deficit on the | | (24,638) |
| 1,086 | provision of services that are investing and financing activities | | 1,861 |
| (13,766) | Net cash flows from Operating Activities | 25 | (8,403) |
| 12,819 | Investing Activities | 26 | 11,619 |
| (2,575) | Financing Activities | 27 | (3,474) |
| (3,522) | Net increase or decrease in cash and cash equivalents | | (258) |
| 95 | Cash and cash equivalents at the beginning of the reporting period | | 3,617 |
| 3,522 | Increase in Cash | | 258 |
| 3,617 | Cash and cash equivalents at the end of the reporting period | 19 | 3,875 |

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise 'Code of Practice on Local Authority Accounting in the United Kingdom 2011/12' (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Council also complies with the Service Reporting Code of Practice 2011/12 (SERCOP) 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 Council's presentation of the accounts complies with the adoption of International Financial Reporting Standards (IFRS). The Main Statements comprise:

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

ii. Accruals of Income and Expenditure

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

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

is written down and a charge made to revenue for the income that might not be collected.

iii . Capitalisation of Borrowing Costs

IFRS requires borrowing costs in respect of qualifying assets to be capitalised. Under the authority of the Code, the Council has selected an accounting policy of expensing these costs.

iv. Cash and Cash Equivalents

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

v. Charges to Revenue for Non-Current Assets

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

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

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

vi. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bond 4.1%)

- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities current bid price
 - unquoted securities professional estimate
 - unitised securities current bid price
 - property market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost the increase in liabilities arising from current year decisions the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - interest cost the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the Clwyd Pension Fund cash paid as employer's contributions to the pension fund

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

Discretionary Benefits

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

vii Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

None of the Council's financial assets have been impaired.

Soft Loans

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

apply soft loan accounting. The Council has set this de-minimis level at £150k for each individual loan granted. The Council does not have any soft loans which are above this level.

ix. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the yearend, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

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

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

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

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

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

xi. Heritage Assets

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

The Council's Heritage Assets are held at a number of sites. Rhyl Museum (within Rhyl Library), Ruthin Gaol & Plas Newydd have permanent collections. The latter two are site-

specific, telling the stories of the properties and their occupants, whereas the collection at Rhyl explores all aspects of the town and its environment. An annual Heritage based exhibition is mounted for a month at Denbigh Library. There is a temporary display area at Rhyl Museum, which is changed quarterly and one at Nantclwyd y Dre. A scheduled monument, Castell Dinas Bran is also located within Denbighshire.

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as the Council considers that obtaining valuations for the collections would involve a disproportionate cost in comparison to the benefits provided to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The collections are relatively static and there have been no recent acquisitions or donations.

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

There is no single item within the collective insurance valuation which has been highlighted as material.

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

Further information can be obtained from the Heritage Service's Collections Management Policy 2008-2013.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected that the future economic benefits or service potential will flow from the intangible asset to the Council.

The Council does not have any material intangible assets.

xiii. 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. Further details are shown in the notes to the accounts.

xiv. Inventories

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

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

xv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xvi. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Comprehensive Income and Expenditure Statement the expenditure and income from the activity of any such operation.

xvii. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xviii. Non Exchange Revenue

Recognition of Revenue from Non-Exchange Transactions

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

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

Taxation transactions

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

Non-taxation transactions

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

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

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

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

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

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

xix. 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 of the CIPFA *Service Reporting Code of Practice 2011/12* (SERCOP). 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 not charged to the services are:

- Corporate and Democratic Core costs relating to the Council's status as a multifunctional, democratic organisation.
- Non-Distributed Costs the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

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

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

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

xxi. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Subsequent revaluations of non current assets are planned as part of a continuous assessment in order that all assets are revalued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. 20% of the Council's assets were revalued during 2011/12. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

xxii. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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. The original recognition of these non-current assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For Denbighshire's scheme the liability was written down by an initial capital contribution of £300k.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

 fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost an interest charge of 6.19% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

Contingent Liabilities

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

either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

xxiv. Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Contributions to or from reserves are shown in the Movement in Reserves Statement. Only expenditure to be financed from a reserve is charged to the appropriate service in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxv. Revenue Expenditure Funded from Capital Under Statute

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

xxvi. VAT

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

xxvii. Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The adoption of amendments to IFRS 7 Financial Instruments : Disclosures (issued October 2010) by the Code will result in a change of accounting policy that will need to be implemented from 1 April 2012. The amendments to IFRS 7 are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. Relevant circumstances would arise when an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. It is unlikely that this standard will have a material impact on the Council's financial statements.

3. Critical Judgements in Applying Accounting Policies

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

- **PFI Scheme** The Council is deemed to control the services provided under its Private Finance Initiative arrangements and also to control the residual value of the asset at the end of the contract. The accounting policy for the PFI scheme (County Hall offices) and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet. Note 39 to the Accounts gives further details.
- **Classification of Leases** The Council has previously undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet. Further detail can be found in Note 38 to the Accounts.
- Valuation of Housing Stock The basis of valuation adopted for accounting purposes under International Accounting Standard 16 (Property, Plant and Equipment) is Fair Value which is deemed under the CIPFA Code of Practice to be Existing Use Value (EUV) as Social Housing. The valuation methodology applied is the Adjusted Vacant Possession Value (known as the Beacon Approach).

This approach seeks to obtain a value for the asset, based on the Fair Value (market value) assuming 'vacant possession' of the asset which is then adjusted to

reflect the asset's use for social housing with a sitting tenant. The underlying principles of this approach are:

- A representative asset is normally used as the basis for valuing a set of similar assets.
- The asset's Fair Value (market value) is determined from sales evidence relating to comparable properties. This provides a 'vacant possession' value.
- The market value is discounted by a factor to reflect the difference between private sector rents / yields and social housing rents / yields. This is intended to reflect the differential cash flows that would arise between the two types of landlord given that there is a sitting tenant in the property and that any development value is to be ignored (as continuation of the existing use is assumed under EUV).

The Council is satisfied that the components used to calculate the values using the Beacon Approach are reasonable and are consistent with previous valuations. There is currently no guidance in Wales that specifically defines the components within the methodology, some of which rely on professional judgements particular to local circumstances.

In terms of the financial statements, Council Houses have a net book value of £286,011,000 as at March 2012 as per Note 14 – *Property, Plant and Equipment.*

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

The Statement of Accounts contains some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is some risk of adjustment in the forthcoming financial year are as follows:

Property, Plant & Equipment

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

The value of Property, Plant and Equipment disclosed on the Balance Sheet is £573.352m and further information is contained within Note 14. **Equal Pay**

The Council has made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. Whilst the council believes the provision to be reasonable the settlement process has yet to be formally resolved.

The provision stands at £1.623m and is shown in Note 22.

Pension Liability

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

The value of the pension liability and corresponding pension reserve disclosed on the Balance Sheet is £153.834m. Detailed information is contained within Notes 24, 41 and 42.

Employee Benefit Accrual

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31st March 2012 was £3.233m and is detailed in Note 24.

Arrears

A review of outstanding debt has been made and an allowance made for doubtful debts. Any allowance made for doubtful future debts has to be based on an estimate. The allowance made is prudent but with a radical change to the entire benefit system on the horizon, the allowance may need to be reviewed next year.

The council makes a general provision for bad debts and specific provisions in relation to Council Tax (Note 12), National Non-Domestic Rates (Note 13) and Housing Rents (Housing Revenue Account Note 2).

5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement and its related notes, the nature and amount of material items appear in this note to the accounts. There are no such items to report for 2011/12.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 29th June 2012. Events taking place after this date are not reflected in the financial statements

or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Between the Balance Sheet date and the reporting date no material events have taken place which require disclosure.

7. Adjustments between Accounting Basis and Funding Basis under Regulation

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

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

Council Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

| 2011/12 | | Usable F | Reserves | | |
|---|------------------------------------|---------------------------------------|--|--|------------------------------|
| | Council Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Unusable Reserves £000 |
| Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | |
| Charges for depreciation & impairment of non-current assets | (16,474) | (6,467) | | | 22,941 |
| Revaluation losses on Property, Plant & Equipment | (15,045) | (5,965) | | | 21,010 |
| Movements in the fair value of Investment Properties | 3,617 | | | | (3,617) |
| Capital Grants & contributions applied | 13,228 | 2,400 | | | (15,628) |
| Revenue expenditure funded from capital under statute | (7,824) | | | | 7,824 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (996) | (284) | | | 1,280 |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | |
| Statutory provision for the financing of capital investment | 7,618 | 1,255 | | | (8,873) |
| Capital expenditure charged against the Council Fund & HRA balances | 875 | 1,341 | | | (2,216) |
| Adjustments primarily involving the Capital Grants Unapplied Account: Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 2,803 | | | (2,803) | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | 3,582 | (3,582) |

| 2011/12 | Γ | | | | |
|---|------------------------------------|---------------------------------------|--|---|------------------------------|
| | Council Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Unusable Reserves £000 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | 1,577 | 284 | (1,861) | | |
| Use of the Capital Receipts Reserve to finance new or existing capital expenditure | | | 3,750 | | (3,750) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non- current asset disposals | | | | | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | | | | Callerander and a second | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | (5) | | |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | (-)_ | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | | | | | 5 |
| Adjustments primarily involving the Financial Instruments Adjustment | | | | | |
| Account: Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (18) | 18 | | | 0 |
| Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the | | | | | |
| Comprehensive Income & Expenditure Statement | (14,022) | (406) | | | 14,428 |
| Employer's pension contributions payable in the year | 14,403 | 361 | | | (14,764) |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & | | | | | |
| Expenditure Statement on an accruals basis is different from remuneration | | | | | |
| chargeable in the year in accordance with statutory requirements | (906) | (14) | | | 920 |
| Total Adjustments | (11,164) | (7,477) | 1,884 | 779 | 15,978 |

| 2010/11 | | | | | |
|---|------------------------------------|---------------------------------------|--|--|------------------------------|
| | Council Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Unusable Reserves £000 |
| Adjustments primarily involving the Capital Adjustment Account | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | |
| Charges for depreciation & impairment of non-current assets | (11,274) | (13,083) | | | 24,357 |
| Revaluation losses on Property, Plant & Equipment | (8,365) | | | | 8,365 |
| Movements in the fair value of Investment Properties | (517) | | | | 517 |
| Capital Grants & contributions applied | 12,426 | 2,400 | | | (14,826) |
| Revenue expenditure funded from capital under statute | (6,329) | | | | 6,329 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (666) | (374) | | | 1,040 |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | |
| Statutory provision for the financing of capital investment | 6,783 | 1,037 | | | (7,820) |
| Capital expenditure charged against the Council Fund & HRA balances | 1,392 | | | | (1,392) |
| Adjustments primarily involving the Capital Grants Unapplied Account: Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 6,521 | 0 | | (6,521) | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | 5,781 | (5,781) |

| Denbighshire County Council Statement of Accounts 20 | | | | | <u>11/12</u> | | | |
|--|------------------------------------|---------------------------------------|--|--|------------------------------|--|--|--|
| 2010/11 | | Usable Reserves | | | | | | |
| | Council Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Unusable Reserves £000 | | | |
| Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement Use of the Capital Receipts Reserve to finance new or existing capital expenditure Contribution from the Capital Receipts Reserve towards administrative costs of non- current asset disposals | 714 | 374 | (1,088) 641 | | (641) | | | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | | | | | | | | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | (5) | | | | | |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | | | | | 5 | | | |
| Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (17) | 22 | | | (5) | | | |
| Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement | | | | | | | | |
| Employer's pension contributions payable in the year | 5,465 14,426 | (244) 180 | | | (5,221) (14,606) | | | |
| Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (124) | (5) | | | 129 | | | |
| Total Adjustments | 20,435 | (9,693) | (452) | (740) | (9,550) | | | |

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2011/12.

| | Balance at 1 st April 2010 £000 | Transfers Out 2010/11 £000 | Transfers In 2010/11 £000 | Balance at 31 st March 2011 £000 | Transfers Out 2011/12 £000 | Transfers In 2011/12 £000 | Balance at 31 st March 2012 £000 |
|---|---|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| Council Fund: Balances held by schools under a scheme of | (938) | 0 | (640) | (1,578) | 0 | (223) | (1,801) |
| delegation (i) | (950) | 0 | (040) | (1,576) | 0 | (223) | (1,001) |
| Capital Schemes | (1,012) | 1,078 | (931) | (865) | 900 | (1,291) | (1,256) |
| PFI Grant (ii) | (2,993) | 17 | (287) | (3,263) | 0 | (469) | (3,732) |
| Environmental Services | (92) | 92 | (70) | (70) | 70 | (129) | (129) |
| Early Retirement Fund – Schools | (91) | 29 | (654) | (716) | 0 | 0 | (716) |
| Modernising Education | 0 | 0 | (153) | (153) | 0 | (200) | (353) |
| Youth Service | (61) | 0 | 0 | (61) | 0 | 0 | (61) |
| Integrated Children's Centre | (49) | 4 | (27) | (72) | 19 | (30) | (83) |
| Leisure Strategy | (50) | 0 | 0 | (50) | 0 | (59) | (109) |
| Insurance Fund | (782) | 210 | 0 | (572) | 190 | 0 | (382) |
| Major Events Reserve | (139) | 0 | (61) | (200) | 31 | (19) | (188) |
| Town & Country Planning Act (s. 106) Requirements | (1,881) | 35 | 0 | (1,846) | 718 | (605) | (1,733) |
| Capital Financing (VAT refund interest) | (381) | 90 | (569) | (860) | 0 | 0 | (860) |
| Elections | (30) | 0 | (25) | (55) | 0 | (25) | (80) |
| Risk Management Fund | (137) | 8 | 0 | (129) | 42 | 0 | (87) |
| IT Networks Development | (110) | 0 | (79) | (189) | 45 | (18) | (162) |
| Single Status (iii) | (663) | 2,765 | (6,124) | (4,022) | 67 | (770) | (4,725) |
| Spend to Save | (148) | 148 | 0 | 0 | 0 | 0 | 0 |

| | Balance at 1 st April 2010 £000 | Transfers Out 2010/11 £000 | Transfers In 2010/11 £000 | Balance at 31 st March 2011 £000 | Transfers Out 2011/12 £000 | Transfers In 2011/12 £000 | Balance at 31 st March 2012 £000 |
|--|---|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| IT Systems Development (EDRMS) | (152) | 128 | 0 | (24) | 24 | 0 | 0 |
| LABGI reserve | (149) | 0 | 0 | (149) | 0 | 0 | (149) |
| Delivering Change (iv) | (2,359) | 88 | (715) | (2,986) | 903 | (480) | (2,563) |
| Regeneration Project (VAT refund) | (285) | 119 | 0 | (166) | 2 | 0 | (164) |
| Winter Maintenance | (273) | 0 | (129) | (402) | 0 | 0 | (402) |
| Major Highways Projects | (160) | 0 | 0 | (160) | 0 | 0 | (160) |
| Llys Marchan Reserve | (10) | 0 | 0 | (10) | 0 | 0 | (10) |
| Supporting People Reserve (v) | (2,696) | 0 | (244) | (2,940) | 0 | (714) | (3,654) |
| S.117 Mental Health Act | (52) | 0 | 0 | (52) | 0 | 0 | (52) |
| Specialist PSS Placements | (890) | 0 | 0 | (890) | 0 | 0 | (890) |
| Environment Directorate – Reserves | (60) | 28 | (134) | (166) | 94 | (114) | (186) |
| Sustainable Waste Management (vi) | (676) | 0 | (1,073) | (1,749) | 0 | (1,700) | (3,449) |
| LDP Future Costs | (255) | 0 | (50) | (305) | 92 | (50) | (263) |
| Design & Development | (95) | 70 | 0 | (25) | 0 | (95) | (120) |
| External Funding Administration | (115) | 0 | (50) | (165) | 77 | (46) | (134) |
| Revenue Grants Unapplied | (234) | 234 | (467) | (467) | 467 | (537) | (537) |
| Area Member Reserve | 0 | 0 | (300) | (300) | 101 | 0 | (199) |
| CESI Pooled Budget | 0 | 2 | (92) | (90) | 66 | (2) | (26) |
| Planning Delivery for Wales | 0 | 0 | (230) | (230) | 6 | (4) | (228) |
| Energy Efficiency Loan Scheme | 0 | 0 | 0 | 0 | 30 | (44) | (14) |
| Superannuation Recovery | 0 | 0 | 0 | 0 | 0 | (89) | (89) |
| N Wales Regional Transformation Fund | 0 | 0 | 0 | 0 | 0 | (63) | (63) |
| Training Collaboration Finance & Legal Reserves | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | (47) (92) | (47) (92) |

| | Balance at 1st April 2010 £000 | Transfers Out 2010/11 £000 | Transfers In 2010/11 £000 | Balance at 31st March 2011 £000 | Transfers Out 2011/12 £000 | Transfers In 2011/12 £000 | Balance at 31st March 2012 £000 |
|--------------------------|---|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| Transport Fund | 0 | 0 | 0 | 0 | 0 | (101) | (101) |
| Signing Schemes | 0 | 0 | 0 | 0 | 0 | (75) | (75) |
| Care Home fees | 0 | 0 | 0 | 0 | 0 | (358) | (358) |
| Social Care Amenity fund | 0 | 0 | 0 | 0 | 2 | (25) | (23) |
| Total | (18,018) | 5,145 | (13,104) | (25,977) | 3,946 | (8,474) | (30,505) |

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

- Balances held by schools under a scheme of delegation: in accordance with section 48 of the Schools Standards and Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) PFI Grant: the Council currently receives government Private Finance Initiative (PFI) special grant and makes contractual payments under one PFI scheme (Note 39). The weighting of the PFI grant is heavier in the earlier years so where the annual grant received is in excess of the contract payments made for the year, the additional income is transferred to a PFI reserve to meet future years' expenditure.
- (iii) Single Status: this is a reserve that has been built up to cover additional salary costs, both current and future, that have arisen as a result of the Single Status Agreement.
- (iv) Delivering Change: this is to support schemes that could deliver efficiency savings and strengthen capacity to support change and improvement.
- (v) Supporting People Reserve: this reserve has been established to mitigate the impact of proposed reductions in grant funding.
- (vi) Sustainable Waste Management: this is grant funding that must be used on specific waste projects that will be delivered in future years. It has been set up to mitigate the impact of future grant funding reductions.

9. Other Operating Expenditure

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|---|-----------------|
| 7,598 | Police Precept | 7,927 |
| 4,602 | Fire Authority Precept | 4,549 |
| 1,341 | Community Council Precepts | 1,378 |
| 5 | (Gains)/losses on Held for Sale Assets and the disposal of non-current assets | (283) |
| 13,546 | Total | 13,571 |

10. Financing and Investment Income and Expenditure

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|---|-----------------|
| 9,068 | Interest payable & similar charges | 9,135 |
| 6,523 | Pensions interest cost & expected return on pensions assets | 4,828 |
| (425) | Interest receivable & similar income | (436) |
| | Income & expenditure in relation to investment properties & | |
| 530 | 0 | (3,798) |
| (108) | Other investment income | (11) |
| 15,588 | Total | 9,718 |

11. Taxation and Non Specific Grant Income

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|----------------------------------|-----------------|
| (47,340) | Council tax income | (49,157) |
| (27,608) | Non domestic rates | (22,950) |
| (112,231) | Non-ringfenced government grants | (115,269) |
| (18,524) | Capital grants & contributions | (15,178) |
| (205,703) | Total | (202,554) |

12. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Denbighshire County Council, each Community Council and the 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 to convert the number to a Band D equivalent and adjusted for discounts. The tax base is 37,867 in 2011/12 (37,741 in 2010/11).

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was \pounds 1,270.03 (\pounds 1,232.31 in 2010/11) 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 | А | В | С | D | E | F | G | Н | 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 12 | 3,988 | 7,160 | 14,080 | 7,656 | 5,273 | 3,497 | 1,931 | 299 | 167 |

Analysis of the net proceeds from Council Tax:

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| 47,340 | Council Tax collectable | 49,157 |
| (7,598) | Amount payable to North Wales Police Authority | (7,927) |
| (283) | Provision for non-payment of Council Tax | (593) |
| 39,459 | Net proceeds from Council Tax | 40,637 |
| | Denbighshire County Council Split: | |
| 38,004 | Denbighshire County Council | 39,136 |
| 1,341 | Community Councils | 1,378 |
| 114 | Discretionary Non-domestic Rate Relief | 123 |
| 39,459 | | 40,637 |

13. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 42.8p in 2011/12 (40.9p in 2010/11) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) of £18.252m for 2011/12 (£17.602m for 2010/11) was based on an aggregate rateable value of £56.619m for the year.

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| 17,602 | Non Domestic Rates collectable | 18,252 |
| (206) | Cost of Collection allowance | (205) |
| 47 | Provision for Bad Debts | (252) |
| (37) | Refunds of interest | (9) |
| 17,406 | Payment into National Pool | 17,786 |
| 27,608 | Redistribution from National Pool | 22,950 |

Analysis of the net proceeds from non-domestic rates:

14. Property , Plant and Equipment

| 2011/12 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property,Plant & Equipment £000 |
|-------------------------------|------------------------------|--------------------------------------|---|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|--|
| Cost or Valuation | | | | | | | | | |
| At 1 April 2011 | 308,673 | 215,486 | 26,012 | 102,935 | 3,069 | 2,661 | 8,527 | 667,363 | 4,299 |
| Additions | 5,839 | 7,423 | 1,219 | 16,072 | 137 | 0 | 1,557 | 32,247 | 0 |
| Revaluation | | | | | | | | | |
| increases/(decreases) | | | | | | | | | |
| recognised in the | | | | | | | | | |
| Revaluation Reserve | 3,276 | 5,447 | 0 | 0 | 0 | 6 | 0 | 8,729 | 0 |
| Revaluation | | | | | | | | | |
| increases/(decreases) | | | | | | | | | |
| recognised in the | | | | | | | | | |
| Surplus/Deficit on the | | | | | | () | | | |
| Provision of Services | (7,361) | (13,106) | 0 | 0 | 0 | (719) | (4,362) | (25,548) | 0 |
| Derecognition – disposals | (284) | (380) | 0 | 0 | 0 | 0 | 0 | (664) | 0 |
| Derecognition – other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from | | | | | | | | | |
| Held for Sale | (45) | (575) | 0 | 0 | 0 | (150) | 0 | (770) | 0 |
| Other movements in cost or | | | | | | | | | |
| valuation | 0 | 212 | 0 | 0 | 0 | 0 | (956) | (744) | 0 |
| At 31 March 2012 | 310,098 | 214,507 | 27,231 | 119,007 | 3,206 | 1,798 | 4,766 | 680,613 | 4,299 |

Statement of Accounts 2011/12

| 2011/12 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 |
|--|------------------------------|--------------------------------------|---|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|---|
| Accumulated Depreciation | | | | | | | | | |
| & Impairment | | | | | | | | | |
| At 1 April 2011 | (19,326) | (34,398) | (15,960) | (21,413) | (34) | (28) | (629) | (91,788) | (117) |
| Depreciation charge | (6,384) | (5,972) | (3,237) | (2,451) | 0 | (14) | 0 | (18,058) | (58) |
| Depreciation written out to | | | | | | | | | · · · |
| Revaluation Reserve | 2,244 | 2,567 | 0 | 0 | 0 | 33 | 0 | 4,844 | 0 |
| Depreciation written out to the Surplus/Deficit on the | | | | | | | | | |
| Provision of Services | 1,397 | 3,383 | 0 | 0 | 0 | 35 | 0 | 4,815 | 0 |
| Impairment | 1,007 | 0,000 | 0 | Ŭ | 0 | 00 | 0 | 4,010 | Ű |
| losses/(reversals) | | | | | | | | | |
| recognised in the | | | | | | | | <i></i> | |
| Revaluation Reserve | (2,028) | (423) | 0 | 0 | 0 | 0 | 0 | (2,451) | 0 |
| Impairment losses/(reversals) | | | | | | | | | |
| recognised in the | | | | | | | | | |
| Surplus/Deficit on the | | | | | | | | | |
| Provision of Services | 0 | (2,995) | 0 | (1,253) | 0 | 0 | (578) | (4,826) | 0 |
| Derecognition - disposals | 10 | 34 | 0 | 0 | 0 | 0 | 0 | 44 | 0 |
| Derecognition – other | 0 | 115 | 0 | 0 | 0 | 0 | 0 | 115 | 0 |
| Other movements in | | | | | | | | | |
| depreciation & impairment | 0 | 44 | 0 | 0 | 0 | 0 | 0 | 44 | 0 |
| At 31 March 2012 | (24,087) | (37,645) | (19,197) | (25,117) | (34) | 26 | (1,207) | (107,261) | (175) |
| Net Deels Velue | | | 1 | | | 1 | | | , |
| Net Book Value At 31 March 2012 | 286.011 | 176,862 | 8,034 | 93,890 | 3,172 | 1,824 | 3,559 | 573,352 | 4,124 |
| At 31 March 2012 | 289,347 | 181,088 | , | 81,522 | 3,035 | 2,633 | 7,898 | | , |

Statement of Accounts 2011/12

| 2010/11 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 |
|--|------------------------------|--------------------------------------|---|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|---|
| Cost or Valuation | | | | | | | | | |
| At 1 April 2010 | 282,161 | 217,002 | 22,675 | 87,897 | 2,809 | 3,083 | 7,748 | 623,375 | 4,299 |
| Additions | 6,364 | 5,615 | 3,337 | 15,038 | 260 | 1 | 779 | 31,394 | 0 |
| Revaluation | | | | | | | | | |
| increases/(decreases) | | | | | | | | | |
| recognised in the Revaluation Reserve | 27 600 | (1 656) | 0 | 0 | 0 | 491 | 0 | 26 524 | 0 |
| Revaluation | 27,699 | (1,656) | 0 | 0 | 0 | 491 | 0 | 26,534 | 0 |
| increases/(decreases) | | | | | | | | | |
| recognised in the | | | | | | | | | |
| Surplus/Deficit on the | | | | | | | | | |
| Provision of Services | (7,176) | (4,538) | 0 | 0 | 0 | (914) | 0 | (12,628) | 0 |
| Derecognition – disposals | (375) | (665) | 0 | 0 | 0 | 0 | 0 | (1,040) | 0 |
| Derecognition – other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from | | | | | | | | | |
| Held for Sale | 0 | (272) | 0 | 0 | 0 | 0 | 0 | (272) | 0 |
| Other movements in cost or | | - | _ | - | _ | - | | | |
| valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2011 | 308,673 | 215,486 | 26,012 | 102,935 | 3,069 | 2,661 | 8,527 | 667,363 | 4,299 |

| 2010/11 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 |
|---|------------------------------|--------------------------------------|---|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|---|
| Accumulated Depreciation & Impairment | | | | | | | | | |
| At 1 April 2010 | (16,188) | (30,887) | (13,117) | (16,939) | (34) | (8) | (201) | (77,374) | (58) |
| Depreciation charge | (6,218) | (5,636) | (2,843) | (2,132) | 0 | (19) | 0 | (16,848) | (59) |
| Depreciation written out to Revaluation Reserve | 4,291 | 3,790 | 0 | 0 | 0 | 0 | 0 | 8,081 | 0 |
| Depreciation written out to the Surplus/Deficit on the Provision of Service | 480 | 2,869 | 0 | 0 | 0 | 0 | 0 | 3,349 | 0 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve Impairment | (1,541) | (977) | 0 | 0 | 0 | 0 | 0 | (2,518) | 0 |
| losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (150) | (3,565) | 0 | (2,342) | 0 | (1) | (428) | (6,486) | 0 |
| Derecognition – disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition – other Other movements in | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| depreciation & impairment | 0 | 8 | 0 | 0 | 0 | 0 | 0 | 8 | 0 |
| At 31 March 2011 | (19,326) | (34,398) | (15,960) | (21,413) | (34) | (28) | (629) | (91,788) | (117) |
| Net Book Value At 31 March 2011 At 31 March 2010 | 289,347 265,973 | 181,088 186,115 | 10,052 9,558 | 81,522 70,958 | 3,035 2,775 | 2,633 3,075 | 7,898 7,547 | 575,575 546,001 | 4,182 4,241 |

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings 15-75 years
- Other Land and Buildings* 1-147 years
- Vehicles, Plant, Furniture & Equipment 3-10 years
- Infrastructure 40 years

Voluntary Aided and Voluntary Controlled Schools

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

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £3.056m. Similar commitments at 31 March 2011 were £11.948m. The *major* commitments are:

| Project | Total Future Contract Payments 2012/13 £000s |
|--|---|
| Ysgol Dinas Bran – New Dining Area and Kitchen | 120 |
| Section 106 – Town & Country Planning Act | 285 |
| Bee & Station, Rhyl – Renovation | 1,080 |
| Housing Improvement Programme | 611 |
| 87-88 West Parade, Rhyl – Demolition | 92 |
| Costigans, Rhyl – Renovation | 172 |
| West Rhyl Coastal Defence Scheme | 469 |
| Total | 2,829 |

Revaluations

As part of the programme to revalue all assets within five years of their previous valuation, a proportion of the freehold and leasehold properties which comprise the Authority's property portfolio have been valued by Mrs C Jones Black BSc (Hons) MRICS, on the under mentioned bases in accordance with the Statements of Asset Valuation and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation. Inspections were carried out between January 2012 and June 2012.

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

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

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Surplus Assets £000 | Total £000 |
|---|------------------------------|-----------------------------------|--|---------------------------|-----------------------------|
| Carried at historical cost Valued at fair value as at: | | | 8,034 | | 8,034 |
| 31 March 2012 31 March 2011 31 March 2010 | 40,515 66,025 62,452 | 31,017 23,844 55,594 | | 1,824 | 73,356 89,869 118,046 |
| 31 March 2009 31 March 2008 | 76,106 40,913 | 29,042 37,365 | | | 105,148 78,278 |
| Total Cost or Valuation | 286,011 | 176,862 | 8,034 | 1,824 | 472,731 |

As part of the rolling programme in 2011/12 secondary schools and surplus assets were reviewed, also council houses in the St Asaph, Rhuddlan and Bodelwyddan areas.

15. Investment Properties

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

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Rental income from Investment Property | 372 | 514 |
| Direct operating expenses arising from Investment Property | (206) | (546) |
| Net gain/(loss) | 166 | (32) |

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

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Balance at start of the year | 10,011 | 10,405 |
| Additions: | | |
| Subsequent expenditure | 2 | 123 |
| Disposals | (304) | 0 |
| Net gains/(losses) from fair value adjustments | 3,617 | (498) |
| Transfers: | | |
| to/from Inventories | 0 | 0 |
| to/from Property, Plant and Equipment | (401) | 0 |
| Other changes | 0 | (19) |
| Balance at end of the year | 12,925 | 10,011 |

16. Financial Instruments

Categories of Financial Instruments

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

| Long Term 01-April-10 £000 | Current 01-April-10 £000 | Long Term 31-Mar-11 £000 | Current 31-Mar-11 £000 | | Long Term 31-Mar-12 £000 | Current 31-Mar-12 £000 |
|----------------------------------|--------------------------------|--------------------------------|------------------------------|--|--------------------------------|------------------------------|
| 7 | 18,599 | 7 | 19,219 | Investments Loans and receivables | 7 | 16,233 |
| 7 | 18,599 | 7 | 19,219 | Total Investments | 7 | 16,233 |
| 1,446 | 26,369 | 1,120 | 24,200 | Debtors Loans and receivables | 1,102 | 24,121 |
| 1,446 | 26,369 | 1,120 | 24,200 | Total Debtors | 1,102 | 24,121 |
| 125,262 | 3,395 | 129,130 | 2,508 | Borrowings Financial liabilities at amortised cost | 132,432 | 3,013 |
| 125,262 | 3,395 | 129,130 | 2,508 | Total Borrowings | 132,432 | 3,013 |
| 10,781 | 0 | 10,480 | 31 | Other Long Term Liabilities PFI and finance lease liabilities | 9,889 | 321 |
| 10,781 | 0 | 10,480 | 31 | Total Other Long Term Liabilities | 9,889 | 321 |
| | 30,583 | | 25,206 | Creditors Financial liabilities at amortised cost | | 23,709 |
| | 30,583 | | 25,206 | Total Creditors | 0 | 23,709 |

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The council received a loan of £181k during 2011/12 and the balance on this loan at 31 March 2012 is £166k.

The Council is also a member of the Cyclescheme, which is a UK Government tax exemption initiative introduced to promote employees to cycle to work and therefore reduce environmental pollution. The Council gives loans to employees for this purpose and the balance outstanding at 31 March 2012 is £10k.

The Council does not account for these loans as soft loans as they lie below the deminimis level.

Income Expense, Gains and Losses

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

| Financial Liabilities 2010/11 £000 | Financial Assets 2010/11 £000 | | Financial Liabilties 2011/12 £000 | Financial Assets 2011/12 £000 | Total 2011/12 £000 |
|---|--|---|--|--|--------------------------|
| 9,068 | | Interest Expense Losses on de-recognition | 9,135 | | 9,135 |
| 9,068 | 0 | Total expense in Surplus or Deficit on the Provision of Services | 9,135 | 0 | 9,135 |
| | (425) | Interest Income Gains on de-recognition | | (436) | (436) |
| 0 | (425) | Total income in Surplus or Deficit on the Provision of Services | 0 | (436) | (436) |

Fair Values of Assets and Liabilities

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. IFRS requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 and 31 March 2012 consisted entirely of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates.

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

investments have therefore been assessed as being the same as the carrying amount on the Balance Sheet.

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

The fair values calculated are as follows:

| Carrying Amount 01 April 2010 £000 | Fair Values 01 April 2010 £000 | Carrying Amount 31 March 2011 £000 | Fair Values 31 March 2011 £000 | | Carrying Amount 31 March 2012 £000 | Fair Values 31 March 2012 £000 |
|--|---|--|---|------------------------------------|--|---|
| 128,657 | 158,506 | 131,638 | 164,790 | Financial Liabilities | 135,445 | 193,739 |
| 10,781 | 10,781 | 10,480 | 10,480 | Long Term Creditors | 10,206 | 10,206 |
| 139,438 | 169,287 | 142,118 | 175,270 | Total Financial Liabilities | 145,651 | 203,945 |
| 18,606 | 18,606 | 19,226 | 19,226 | Loans and Receivables | 16,240 | 16,240 |
| 1,446 | 1,446 | 1,120 | 1,120 | Long Term Debtors | 1,102 | 1,102 |
| 20,052 | 20,052 | 20,346 | 20,346 | Total Financial Assets | 17,342 | 17,342 |

17. Inventories

At 31 March 2012 the Council held inventories to the value of £2.001m (£1.404m at 31 March 2011)

The more significant inventories held by Environmental Services and Cefndy Enterprises are analysed as follows:

| | Consu Sto | mable res | | enance erials | Finished | d Goods | Work in | Progress | То | tal |
|---|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| Balance outstanding at start of year | 403 | 328 | 338 | 328 | 141 | 145 | 127 | 83 | 1,009 | 884 |
| Purchases | 2,857 | 2,421 | 722 | 695 | 267 | 0 | 99 | 44 | 3,945 | 3,160 |
| Recognised as an expense in the year | (2,743) | (2,346) | (682) | (685) | 0 | (4) | (5) | 0 | (3,430) | (3,035) |
| Written off balances | Ó | Ó | Ó | Ó | 0 | Ó | Ó | 0 | Ó | Ó |
| Reversals of write offs in previous years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance outstanding at year-end | 517 | 403 | 378 | 338 | 408 | 141 | 221 | 127 | 1,524 | 1,009 |

The following table shows the remainder of the inventories balances:

| 31 Mar 2011 £000 | | 31 Mar 2012 £000 |
|---------------------|--|---------------------|
| | Inventories | |
| 112 | Customer Services | 40 |
| 64 | Adult & Business Services | 48 |
| 88 | Environment | 95 |
| 44 | Highways & Infrastructure | 211 |
| 87 | Leisure, Libraries & Community Development | 83 |
| 395 | Total Inventories | 477 |

18. Debtors

| | 31 March 2012 £000 | 31 March 2011 £000 | 01 April 2010 £000 |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| Central government bodies | 11,442 | 12,652 | 15,215 |
| Other local authorities | 3,989 | 524 | 368 |
| NHS bodies | 1,068 | 995 | 945 |
| Public corporations and trading funds | 3 | 4 | 0 |
| Other entities and individuals | 7,619 | 10,025 | 9,841 |
| Total | 24,121 | 24,200 | 26,369 |

19. Cash and Cash Equivalents

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

| 01 April 2010 £000 | 31 March 2011 £000 | | 31 March 2012 £000 |
|-----------------------|-----------------------|---------------------------------------|-----------------------|
| 307 | 393 | Cash held by the Council | 314 |
| (3,912) | 224 | Bank current accounts | (1,439) |
| 3,700 | 3,000 | Cash held instant access call account | 5,000 |
| 95 | 3,617 | Total Cash and Cash Equivalents | 3,875 |

20. Assets Held for Sale

| | Current | | |
|---|-----------------|-----------------|--|
| | 2011/12 £000 | 2010/11 £000 | |
| Balance Outstanding at start of year Assets newly classified as Held for Sale: | 410 | 76 | |
| Property, Plant and Equipment | 1,561 | 365 | |
| Other | 195 | 0 | |
| Revaluation losses | (276) | (31) | |
| Revaluation gains | 198 | Ó | |
| Assets sold | (334) | 0 | |
| Balance outstanding at year end | 1,754 | 410 | |

21. Creditors

| | 31 March 2012 £000 | Restated 31 March 2011 £000 | 01 April 2010 £000 |
|-------------------------------------|-----------------------|-----------------------------------|-----------------------|
| Central government bodies | (1,618) | (1,162) | (1,627) |
| Other local authorities | (2,260) | (2,389) | (3,634) |
| NHS bodies | (387) | (589) | (482) |
| Public corporations & trading funds | (2) | (43) | (100) |
| Other entities & individuals | (19,442) | (21,023) | (24,740) |
| Total | (23,709) | (25,206) | (30,583) |

22. Provisions

| | Insurance Fund £000 | Equal/Back Pay Claims £000 | Other Provisions £000 | Total £000 |
|--------------------------------------|------------------------|----------------------------------|-----------------------------|---------------|
| Balance as at 1 April 2011 | 838 | 1,696 | 487 | 3,021 |
| Additional provision made in 2011/12 | 615 | 0 | 316 | 931 |
| Amounts used in 2011/12 | (494) | (73) | (8) | (575) |
| Unused amounts reversed in 2011/12 | (70) | 0 | 0 | (70) |
| Balance as at 31 March 2012 | 889 | 1,623 | 795 | 3,307 |

Also included within the Provisions figures on the Balance Sheet is the Provision for Accumulated Absences of £3,233k. This relates to the provision required for the benefits which employees have accumulated but which remain untaken at the Balance Sheet date. As this is a notional provision and the movement must not be recognised in the revenue account, the balances have been excluded from the table above.

Insurance Fund

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

As at 31 March 2012 a £0.9m provision has been set aside for the full estimated cost of meeting insurance liabilities.

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

We expect £310k to be settled within the next twelve months with the remainder of £579k to be settled within the next one to five years. The Authority may be reimbursed by its insurers but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £10k excess.

Equal / Back Pay Claims

This is a fund to pay for any potential liability arising.

Other Provisions

All other provisions are individually insignificant. They include the following:

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 Government will eventually be less than the level of future levies, thus requiring use of this provision.

Health and Safety

This is a fund used to address Health and Safety issues such as recently imposed Improvement Notice from the Health and Safety Executive.

Financial Software Developments

This is a fund built up over a number of years from planned savings. The fund will be used to modernise the Authority's Financial Systems

Product Liability

This is a fund set up to meet costs associated with a product recall.

Welfare Reform Provision

This is a fund set up to cover additional costs as a result of the impact of the Welfare Reforms, resulting in changes in Housing and Council Tax Benefits.

Carbon Reduction Tax

This relates to the CRC energy efficiency scheme and is a mandatory carbon trading scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. This fund is required to meet the first payment for the Council to purchase carbon allowances, based on the actual carbon it emitted in the financial year 2011/12.

23. Usable Reserves

| 01 April 2010 £000 | 31 March 2011 £000 | | 31 March 2012 £000 |
|-----------------------|-----------------------|-----------------------------|-----------------------|
| (6,896) | (8,281) | Council Fund | (9,158) |
| (18,018) | (25,977) | Earmarked Reserves (Note 8) | (30,505) |
| (1,544) | (2,009) | Housing Revenue Account | (871) |
| (3,026) | (3,478) | Capital Receipts Reserve | (1,594) |
| (4,974) | (5,714) | Capital Grants Unapplied | (4,935) |
| (34,458) | (45,459) | Total Usable Reserves | (47,063) |

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.

| 01 April 2010 £000 | 31 March 2011 £000 | | Transfers (In)/Out £000 | 31 March 2012 £000 |
|--------------------------|--------------------------|----------------------------------|-------------------------------|--------------------------|
| | | Council Fund Revenue Balances | | |
| (6,627) | (6,931) | General Balances | (644) | (7,575) |
| (136) | (1,109) | Earmarked Balances | (241) | (1,350) |
| (133) | (241) | Environmental Services Balances | 8 | (233) |
| (6,896) | (8,281) | Total Council Fund Balances | (877) | (9,158) |
| (1,544) | (2,009) | Housing Revenue Account Balances | 1,138 | (871) |

Capital Receipts Reserve

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

| | | | | 2011/12 | |
|-----------------|------|-------------------------------------|-------------------------|---------------------------------------|--------------------------|
| 2010/11 £000 | | | Council Fund £000 | Housing Revenue Account £000 | Total 2011/12 £000 |
| (3,026) | | Balance at 1 April | (3,172) | (306) | (3,478) |
| (730) | Plus | Receipts – Asset Sales | (1,572) | (284) | (1,856) |
| (350) | | Receipts - Leases | 0 | 0 | 0 |
| (3) | | Receipts – Grants Repaid | (5) | 0 | (5) |
| (4) | | Receipts – RTB Discounts Repaid | 0 | 0 | 0 |
| (5) | | Deferred Capital Receipts | 0 | (5) | (5) |
| (4,118) | | | (4,749) | (595) | (5,344) |
| | Less | Applied During year: | | | |
| 356 | | Finance Capital Expenditure - Other | 3,312 | 221 | 3,533 |
| 284 | | Debt Redemption | | 217 | 217 |
| (3,478) | | Balance at 31 March | (1,437) | (157) | (1,594) |

Capital Grants Unapplied

| 2010/11 | | 2011 | /12 |
|----------|---|----------|----------|
| £000 | | £000 | £000 |
| (4,974) | Balance at 1 April | | (5,714) |
| | Plus Grants and Contributions received in year | | |
| (16,123) | - Council Fund | (12,778) | |
| (2,400) | - HRA | (2,400) | |
| (2,823) | - Revenue Expenditure funded by Capital Under Statute | (3,253) | (18,431) |
| | Less Grant and Contributions applied in the year | | |
| 14,969 | - Grants received in 2011/12 | 13,250 | |
| 3,200 | Grants received previous years | 3,582 | |
| 2,437 | Other grants and contributions received | 2,378 | 19,210 |
| (5,714) | Balance at 31 March | | (4,935) |

24. Unusable Reserves

| 1 April 2010 £000 | 31 March 2011 £000 | | 31 March 2012 £000 |
|----------------------|-----------------------|--|-----------------------|
| (173,259) | (199,801) | Revaluation Reserve | (206,312) |
| (232,249) | (227,756) | Capital Adjustment Account | (219,008) |
| 345 | 339 | Financial Instruments Adjustment Account | 339 |
| (19) | (14) | Deferred Capital Receipts Reserve | (9) |
| 162,180 | 129,680 | Pensions Reserve | 153,834 |
| 2,184 | 2,313 | Accumulated Absences Account | 3,233 |
| (240,818) | (295,239) | Total Unusable Reserves | (267,923) |

Revaluation Reserve

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

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

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

| 2010/11 | | 201 | 1/12 |
|-------------------|--|-------------------|-----------|
| £000 | | £000 | £000 |
| (173,259) | Balance at 1 April | | (199,801) |
| (35,129) 2,931 | Upward revaluation of assets Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services | (15,664) 2,512 | |
| (32,198) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | | (13,152) |
| 5,089 | Difference between fair value depreciation & historical cost depreciation | 5,920 | |
| 6 | Impairment Adjustment | 0 | |
| 561 | Accumulated gains on assets sold or scrapped | 721 | |
| 5,656 | Amount written off to the Capital Adjustment Account | | 6,641 |
| (199,801) | Balance at 31 March | | (206,312) |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2010/11 £000 | | 2011/12 £000 | 2011/12 £000 |
|-------------------|--|-----------------|-------------------|
| (232,249) | Balance at 1 April | | (227,756) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income | | |
| 24,359 | Expenditure Statement: Charges for depreciation & impairment of non-current assets | 22,941 | |
| 8,365 | Revaluation losses on Property, Plant & Equipment | 20,734 | |
| 0,000 | - Revaluation lococo on ripporty, riant a Equipmont | | |
| 0 | Revaluation losses on Held for Sale | 276 | |
| 6,329 | Revenue expenditure funded from capital under statute | 7,824 | |
| 1,039 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement | 1,280 | 53,055 |
| 40,092 | Adjusting amounts written out of the Revoluction Reserve | | (6.641) |
| (5,655) 34,437 | Adjusting amounts written out of the Revaluation Reserve Net written out amount of the cost of non-current assets consumed in the year | | (6,641) 46,414 |
| 34,437 | Capital Financing applied in the year: | | 40,414 |
| (641) | Use of the Capital Receipts Reserve to finance new capital expenditure | (3,750) | |
| (14,826) | Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | (15,628) | |
| (5,781) | Application of grants to capital financing from the Capital Grants Unapplied Account | (3,582) | |
| (7,821) | Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances | (8,873) | |
| (1,392) | Capital expenditure charged against the Council Fund & HRA balances | (2,216) | (34,049) |
| (30,461) | | | |
| - 4 - 7 | Movements in the market value of Investment Properties debited or credited to the Comprehensive | | (3,617) |
| 517 (227 756) | Income & Expenditure Statement Balance at 31 March | | (210,009) |
| (227,756) | Balance at ST March | | (219,008 |

Financial Instruments Adjustment Account

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

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

| 2010/11 | | 201 | 1/12 |
|---------|---|------|------|
| £000 | | £000 | £000 |
| 345 | Balance at 1 April | | 339 |
| 0 | Premiums/Discounts incurred/received in the year & charged/credited to the Comprehensive Income & Expenditure Statement Proportion of premiums/discounts incurred/received in previous financial years to be charged/credited to the Council Fund Balance in accordance with statutory | 0 | |
| (6) | requirements | 0 | |
| (6) | Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | 0 |
| 339 | Balance at 31 March | | 339 |

Pensions Reserve

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

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| 162,180 | Balance at 1 April | 129,680 |
| (12,673) | Actuarial gains or losses on pensions assets & liabilities Items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the | 24,490 |
| (5,221) | Comprehensive Income & Expenditure Statement | 14,428 |
| (14,606) | Employer's pension contributions payable in the year | (14,764) |
| 129,680 | Balance at 31 March | 153,834 |

Deferred Capital Receipts Reserve

Deferred capital receipts relate to future income to be received from long term debtors, where the original advance was not financed by borrowing. These have arisen where the Council granted former tenants of Council Houses mortgages to enable them to purchase their homes under the 'Right to Buy' scheme.

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| (19) | Balance at 1 April | (14) |
| | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & expenditure Statement | |
| 5 | Transfer to the Capital Receipts Reserve upon receipt of cash | 5 |
| (14) | Balance at 31 March | (9) |

Accumulated Absences Account

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

| 2010/11 £000 | | 2011/12 £000 | 2011/12 £000 |
|-------------------------|---------------------|------------------|-----------------|
| 2,184 | Balance at 1 April | | 2,313 |
| (2,184) 2,313 129 | | (2,313) 3,233 | 920 |
| 2,313 | Balance at 31 March | | 3,233 |

25. Cash Flow Statement – Operating Activities

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| (20,551) | Net (surplus) or deficit on the provision of services | 14,374 |
| | Adjustments to net surplus or deficit on the provision of services for | |
| | non-cash movements | |
| 43 | Inc/(Dec) in Inventories | 597 |
| (326) | Inc/(Dec) in Long Term Debtors | (18) |
| (2,699) | Inc/(Dec) in Debtors/Payments in Advance | 1,200 |
| 120 | Inc/(Dec) in Investment interest accrual | 14 |
| 8,317 | (Inc)/Dec in Creditors/Receipts in Advance | 5,992 |
| (13) | (Inc)/Dec in Loan Interest accrual | (23) |
| (103) | Transfers (to)/from Provisions | (1,206) |
| (274) | Bad Debt Provision | (527) |
| (16,926) | Depreciation | (22,941) |
| (15,796) | Revaluations Losses on PPE & Impairment | (21,010) |
| (517) | Movements in Market Value of Investment Properties | 3,617 |
| 19,827 | Pension Fund Adjustments | 336 |
| 14,046 | Other | 9,331 |
| | Adjustments for items included in the net surplus or deficit on the | |
| | provision of services that are investing and financing activities. | |
| 1,086 | Sale of fixed assets | 1,861 |
| (13,766) | Net cash flows from Operating Activities | (8,403) |

26. Cash Flow Statement – Investing Activities

| 2010/11 £000 | | 2011/12 £000 |
|--------------------------|---|-------------------------|
| 33,707 168,800 427 | | 35,854 114,900 65 |
| | Proceeds from the sale of property, plant and equipment, investment property and intangible assets. | (1,861) (117,900) |
| (20,729) | Other receipts from investing activities | (19,439) |
| 12,819 | Net cash flows from investing activities | 11,619 |

27. Cash Flow Statement – Financing Activities

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| (10,000) | Cash receipts of short-term and long-term borrowing. Other receipts from financing activities | (15,681) |
| | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance | |
| | sheet PFI contracts Repayments of short-term and long-term borrowing | 302 |
| 7,040 | Other payments for financing activities | 11,905 |
| (2,575) | Net cash flows from financing activities | (3,474) |

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across service blocks. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to service blocks.

The income and expenditure of the Council's principal service blocks recorded in the budget reports for the year is as follows:

| Service Block Income and Expenditure 2011/12 | Schools £000 | Adult & Business Services £000 | Corporate £000 | Environment and Planning, Regeneration & Public Protection £000 | Highways & Infrastructure £000 | Children's & Family Services and Housing £000 | Modernising Education and School Improvement & Inclusion £000 | Leisure, Libraries & Community Development £000 | All Other Service Blocks £000 | Total £000 |
|--|-----------------------|---|-------------------|---|--------------------------------------|--|--|---|---|---------------------------|
| Fees, charges & other service income Government grants | (1,671) (7,338) | (10,469) (5,849) | (39,940) (121) | (7,092) (389) | (8,293) (1,972) | (1,636) (1,127) | (3,130) (3,983) | (5,796) (374) | (9,118) (2,828) | (87,145) (23,981) |
| Total Income | (9,009) | (16,318) | (40,061) | (7,481) | (10,265) | (2,763) | (7,113) | (6,170) | (11,946) | (111,126) |
| Employee expenses Other service expenses Support service recharges | 57,542 11,613 0 | , | , | 7,977 14,542 48 | 5,856 14,816 11 | 4,947 6,968 37 | 6,865 5,772 0 | 6,125 6,031 0 | 14,909 9,485 10 | 121,640 145,624 138 |
| Total Expenditure | 69,155 | 48,121 | 45,727 | 22,567 | 20,683 | 11,952 | 12,637 | 12,156 | 24,404 | 267,402 |
| Net Expenditure | 60,146 | 31,803 | 5,666 | 15,086 | 10,418 | 9,189 | 5,524 | 5,986 | 12,458 | 156,276 |

| Service Block Income and Expenditure 2010/11 | Lifelong Learning £000 | Other Lifelong Learning £000 | Environment £000 | Environment Property and Maintenance £000 | Social Services & Housing £000 | Governance and Efficiency, Business Planning and Performance and Corporate £000 | Benefits £000 | Total £000 |
|--|---------------------------|---------------------------------------|---------------------|---|---|---|------------------|----------------------|
| Fees, charges & other service income Government grants | (2,590) (6,869) | (5,742) (781) | (13,647) (3,541) | 0 0 | (10,875) (9,482) | (7,500) (4,254) | (37,559) | (40,354) (62,486) |
| Total Income | (9,459) | (6,523) | (17,188) | 0 | (20,357) | (11,754) | (37,559) | (102,840) |
| Employee expenses Other service expenses | 56,022 9,243 | 13,559 7,184 | 15,831 29,169 | 0 1,037 | 21,847 39,506 | 17,792 12,116 | 64 37,238 | 125,115 135,493 |
| Support service recharges | , | , | 65 | , | 38 | 40 | | 143 |
| Total Expenditure | 65,265 | 20,743 | 45,065 | 1,037 | 61,391 | 29,948 | 37,302 | 260,751 |
| Net Expenditure | 55,806 | 14,220 | 27,877 | 1,037 | 41,034 | 18,194 | (257) | 157,911 |

Reconciliation of Service Block Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service block income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|
| Net expenditure in the Service Block Analysis | 157,911 | 156,276 |
| Net expenditure of services & support services not | | |
| included in the Analysis | (3,465) | 31,919 |
| HRA | 10,299 | 9,592 |
| Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis Amounts included in the Analysis not included in the | (6,781) | (791) |
| Comprehensive Income & Expenditure Statement | (1,946) | (3,357) |
| Cost of Services in the Comprehensive Income & Expenditure Statement | 156,018 | 193,639 |

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service block income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Denbighshire County Council

Statement of Accounts 2011/12

| 2011/12 | Service Block Analysis | Services & Support Services not in Analysis | HRA | Amounts in the CI&ES But not reported to management | Amounts not included in CI&ES | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|--|------------------------------|--|----------|--|--|-------------------------------|---------------------|----------------------|-----------|
| 2011/12 | £000 | £000 | £000 | in the Analysis £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other | | | | | | | | | |
| service income | (87,145) | (189) | (11,302) | 227 | 1,964 | (16,636) | (113,081) | 0 | (113,081) |
| Interest & investment income | | | | | | | 0 | (4,229) | (4,229) |
| Income from council | | | | | | | 0 | (4,223) | (4,223) |
| tax | | | | 893 | | | 893 | (49,157) | (48,264) |
| Government grants & | | | | | | | | | |
| contributions | (23,981) | | | | 1,681 | | (22,300) | (153,397) | (175,697) |
| Total Income | (111,126) | (189) | (11,302) | 1,120 | 3,645 | (16,636) | (134,488) | (206,783) | (341,271) |
| Employee expenses | 121,640 | (4,163) | 2,422 | | | 11,226 | 131,125 | 0 | 131,125 |
| Other service | | | | | | | | | |
| expenses | 145,624 | 5,028 | 5,366 | (1,929) | (5,675) | 266 | 148,680 | 277 | 148,957 |
| Support Service recharges | 138 | 0 | 674 | | | 2,926 | 3,738 | 0 | 3,738 |
| Depreciation, | 100 | Ŭ | 071 | | | 2,020 | 0,100 | Ū | 0,700 |
| amortisation & | | | | | | | | | |
| impairment | | 31,243 | 12,432 | | | 2,218 | 45,893 | 0 | 45,893 |
| Interest payments | | | | 18 | (1,327) | | (1,309) | 13,963 | 12,654 |
| Precepts & Levies | | | | | | | 0 | 13,854 | 13,854 |
| Gain or Loss on | | | | | | | | | |
| Disposal of Fixed | | | | | | | _ | / | |
| Assets | | | | | | | 0 | (576) | (576) |
| Total Expenditure | 267,402 | 32,108 | 20,894 | (1,911) | (7,002) | 16,636 | 328,127 | 27,518 | 355,645 |
| Surplus or Deficit on the Provision of | | | | | | | | | |
| Services | 156,276 | 31,919 | 9,592 | (791) | (3,357) | 0 | 193,639 | (179,265) | 14,374 |

Denbighshire County Council

Statement of Accounts 2011/12

| 2010/11 | Service Block Analysis | Services & Support Services not in Analysis | HRA | Amounts in the CI&ES But not reported to management in the Analysis | Amounts not included in CI&ES | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|---|------------------------------|--|----------|---|--|-------------------------------|---------------------|----------------------|-----------|
| 2010/11 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other | | | | | | | | | |
| service income | (40,354) | | (10,835) | 337 | 514 | (18,335) | (68,673) | | (68,673) |
| Interest & investment income | | | | | | | | (3) | (3) |
| Income from council | | | | | | | | | |
| tax | | | | 282 | | | 282 | (47,340) | (47,058) |
| Government grants & | (00, (00) | | | | 4 700 | | | (450,000) | |
| contributions | (62,486) | | | | 1,732 | (1.2.2.2.) | (60,754) | (158,363) | (219,117) |
| Total Income | (102,840) | 0 | (10,835) | 619 | 2,246 | (18,335) | (129,145) | (205,706) | (334,851) |
| Employee expenses | 125,115 | (26,195) | 1,553 | (5,322) | (53) | 10,012 | 105,110 | | 105,110 |
| Other service | | | | () | (a)) | | | | |
| expenses | 135,493 | 2,023 | 5,858 | (2,096) | (2,771) | 3,570 | 142,077 | | 142,077 |
| Support Service | | | | | | | | | |
| recharges | 143 | | 639 | | | 2,900 | 3,682 | | 3,682 |
| Depreciation, | | | | | | | | | |
| amortisation & | | 19,339 | 13,084 | | | 1,853 | 34,276 | | 34,276 |
| impairment | | , | 13,004 | 40 | (4.000) | 1,000 | | 45 504 | • |
| Interest payments | | 1,368 | | 18 | (1,368) | | 18 | 15,591 | 15,609 |
| Precepts & Levies Gain or Loss on | | | | | | | 0 | 13,541 | 13,541 |
| disposal of Fixed | | | | | | | | | |
| Assets | | | | | | | | 5 | 5 |
| | 000 754 | | 04.404 | (7.400) | (4.400) | 40.005 | 005 400 | _ | _ |
| Total Expenditure | 260,751 | (3,465) | 21,134 | (7,400) | (4,192) | 18,335 | 285,163 | 29,137 | 314,300 |
| Surplus or Deficit on the Provision o the | | | | | | | | | |
| Services | 157,911 | (3,465) | 10,299 | (6,781) | (1,946) | 0 | 156,018 | (176,569) | (20,551) |

29. Trading Operations

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (eg refuse collection), whilst others are support services to the Authority's services to the public (eg schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see Note 10):

| | 2010/11 | | | | 2011/12 | |
|----------|-------------|-----------------------|------------------------|----------|-------------|-----------------------|
| Turnover | Expenditure | (Surplus)/ Deficit | ACTIVITY | Turnover | Expenditure | (Surplus) /Deficit |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| | | | Environmental Services | | | |
| (1,339) | 1,319 | | Building Maintenance | 0 | 0 | 0 |
| (2,463) | 2,449 | (14) | Highways Maintenance | 0 | 0 | 0 |
| (672) | 662 | (10) | Sign Shop | (629) | 627 | (2) |
| (1,060) | 996 | (64) | Building Cleaning | (1,023) | 1,014 | |
| (2,750) | 2,750 | Ó | Catering | (2,721) | 2,721 | Ó |
| (8,284) | 8,176 | (108) | | (4,373) | 4,362 | (11) |
| | | | Services | | | |

The Building Maintenance and Highways Maintenance functions are no longer classified as a trading operation and from 1 April 2011 are included in the revenue accounts of the Authority.

| 2010/11 | | | | 2011/12 | | |
|--------------------|-----------------------------------|----------|-------------|-------------------|---------|--------------------|
| (Underspend) | Activity | Turnover | Expenditure | | Budget | (Underspend) |
| /Overspend £000 | Activity | £000 | £000 | / Deficit £000 | £000 | /Overspend £000 |
| | Other Trading Activities | | 2000 | | | 2000 |
| (15) | Industrial Estates | (757) | 415 | (342) | (335) | (7) |
| | Cefndy Enterprises | (4,017) | | · · · / | · · · / | · · · · |
| | Total Other Trading Activities | (4,774) | 4,636 | (138) | (181) | 43 |

The Schools Standards and Framework Act 1998 set out the framework for further delegation of funds to governing bodies and clearer division of responsibility between local authorities and schools. On this basis there are various packages of services offered to schools that can be commissioned directly from the Authority under the Fair Funding arrangements. The services must ensure that their provision gives value for money for schools as those choosing not to buy in are likely to commission the service from an alternative provider. In 2011/12 income of £1,604k was achieved against a budget of (£1,508k) resulting in an underspend of £96k (an underspend of £118k was incurred in 2010/11).

Partnership Arrangements

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

The Council receives all income and pays out sums to partners based on the number of Notices issued. It retains an administration charge for this service. In 2011/12 the Council charged £237k to operate the WPPP Unit. This sum was recharged to the partner authorities as follows: Denbighshire £47.0k, Gwynedd £57.7k, Anglesey £8.5k Wrexham £25.6k, Pembroke £68.3k and Powys £29.9k.

North Wales Residual Waste Treatment Project (NWRWTP) - 5 local authorities (Anglesey, Conwy, Denbighshire, Flintshire and Gwynedd) have joined together to look to procure solutions for the treatment of residual waste. Flintshire County Council are leading on the project and in 11/12 Denbighshire contributed £214,701 as its share of the procurement costs incurred to 31 March 2012.

North East Wales Food Waste Hub - 3 local authorities (Conwy, Denbighshire and Flintshire) have joined together to look to procure solutions for the treatment of food waste. Denbighshire County Council are leading on the project and the Welsh Government are providing funding. In 11/12 a total amount of £247,208 associated costs have been incurred and the Welsh Government have contributed £190,000 towards the project. A final payment is due from the Welsh Government as and when the final business case is approved.

Emergency Planning Unit - Denbighshire contributes towards the running costs of the Emergency Planning Unit operated by Flintshire County Council. Denbighshire's contribution for the year ended 31 March 2012 was £128,135.

North Wales Procurement Partnership – The North Wales Procurement Partnership consists of Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham Councils. It is hosted by Gwynedd Council and funded by all six North Wales Councils who manage the service through a joint management board. Its aim is to negotiate the best possible deals from suppliers through standardising the purchase of goods and organising procurement on a regional level. Denbighshire's contribution was £49,340 for the year ended 31 March 2012.

North Wales Regional Transformation Fund – six local authorities (Conwy, Denbighshire, Flintshire, Gwynedd, Wrexham and Anglesey) have joined together with the Welsh Government to support collaboration projects being undertaken through Programme Boards. Conwy County Borough Council are leading on the project and in 2011/12 Denbighshire contributed £99,530 as its share: of this £62,939 remained unspent at year end and has been carried on the Balance Sheet as a payment in advance within Short Term Creditors, offset by an Earmarked Reserve.

30. Agency Services

Highways and Infrastructure undertakes North Wales Trunk Road Agency (NWTRA) work on behalf of the Welsh Government. The Authority will receive £3.260m in respect of

NWTRA work undertaken in 2011/12 (£2.706m in 2010/11): of this £0.314m related to the site supervision and administration services provided (£0.189m in 2010/11).

31. Pooled Budgets

The Council has entered into a pooled budget arrangement with Betsi Cadwaladr University Health Board for the provision of a Community Equipment store. The Council and the Health Board have an agreement in place for the funding of the store that runs for three years from 2009/10. The funding contributed by the partners is subject to annual review and agreement. Proportions are equal to the partners' contributions, so annually or at the conclusion of the arrangement, the surplus or deficit would be determined on that basis.

The Council is the Lead Provider and responsible for the delivery of the Service, it also owns the building.

| | 2011/12 | | 201 | 0/11 |
|---|---------|-------|-------|-------|
| | £000 | £000 | £000 | £000 |
| Funding provided to the pooled budget: | | | | |
| Denbighshire County Council | (211) | | (218) | |
| Betsi Cadwaladr University Health Board | (130) | | (128) | |
| Other Grants | (55) | | (174) | |
| | | (396) | | (520) |
| Expenditure met from the pooled budget | | · · · | | , , |
| Equipment Purchases | 190 | | 182 | |
| Operating Expenditure | 248 | | 270 | |
| | | 438 | | 452 |
| Net (surplus)/deficit arising on the pooled budget during the year. | | 42 | _ | (68) |

The Council also has one other formal Section 33 Agreement: the Adult Mental Health Partnership with Conwy County Borough Council, which is a joint management and commissioning arrangement.

The Council's financial contribution to both partnerships is included in the Adult Social Care Cost of Services in the Comprehensive Income and Expenditure Statement. The gross expenditure on the Mental Health Partnership was £933k in 2011/12 (£751k net).

32. Members' Allowances

The authority paid the following amounts to members of the council during the year

| | 2011/12 £000 | 2010/11 £000 |
|------------|-----------------|-----------------|
| Salaries | 612 | 612 |
| Allowances | 205 | 225 |
| Expenses | 29 | 34 |
| Total | 846 | 871 |

33. Officers' Remuneration

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

| 2010/11 | | | 201 | 1/12 | |
|--------------------|----------------------|--------------------------|-------------------------|--------------------|------------------------|
| Total Employees | Remuneration Band | School Based Staff | Non- School Staff | Total Employees | Left During Year |
| 12 | £60,000 - £64,999 | 4 | 8 | 12 | 3 |
| 8 | £65,000 - £69,999 | 5 | 1 | 6 | 0 |
| 5 | £70,000 - £74,999 | 0 | 1 | 1 | 0 |
| 2 | £75,000 - £79,999 | 4 | 1 | 5 | 0 |
| 3 | £80,000 - £84,999 | 0 | 1 | 1 | 0 |
| 0 | £85,000 - £89,999 | 0 | 1 | 1 | 1 |
| 3 | £90,000 - £94,999 | 2 | 1 | 3 | 1 |
| 1 | £95,000 - £99,999 | 0 | 2 | 2 | 0 |
| 1 | £100,000 - £104,999 | 0 | 0 | 0 | 0 |
| 2 | £105,000 - £109,999 | 0 | 0 | 0 | 0 |
| 0 | £110,000 - £114,999 | 0 | 0 | 0 | 0 |
| 0 | £115,000 - £119,999 | 0 | 0 | 0 | 0 |
| 0 | £120,000 - £124,999 | 0 | 0 | 0 | 0 |
| 0 | £125,000 - £129,999 | 0 | 0 | 0 | 0 |
| 1 | £130,000 - £134,999 | 0 | 0 | 0 | 0 |
| 0 | £135,000 - £139,999 | 0 | 1 | 1 | 0 |
| 0 | £140,000 - £144,999 | 0 | 0 | 0 | 0 |
| 1 | £145,000 - £149,999 | 0 | 0 | 0 | 0 |
| 39 | Total | 15 | 17 | 32 | 5 |

It should be noted that this table includes the Senior Officers detailed in the tables below. A number of officers left during the year therefore their remuneration will contain any payments receivable on the termination of their employment. The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year. There are no Senior Officers whose salary is £150,000 or more.

During 2010, a Senior Leadership restructuring exercise was undertaken. The post of Corporate Director – Environment was deleted and the responsibilities of the remaining Corporate Directors were changed. At the same time the number of Heads of Service was reduced and these changes saved around £350k per year. The new structure reflected the Council's corporate priorities and brought with it a new way of working. This revised structure meant that Heads of Service then fell under the definition of 'Senior Officers' in accordance with accounting regulations and their salaries have therefore been disclosed.

As the structure was not fully implemented during 2010/11, the disclosure for 2010/11 is based on the structure which remained in place during the majority of that year and therefore best reflected the management arrangements.

The "Expense allowances" column contains any relocation paid. Car allowances, including the element of car allowances as declared to HM Revenue and Customs on form P11D, are also disclosed in this column. Pension Contributions disclosed are based on actual costs.

The table includes remuneration paid to the Chief Executive for his role as Returning Officer, which has been reimbursed in full to the Council.

| 2011/12 Post Title | Salary (Including fees & allowances) £ | Returning Officer Allowance £ | Compensation for Loss of office £ | Expense Allowances £ | Total Remuneration excluding pension contributions £ | Pension Contributions £ | Total Remuneration including pension contributions £ | **Reimbursements to Denbighshire C.C. £ | Total Cost to Denbighshire C.C. £ |
|---|--|--|--|----------------------------|---|-------------------------------|---|--|--|
| Chief Executive | 124,859 | 11,024 | | 0 | 135,883 | 30,836 | 166,719 | (13,548) | 153,171 |
| Corporate Director: Business Transformation & | 95,845 | ,- | | 601 | 96,446 | 21,709 | 118,155 | (- / / | 118,155 |
| Regeneration | , | | | | , | , | , | | |
| Corporate Director: Learning & Communities | 94,931 | | | 786 | 95,717 | 21,502 | 117,219 | | 117,219 |
| Corporate Director: Demographics, Wellbeing & | 91,161 | | | 656 | 91,817 | 20,645 | 112,462 | | 112,462 |
| Planning | | | | | | | | | |
| Head of Children & Family Services | 76,451 | | | 5,790 | 82,241 | 17,316 | 99,557 | | 99,557 |
| Head of School Improvement & Inclusion | 74,771 | | | 929 | 75,700 | 16,936 | 92,636 | | 92,636 |
| Head of Highways & Infrastructure | 71,458 | | | (1,241) | 70,217 | 16,185 | 86,402 | (44,303) | 42,099 |
| Head of Environment | 64,771 | | | 732 | 65,503 | 14,671 | 80,174 | | 80,174 |
| Head of Finance & Assets | 63,450 | | | 751 | 64,201 | 14,370 | 78,571 | | 78,571 |
| Head of Planning, Regeneration & Regulatory | 63,183 | | | (281) | 62,902 | 14,339 | 77,241 | | 77,241 |
| Services | | | | | | | | | |
| Head of Business Planning & Performance | 63,306 | | | 955 | 64,261 | 14,339 | 78,600 | | 78,600 |
| Head of Customer Services | 61,458 | | | 805 | 62,263 | 13,920 | 76,183 | | 76,183 |
| Head of Strategic HR | 61,337 | | | 690 | 62,027 | 13,920 | 75,947 | | 75,947 |
| Head of Housing Services | 60,248 | | | 873 | 61,121 | 13,645 | 74,766 | | 74,766 |
| Head of Adult & Business Services from 01/10/2011 | 32,935 | | | (1,118) | 31,817 | 7,443 | 39,260 | | 39,260 |
| Head of Legal & Democratic Services from | 31,653 | | | 101 | 31,754 | 7,154 | 38,908 | | 38,908 |
| 01/10/2011 | | | | | | | | | |
| Head of Corporate Governance to 10/04/2011* | 7,197 | | 54,996 | 27 | 62,220 | 412 | 62,632 | | 62,632 |
| Acting Head of Corporate Governance from 11/04/2011 to 31/10/2011* | 35,824 | | 52,092 | 603 | 88,519 | 7,916 | 96,435 | | 96,435 |
| | 1,174,838 | 11,024 | 107,088 | 11,659 | 1,304,609 | 267,258 | 1,571,867 | (57,851) | 1,514,016 |

* These two posts were deleted as part of the management restructure and replaced with one post of Head of Legal & Democratic Services.

** This column includes reimbursements in respect of the Chief Executive's role as Returning Officer and regarding Conwy County Borough Council's contribution towards the joint Head of Highways and Infrastructure post.

| 2010/11 Post Title | Salary (Including fees & allowances) | Returning Officer Allowance | Compensation for Loss of office | Expense Allowances | Total Remuneration excluding pension contributions | Pension Contributions | Total Remuneration including pension contributions | Reimbursements to Denbighshire C.C. | Total Cost to Denbighshire C.C. |
|---|---|-----------------------------------|---------------------------------------|---|---|---|--|---|--|
| Chief Executive Corporate Director – Lifelong Learning Corporate Director – Social Services & Housing Corporate Director – Environment to 31/12/2010 Corporate Director – Governance and Efficiency Chief Finance Officer to 31/12/2010 Head of Corporate Governance Chief Financial Officer from 31/12/2010 | 124,802 93,051 89,178 69,725 95,845 51,063 64,771 15,458 | 6,865 | 77,427 55,898 | 997 970 708 503 740 968 248 | 131,667 94,048 90,148 147,860 96,348 107,701 65,739 15,706 | 28,747 20,285 19,441 13,886 20,894 10,590 14,120 3,370 | 160,414 114,333 109,589 161,746 117,242 118,291 79,859 19,076 | (8,363) | 152,051 114,333 109,589 161,746 117,242 118,291 79,859 19,076 |
| | 603,893 | 6,865 | 133,325 | 5,134 | 749,217 | 131,333 | 880,550 | (8,363) | 872,187 |

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

| Exit package cost band (including special payments) | Number of c redunda | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|------------------------|---------|-----------------------------------|---------|---|---------|---|------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 |
| £0 - £20,000 | 17 | 21 | 42 | 42 | 59 | 63 | £405,499 | £402,115 |
| £20,001 - £40,000 | 3 | 1 | 15 | 15 | 18 | 16 | £489,539 | £429,222 |
| £40,001 - £60,000 | 0 | 0 | 3 | 14 | 3 | 14 | £160,164 | £682,251 |
| £60,001 - £80,000 | 2 | 1 | 1 | 2 | 3 | 3 | £218,730 | £204,942 |
| £80,001 - £100,000 | 0 | 0 | 0 | 2 | 0 | 2 | £0 | £160,972 |
| Total | 22 | 23 | 61 | 75 | 83 | 98 | £1,273,932 | £1,879,502 |

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

34. External Audit Costs

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

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year Fees payable to Wales Audit Office in respect of statutory | 290 | 290 |
| inspections | 0 | 0 |
| Total Regulatory Fee | 290 | 290 |
| Fees payable to Wales Audit Office for the certification of grant claims & returns for the year Fees payable in respect of other services provided by Wales | 95 | 76 |
| Audit Office during the year | 0 | 0 |
| Total External Audit Costs | 385 | 366 |

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

| | 2011/12 £000 | 2010/11 £000 |
|---|-----------------|-----------------|
| Credited to Taxation & Non Specific Grant Income | | |
| Arts Council of Wales | 0 | (152) |
| Taith | (254) | (719) |
| Other Grants and Contributions | (447) | (1,138) |
| Welsh Government - Flood Alleviation Grant | (1,536) | (3,348) |
| Welsh Government - General Capital Grant | (1,936) | (2,110) |
| Welsh Government - Local Road Maintenance | (15) | (475) |
| Welsh Government - School Building Improvements | (185) | (486) |
| Welsh Government - Strategic Regeneration Area Grants | (414) | (3,070) |
| Welsh Government - Regional Transport Grant | (1,274) | (417) |
| Welsh Government - Transport Grant | 0 | (200) |
| Welsh Government - Major Repairs Allowance | (2,400) | (2,400) |
| Welsh Government - Convergence | (18) | (2,396) |
| Welsh Government - Coastal Defence Scheme | (5,404) | 0 |
| Other Welsh Government Grants | (1,295) | (1,613) |
| Total | (15,178) | (18,524) |
| Credited to Services | | |
| Welsh Government DCELLS Post – 16 Grant | (4,730) | (4,900) |
| Other Education Grants from Welsh Government | (6,286) | (7,005) |
| Welsh Government Supporting People Grant | (5,091) | (5,166) |
| Other Social Services Grants from Welsh Government | (1,512) | (3,534) |
| Welsh Government Sustainable Waste Management Grant | (2,508) | |
| Welsh Government PFI Grant | (1,681) | (1,732) |
| Welsh Government Concessionary Fares Grant | (1,770) | · · · / |
| Welsh Government Cymorth Grant | (1,007) | |
| Welsh Government Outcome Agreement Grant | (1,054) | (1,053) |
| Other Grants | (7,318) | (7,640) |
| Total | (32,957) | (36,592) |

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

| | 31 March 2012 £000 | 31 March 2011 £000 |
|---|-----------------------|-----------------------|
| Capital Grants Receipts in Advance | | |
| Commuted Sums | (1,664) | (1,513) |
| Total | (1,664) | (1,513) |
| Revenue Grants Receipts in Advance | | |
| Welsh Government Flying Start Grant | (55) | 0 |
| Other Education Grants from Welsh Government | (107) | 0 |
| School Effectiveness Grant from Welsh Government | (31) | 0 |
| Welsh Government Cymorth | (52) | 0 |
| Welsh Government Exchange Wales Grant | (3) | 0 |
| DWP Housing Benefits Subsidy | (6) | (178) |
| Welsh Government Bryn yn Neuadd Learning Disability | | |
| Resettlement Grant | (2) | (2) |
| Other Social Services Grants from Welsh Government | (19) | (27) |
| Welsh Government Supporting People Grant | (152) | (128) |
| Welsh Government Additionality Funding | (70) | (62) |
| Tourism Partnership North Wales Grant | (12) | 0 |
| Rhyl Events Week Grant from Welsh Government | (2) | (7) |
| Welsh Government Behaviour Management Grant | | (8) |
| Sports Council for Wales Grants | | (93) |
| DWP Grant | | (5) |
| EU Funding re Rural Development Plan | (39) | 0 |
| BRAND European Grant | (36) | 0 |
| Welsh Government New Work Connections Grant | (541) | (607) |
| Welsh Government MELAP Grant | (14) | 0 |
| Welsh Government High Quality Business Premises Grant | (2) | 0 |
| Welsh Government Cycling Centre of Excellence Grant | (14) | 0 |
| Total | (1,157) | (1,117) |

36. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 35.

Elected Members

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

The following material declarations have been made for 2011/12:

- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see also related companies below) which received payments of £17,040
- An elected member declared an interest in both the Friends of the Frith and Prestatyn Walking Festival both of which had received grants from the Authority which totalled £3,920
- An elected member declared an interest in Pwyllgor Neuadd Y Pentre, Llandyrnog which received payments of £3,245 for venue hire
- An elected member declared membership of Denbighshire Care & Repair to which payments of £32,462 were made for works completed and in respect of grants. An interest was declared in Rhyl Masonic Buildings Ltd which received payments of £2,400 for room hire
- An interest was declared in Theatr Twm O'r Nant, Denbigh which received grants and other payments totalling £2,180
- An elected member declared membership of North Wales Tourism Ltd. Payments totalling £120,357 were made in 2011/12
- The council paid fees of £6,300 to the Local Government Data Unit. An elected member declared an interest as an appointed director.

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

<u>Officers</u>

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

<u>Companies</u>

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

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 financial statements for 2010/11 show the net assets of the company as at 31 March 2011 were £242,644 and the net profit for the year was £48,791.

The Board of Directors as at 31 March 2011 consists of nine members in total, of which seven are Denbighshire County Councillors.

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

The company is deemed a subsidiary company on the basis that Denbighshire holds more than 20% of the voting rights however on the grounds of materiality the exposure to risk is minimal and not likely to impact on the decisions made by the users of the financial statements and the activity is not significant to the overall strategic objectives of the authority.

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

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 2011/12 ECTARC received £45,291. 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 includes one Denbighshire County Councillor. The audited financial statements for the year ended 31 March 2012 are not available. However, the net assets of the company as at 31 March 2011 were £953,439 and the net surplus achieved was £250,644.

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

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

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

Bodelwyddan Castle Trust and Bodelwyddan Castle Enterprises Ltd.

Bodelwyddan Castle Trust Group is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores, conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2011/12 the Trust received £187,942. The Council provides its payroll services. The Board of Directors consists of eleven members in total, of which two are Denbighshire County Councillors.

The audited financial statements for the financial year 2011/12 are not yet available. However, the net assets of the Group as at 31 March 2011 were £722,569 and the net surplus achieved by the company was £5,651.

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

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

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

Clwyd Leisure Ltd.

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The 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 2011/12 Clwyd Leisure Ltd. received £295,059.

The company's audited financial statements for the 2011/12 year are not yet available. However, the net assets of the company as at 31 March 2011 were £264,804 and the company had made a net profit of £418,402 in 2010/11. The Board of Directors consists of twelve members in total, including two Denbighshire County Councillors.

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

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

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

Scala Prestatyn Company Ltd.

The Scala is run as a charity and not for profit Company Limited by Guarantee. The objective of the company is to make the Scala Cinema a major cultural and entertainment destination for North Wales. It is grant aided by Denbighshire County Council and during 2011/12 the Scala Prestatyn Company Ltd received cash payments of £68,087 which comprised the grant allocation for 2011/12 of £54,470 plus an advance on the grant allocation for 2012/13. In addition, Denbighshire County Council allowed the Scala Prestatyn Company Ltd to lease its premises on High Street, Prestatyn at a discounted rental. The value of the lease has been assessed as £20,000 per annum. Also, during 2011/12, local elected members allocated funds to allow the company to broadcast live satellite productions. At the end of March a total of £12,763 had been allocated for this purpose. The audited Financial Statements for 2010/11 show the net assets of the company as at 31 March 2011 were (£72,297) and the net profit for the year was £8,266.

The Board of Directors consists of five members in total, including one Denbighshire County Councillor.

The company is not deemed a subsidiary or associate company of the Authority on the basis that despite being an investor in the company Denbighshire holds less than 20% of the voting rights thus having minority membership.

Further information can be obtained from the Scala Prestatyn Company Ltd, 47 High Street, Prestatyn, LL19 9AH.

Other Public Bodies

The Council has formal agreements under Section 33 of the Health Act (2006), one of which includes a pooled budget arrangement, with the Betsi Cadwalader University Health Board. Details are shown in Note 31.

37. Capital Expenditure and Capital Financing

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

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Opening Capital Financing Requirement | 169,502 | 162,159 |
| Capital Investment | | |
| Property, Plant & Equipment | 32,247 | 31,395 |
| Investment Properties | 2 | 123 |
| Intangible Assets Revenue Expenditure Funded from Capital Under Statute | 7,824 | 6,329 |
| Revenue Experialitie i andea nom oupliar onder olatite | 7,024 | 0,020 |
| Sources of Finance | | |
| Capital receipts | (3,751) | (641) |
| Government grants & other contributions | (20,085) | (21,685) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (1,341) | (314) |
| MRP | (8,873) | (7,864) |
| Closing Capital Financing Requirement | 175,525 | 169,502 |

| | 2011/12 £000 | 2010/11 £000 |
|--|-----------------|-----------------|
| Explanation of movements in year | | |
| Increase in underlying need to borrow (supported by government financial assistance) | 4,132 | 4,143 |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 10,981 | 11,349 |
| MRP | (8,571) | (7,480) |
| Set aside Capital Receipts | (217) | (284) |
| Assets acquired under finance leases | (31) | (116) |
| Assets acquired under PFI contracts | (271) | (269) |
| Increase/(decrease) in Capital Financing Requirement | 6,023 | 7,343 |

38. Leases

Introduction

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

Authority as Lessee

Finance Leases

The Council has acquired some properties, vehicles and items of equipment under finance leases.

The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

| | 31 Mar 11 £000 | 31 Mar 12 £000 |
|--|-------------------|-------------------|
| Other Land and Buildings Vehicles, Plant, Furniture and Equipment | 3,568 29 | 3,510 8 |
| | 3,597 | 3,518 |

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the items acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 31 Mar 11 £000 | 31 Mar 12 £000 |
|---|-------------------|-------------------|
| Finance lease liabilities (net present value of | | |
| minimum lease payments): | | |
| Current | 31 | 4 |
| Non-Current | 9 | 5 |
| Finance costs payable in future years | 3 | 1 |
| Minimum lease payments | 43 | 10 |

The minimum lease payments will be payable over the following periods:

| | Minimum Lease Payments | | Finance Liabi | e Lease lities |
|--|---------------------------|-------------------|-------------------|-------------------|
| | 31 Mar 11 £000 | 31 Mar 12 £000 | 31 Mar 11 £000 | 31 Mar 12 £000 |
| Not later than 1 year Later than 1 year and not later | 33 | 5 | 31 | 4 |
| than 5 years Later than 5 years | 10 | 5 | 9 | 5 |
| | 43 | 10 | 40 | 9 |

Operating Leases

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

| | 31 Mar 11 £000 | 31 Mar 12 £000 |
|--|-------------------|-------------------|
| Not later than 1 year Later than 1 year and not later | 267 | 147 |
| than 5 years | 219 | 74 |
| Later than 5 years | 22 | 19 |
| | 508 | 240 |

The minimum lease payment charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was $\pounds 267k$ in 2011/12 and $\pounds 335k$ in 2010/11.

Authority as Lessor

Operating Leases

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

| | 31 Mar 11 £000 | 31 Mar 12 £000 |
|---------------------------------|-------------------|-------------------|
| Not later than 1 year | 1,031 | 839 |
| Later than 1 year and not later | | |
| than 5 years | 2,686 | 2,399 |
| Later than 5 years | 11,777 | 11,226 |
| | 15,494 | 14,464 |

39. Private Finance Initiatives and Similar Contracts

The Council entered into a twenty-five year PFI scheme with Neptune PFI Ruthin Ltd, commencing from the start of the services' commencement date, May 2004. The contractor was to design, build, finance, operate and maintain public facilities to provide civic and office accommodation for the Council's own meetings, operations and functions and for other public meetings and assemblies. The facilities are located on a number of separate sites in Ruthin and include County Hall, Town Hall and the County store. Neptune PFI Ruthin Ltd is required to hand over the buildings at the end of the contract, in a specified condition, for nil consideration.

Property, Plant and Equipment

The assets used to provide the services are recognised on the Authority's Balance Sheet. Movements in their value over the years are detailed in the analysis of the movement on the Property, Plant and Equipment in Note 14.

Finance Lease Liability

At the inception of the lease the fair value of the fixed assets were matched by a finance lease liability. The initial liability was $\pounds 12.195$ m, reduced by a capital contribution from Denbighshire County Council of $\pounds 0.300$ m. The table below shows the writing down of the lease liability in 2010/11 and 2011/12.

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|---------------------------------|-----------------|
| (10,741) | Balance at start of year | (10,472) |
| 269 | Repayment of Lease Creditor | 271 |
| (10,472) | Closing Finance Lease Liability | (10,201) |

Unitary Payments

The amount payable to the PFI operators each year is now analysed into five elements:

- Fair value of the services received during the year debited to the relevant service in the Income & Expenditure Account. In 2011/12 this was £0.519m (£0.504m in 2010/11) plus payments for utilities and insurance.
- Finance cost £1.309m in 2011/12 (£1.344m in 2010/11)
- Contingent rent increases in the amount to be paid for the property arising during the contract £0.018m in 2011/12 (£0.024m in 2010/11)
- Payment towards liability applied to write down the Balance Sheet liability towards the PFI operator as shown in the table above.
- Lifecycle replacement costs recognised as fixed assets on the Balance Sheet if they have occurred or as a prepayment. There was a balance at the start of the year on the prepayments of £0.096m. In 2011/12 no lifecycle costs were incurred. £0.090m was set up as a prepayment. At the end of 2011/12 the total balance on the prepayment in the balance sheet is £0.186m.

The details of the payments due to be made during the life of the scheme are as follows.

| | Fair Value of Service Charge (including Lifecycle costs) | Interest and Contingent Rents | Repayment of Liability | Total |
|----------------------------------|---|-------------------------------------|---------------------------|--------|
| | £000 | £000 | £000 | £000 |
| Within one year | 609 | 1,301 | 317 | 2,227 |
| Within two to five years | 3,351 | 4,951 | 1,010 | 9,312 |
| Within six to ten years | 5,013 | 5,348 | 2,046 | 12,407 |
| Within eleven to fifteen years | 5,523 | 3,520 | 4,006 | 13,049 |
| Within sixteen to nineteen years | 2,180 | 383 | 2,822 | 5,385 |
| | 16,676 | 15,503 | 10,201 | 42,380 |

Payments due to be made under the PFI contract

Grants and Reserves

The Welsh Government awarded the Council a PFI revenue grant of £19m over 25 years with a pool rate of 6.7% so that £35.549m will be paid to Denbighshire over the 25 years. In 2011/12 a grant of £1.681m was paid (\pounds 1.732m in 2010/11).

The weighting of the PFI grant is heavier in earlier years so any surplus in funds have been allocated to a reserve to be used to offset payments in later years. The balance on the reserve at the end of 2011/12 is £3.546m (£3.168m in 2010/11).

40. Impairment Losses

During 2011/12 an impairment review was carried out by Property Management Services. An impairment loss of £500,000 was recognised at the former abattoir site, St Asaph. The property has been impaired by the fact it is in a derelict state of repair and it is assumed the site is contaminated due to its previous use. The impairment loss has been charged to Environmental Services in the Environmental and Regulatory Services line in the Comprehensive Income and Expenditure Statement.

41 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2011/12, the county council paid £4.849m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £4.942m and 14.1%. In addition, payments in respect of premature retirements were made of £0.840m (£0.363m in 2010/11). There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

42. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

• The Local Government Pension Scheme, administered locally by Flintshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

 Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

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

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|---|------------------------------------|--------------------|--|-----------------|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| Comprehensive Income & Expenditure Statement Cost of Services: • Current Service Cost • Past Service Costs/(Gains) | 9,056 183 | 10,222 (21,805) | 0 | (545) |
| Settlements and Curtailments Financing and Investment Income and Expenditure: Interest Cost | 361 19,668 | 384 20,817 | 483 | 590 |
| Expected Return on Scheme Assets | (15,323) | (14,884) | | |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 13,945 | (5,266) | 483 | 45 |
| Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement | | | | |
| Actuarial Gains and Losses | 24,179 | (11,677) | 312 | (996) |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 38,124 | (16,943) | 795 | (951) |
| Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code Actual amount charged against the Council Fund Balance for pensions in the year: | (13,945) | 5,266 | (483) | (45) |
| Employer's contributions payable to the scheme | 13,935 | 13,783 | | |
| Retirement benefits payable to pensioners | | | 829 | 824 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £24,491.

Assets and Liabilities in Relation to Post-employment Benefits

| | Funded liabilities: Local Government Pension Scheme | | Unfunded liabilities: Discretionary Benefits | |
|---|--|--|---|-------------------------|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| Opening balance at 1 April | 358,432 | 369,756 | 9,356 | 11,131 |
| Current Service Cost Interest Cost Contributions by scheme | 9,056 19,668 | 10,222 20,817 | 483 | 590 |
| participants Actuarial gains & losses Benefits paid Past Service Costs/(Gains) | 3,464 13,099 (14,196) 183 | 3,562 (14,680) (9,824) (21,805) | 312 (829) 0 | (996) (824) (545) |
| Curtailments Closing balance at 31 March | 361 390,067 | 384 358,432 | 9,322 | 9,356 |

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Reconciliation of fair value of the scheme assets:

| | Local Government Pension Scheme | | |
|--------------------------------------|---------------------------------|-----------------|--|
| | 2011/12 £000 | 2010/11 £000 | |
| Opening balance at 1 April | 238,109 | 218,707 | |
| Expected rate of return | 15,323 | 14,884 | |
| Actuarial gains & losses | (11,080) | (3,003) | |
| Employer contributions | 13,935 | 13,783 | |
| Contributions by scheme participants | 3,464 | 3,562 | |
| Benefits paid | (14,196) | (9,824) | |
| Closing balance at 31 March | 245,555 | 238,109 | |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was \pounds 4,243k (2010/11: \pounds 15,728k).

| | 2007/08 £000 | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present value of liabilities: | | | | | |
| Local Government Pension Scheme Benefit Obligation at end of Period | (316,065) | (269,562) | (369,756) | (358,433) | (390,067) |
| Teachers' Additional Unfunded Pensions Benefit Obligation at end of Period | (11,236) | (9,581) | (11,131) | (9,356) | (9,322) |
| Fair value of assets in the Local | | | | | |
| Government Pension Scheme | 206,298 | 161,628 | 218,707 | 238,109 | 245,555 |
| | (121,003) | (117,515) | (162,180) | (129,680) | (153,834) |
| Surplus/(Deficit) in the scheme: | | | | | |
| Local Government Pension Scheme Balance Sheet Item | (109,767) | (107,934) | (151,049) | (120,324) | (144,512) |
| Teachers' Additional Unfunded Pensions Balance Sheet Item | (11,236) | (9,581) | (11,131) | (9,356) | (9,322) |
| Total Surplus/(Deficit) in the | | | | | |
| scheme | (121,003) | (117,515) | (162,180) | (129,680) | (153,834) |

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £153.834m 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 (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £13.369m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The assets of the pension fund include unquoted investments carried at their fair value. Because of the inherent uncertainty associated with the valuation of such

investments arising from the absence of a liquid market, the fair value of those investments may differ from their realisable values. The difference could be material.

The principal assumptions used by the actuary have been:

| | | overnment Scheme | Discretionary Benefits | | | |
|---|------------|---------------------|------------------------|------------|--|--|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | | |
| Long-term expected rate of return on | | | | | | |
| assets in the scheme: | | | | | | |
| Equity investments | 7.00% | 7.50% | | | | |
| Bonds | 7.20% | 5.10% | | | | |
| Other | 13.50% | 14.50% | | | | |
| Mortality assumptions: | | | | | | |
| Longevity at 65 for current pensioners: | | | | | | |
| Men | 21.8 years | 21.8 years | 21.8 years | 21.8 years | | |
| Women | 24.4 years | 24.3 years | 24.4 years | 24.3 years | | |
| Longevity at 65 for future pensioners: | | | | | | |
| Men | 23.2 years | 23.2 years | | | | |
| Women | 26.0 years | 25.9 years | | | | |
| Rate of RPI inflation | | 3.40% | | 3.30% | | |
| Rate of CPI inflation | 2.50% | 2.90% | 2.30% | 2.80% | | |
| Rate of increase in salaries | 4.00% | 4.40% | | | | |
| Rate of increase in pensions | 2.50% | 2.90% | 2.30% | 2.80% | | |
| Rate for discounting scheme liabilities | 4.90% | 5.50% | 4.60% | 5.40% | | |
| Take-up of option to convert annual | 50.00% | 50.00% | | | | |
| pension into retirement lump sum | | | | | | |

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government pension scheme's assets consist of the following categories, by proportion of the total assets held.

| | 31 March 2012 % | 31 March 2011 % |
|--------------------|--------------------|--------------------|
| Equity investments | 41.0 | 58.5 |
| Debt instruments | 16.0 | 11.8 |
| Other assets | 43.0 | 29.7 |

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

| | 2007/08 % | 2008/09 % | 2009/10 % | 2010/11 % | 2011/12 % |
|---|--------------|--------------|--------------|--------------|--------------|
| Difference between the expected and actual return on assets | (9.39) | (38.93) | 19.76 | (1.26) | (4.51) |
| Experience gains and losses on liabilities | 2.77 | 0.00 | 0.00 | 3.68 | 0.00 |

43. 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.

There are no such items to report in 2011/12.

44. Nature and Extent of Risks Arising from Financial Instruments

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

As part of the adoption of the Treasury Management Code, the Council approved the Treasury Management Strategy for 2011/12 on 22 February 2011. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments

Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

Investments

The Council manages this risk by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies having sufficiently high credit ratings as set out in the Treasury Management Strategy. A limit of £8m is placed on the amount of money that can be invested with a single counterparty. No more than £6m in total can be invested for a period longer than one year.

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

Debtors

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

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

| | | Long Term Rating when | Long Term Rating at | Balance Invested at | Maturity Date | | | |
|-------------|-----------------------|-----------------------------|---------------------------|---------------------------|------------------------|------------------------|------------------------|--------------------------|
| | | Investment Made | 31/03/2012 | 31/03/2012 £000s | 1-3 Months £000s | 4-6 Months £000s | 7-9 Months £000s | 10-12 Months £000s |
| UK Banks | Barclays Bank of | AA- | А | 8,000 | 8,000 | | | |
| Danks | Scotland Santander | AA- | А | 4,000 | 4,000 | | | |
| | UK | A+ | A+ | 5,000 | 5,000 | | | |
| | Lloyds | AA- | A | 4,000 | 4,000 | | | |
| | Total | | | 21,000 | 21,000 | | | |

| Definitions | Long Term | AA | Very High Credit Quality |
|-------------|-----------|----|---|
| | | | Expectation of very low credit risk |
| | | | Very strong capacity for payment of financial commitments, which is not significantly vulnerable to foreseeable events. |
| | | А | High Credit Quality |
| | | | Expectation of low credit risk. |
| | | | Strong capacity for payment of financial commitments, which may be more vulnerable to changes in circumstances or in economic conditions. |

Liquidity Risk

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

The maturity analysis of the Council's PWLB debt at 31st March 2012 was as follows:

| | Years | 31-Mar-11 £000 | 31-Mar-12 £000 | % |
|--------------------------------------|------------------|-------------------|-------------------|-------|
| Short Term Borrowing | Less than 1 year | 1,140 | 1,621 | 1.20 |
| Long Term Borrowing | Over 1 under 6 | 12,932 | 16,347 | 12.12 |
| 5 5 | Over 6 under 10 | 6,898 | 10,166 | 7.54 |
| | Over 10 under 15 | 8,251 | 5,791 | 4.29 |
| | Over 15 under 20 | 5,469 | 5,468 | 4.05 |
| | Over 20 under 25 | 2,641 | 1,547 | 1.15 |
| | Over 25 under 30 | 0 | 0 | 0.00 |
| | Over 30 under 35 | 6,000 | 6,000 | 4.45 |
| | Over 35 under 40 | 0 | 4,000 | 2.97 |
| | Over 40 under 45 | 62,130 | 69,630 | 51.61 |
| | Over 45 under 50 | 25,820 | 14,320 | 10.62 |
| Total Long Term Borrowing | | 130,141 | 133,269 | 98.80 |
| Total Borrowing at Nominal Amount | | 131,281 | 134,890 | 100 |
| Accrued Interest | | 1,368 | 1,391 | |
| Deferred Premium | | (1,011) | (1,003) | |
| Total Borrowing at Amo | ortised Cost | 131,638 | 135,278 | |

Market Risk

(1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2011 and 31 March 2012, 100% of the debt portfolio was held in fixed rate instruments.

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

(2) Price risk:

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

(3) Foreign exchange risk

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

45. Education Trust Funds

The County Council administered 54 Education Trust Funds during 2011/12. 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 2011/12, Fund income amounted to £2,553.32 (£2,556.13 in 2010/11). No awards were made during the year (£0 in 2010/11).
- The Council has no outstanding liabilities in respect of the Trust Funds it administers.

The Fund balances as at 31 March 2012 amounted to £282,935 which is not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2012 was £59,428.

Further details in respect of Education Trust Funds can be obtained from Accountancy – Lifelong Learning Finance, County Hall, Wynnstay Road, Ruthin, LL15 1YN

46. 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. Denbighshire County Council's distribution was £5,070 in 2011/12.

The County Council's proportion of the Fund is administered by Denbighshire Voluntary Services Council (DVSC). During 2011/12 the DVSC awarded £5,050 in grants on the authority's behalf. 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 £577,424 (£577,867 in 2010/11). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Acts Fund. The balance in the Fund as 31 March 2012 was £28 (£8 as at 31 March 2011).

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 2012:

| | Income £000 | Expenditure £000 | Investments £000 |
|---------------|----------------|---------------------|---------------------|
| 31 March 2012 | (24) | 23 | 577 |
| 31 March 2011 | (22) | 23 | 577 |

The March 2012 Income figure of £24k includes £10k for sale proceeds of Liquidity 1st Stock. (£9.5k was included in the March 2011 figure).

47. Heritage Assets

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

| | Scheduled Ancient Monument | Plas Newydd | Ruthin Gaol | Nant Clwyd Y Dre | Total Heritage Assets |
|---|----------------------------------|----------------------------|--------------------------------|-----------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation as at 1 April 2010 Adjustments during year Cost or valuation as at 31 March 2011 | 361 0 361 | 3,038 0 3,038 | 3,316 0 3,316 | 3,682 0 3,682 | 10,397 0 10,397 |
| Depreciation as at 1 April 2010 Depreciation during year Depreciation as at 31 March 2011 | 0 0 0 | (12) (5) (17) | (168) (56) (224) | (35) (18) (53) | (215) (79) (294) |
| Net Book Value as at 1 April 2010 Net Book Value as at 31 March 2011 | 361 361 | 3,026 3,021 | 3,148 3,092 | 3,647 3,629 | 10,182 10,103 |

| | Scheduled Ancient Monument | Plas Newydd | Ruthin Gaol | Nant Clwyd Y Dre | Total Heritage Assets |
|---------------------------------------|----------------------------------|----------------|----------------|------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation as at 31 March 2011 | 361 | 3,038 | 3,316 | 3,682 | 10,397 |
| Revaluations during year | 0 | 0 | 1,584 | 0 | 1,584 |
| Cost or valuation as at 31 March 2011 | 361 | 3,038 | 4,900 | 3,682 | 11,981 |
| Depreciation as at 31 March 2011 | 0 | (17) | (224) | (53) | (294) |
| Revaluations during year | 0 | 0 | 224 | 0 | 224 |
| Depreciation during year | 0 | (6) | (33) | (18) | (57) |
| Depreciation as at 31 March 2012 | 0 | (23) | (33) | (71) | (127) |
| Net Book Value as at 31 March 2011 | 361 | 3,021 | 3,092 | 3,629 | 10,103 |
| Net Book Value as at 31 March 2012 | 361 | 3,015 | 4,867 | 3,611 | 11,854 |

Scheduled Ancient Monuments

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

Civic Regalia

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

Heritage Buildings

Denbighshire has the following heritage buildings. The buildings have been re-classified as Heritage assets. The buildings also house artefacts for which no valuation is known at present.

Plas Newydd – Grade 2* Building and Listed Landscape

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

Ruthin Gaol – Grade 2* Victorian Prison

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

building, such as the stone baths, whereas others are 2D and 3D items relating to the history of the Gaol. There are also items on loan from the Galleries of Justice in Nottingham.

Nant Clwyd Y Dre – Grade 1* Building and Listed Gardens The premises were purchased by Clwyd CC in 1984, it was derelict but had a programme to renew safeguard the external parts which was completed in the mid 1990's. The premises were fully restored and opened to the public in June 2007 as a museum due to its historic merit.

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

Denbighshire Heritage Service Collections

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

Museums

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

Intangible Heritage Assets

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

Valuations

The Authority is still collecting information regarding the collection and once this is received the Council will consider employing a valuer to assess the collection.

48. Heritage Assets: Five-Year Summary of Transactions

At the present time it is not practical to provide a five year summary of transactions.

49. Heritage Assets: Further Information on the Museums Collections

Heritage Service

The Heritage Service is responsible for the management and continuing development of the County's heritage provision. Further information regarding the Heritage Services can be found in its "Collections Management Policy 2008 – 2013". Also "Denbighshire Heritage Service Development Plan 2011 – 2014". These documents are available from the Heritage Service, Yr Hen Garchar, 46 Clwyd Street, Ruthin, LL15 1HP.

Collections Management

The management of collections is guided by the Accreditation Scheme and A Museum Strategy for Wales. The County's portable heritage collections are housed at the County Store in Ruthin. These include archaeological collections (such as Roman finds from Prestatyn Bath House and medieval collections from Rhuddlan Castle), collections associated with Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. Currently there is no member of staff whose sole responsibility is the care of the collections in Denbighshire; the curatorial manager has overall responsibility. In the future it is hoped to allow public access to collections through terminals in each museum and to incorporate collections on collaborative websites, such as the People's Collection.

Loans

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

Acquisitions and Disposals

The Heritage Service has a "Museum Documentation and Procedural Manual", as well as the other policies mentioned above, and this documents the procedures for acquisition and disposal of all items. Each deposit should have a unique number and details of ownership and type of deposit. Once an item is accessed the object is formally accepted into the museum collection. The disposal procedure is well documented and recorded. No objects have been purchased in 2011/12. All collections are listed on the Accessions Register and on the Museum Object Data Entry System (MODES).

50. Accounting Policy and Other Changes Required by the Code of Practice for Local Authority Accounting in the United Kingdom

- (a) There have been presentational changes to the Comprehensive Income & Expenditure Statement. The Service Reporting Code of Practice for Local Authorities (SerCOP) has introduced a change to how the Service Expenditure Analysis is shown and the surplus or deficit on revaluation of Property, Plant and Equipment assets is now required to be split between revaluation and impairment. The effects of these changes are shown in the statement below as Adjustment (a).
- (b) A review was undertaken of the accounting treatment of a loan received from the Salix Energy Efficiency Scheme: a programme being delivered by the Welsh Government in partnership with Salix Finance and the Carbon Trust in order to provide interest free loans. As a consequence, the accounting entries have been amended. The effects of these changes are shown in the statement below as Amendment (b).
- (c) Heritage Assets: the adoption of FRS30 Heritage Assets by the Code has resulted in a change of accounting policy and therefore the restatement of the balances as at 1 April 2010 and 31 March 2011. Previously, Heritage Assets were either recognised as Community Assets, or not recognised at all in the Balance Sheet as it was not possible to obtain cost information on the assets. The Authority's accounting policies

for recognition and measurement of Heritage Assets are set out in the Authority's summary of significant accounting policies.

In applying the new accounting policy, the authority has identified that assets that were previously held as Community Assets and other Land and Buildings within Property, Plant and Equipment at £10,182k should now be recognised as Heritage Assets. The 1 April 2010 and 31 March 2011 Balance Sheets have thus been restated in the 2011/12 Statement of Accounts to apply the new policy. The effects of these changes are shown in the statement below as Adjustment (c). The other main statements have not been affected so have not been restated for this change.

(d) Revenue Grants and Contributions: Revenue grants and contributions that are yet to be recognised as income, as they have conditions attached to them that will require the monies to be repaid, have previously been classed as Short Term Creditors. The Code now requires these to be classified as Revenue Grants Receipts in Advance. This is not a change in accounting policy and therefore does not require a prior year adjustment. The comparative figures as at 31 March 2011 have been restated in the Balance Sheet below, however, for completeness. Comprehensive Income and Expenditure Statement as at 31/03/2011

| | Previousl | y Reported | 31/03/2011 | | | | Res | tated 31/03/2 | 2011 | |
|---|------------------------------|--------------------------|----------------------------|------------------------------|-------------------------|--------------------------------|------------------------------|--------------------------|----------------------------|---|
| | | | | Adjustm | ent (a) | Adjustment | | | | |
| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | (b) Gross Income £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | |
| Central Services to the Public | 12,069 | (10,237) | 1,832 | | | | 12,069 | (10,237) | 1,832 | Central Services to the Public |
| Cultural, Environmental, Regulatory & Planning Services | 53,788 | (24,706) | 29,082 | (31,865) | 18,170 | | 21,923 | (6,536) | 15,387 | Cultural & Related Services |
| Education & Children's Services | 106,115 | (20,790) | 85,325 | 392 | (200) | 2 | 106,507 | (20,988) | 85,519 | Children's & Education Services |
| | | | 0 | 19,949 | (10,305) | | 19,949 | (10,305) | 9,644 | Environmental & Regulatory Services |
| Highways & Transport Services | 23,872 | (12,337) | 11,535 | 760 | (429) | | 24,632 | (12,766) | 11,866 | |
| Local Authority Housing (HRA) | 21,130 | (10,835) | 10,295 | | | | 21,130 | (10,835) | 10,295 | Local Authority Housing (HRA) |
| Other Housing Services Adult Social Care | 35,343 51,412 | (32,998) (17,864) | 2,345 33,548 | 133 | (149) | | 35,476 51,412 | (33,147) (17,864) | 2,329 33,548 | Housing Services Adult Social Care |
| Corporate & Democratic | 9,109 | (5,634) | 0 3,475 | 8,315 2,316 | (5,100) (1,987) | | 8,315 11,425 | (5,100) (7,621) | 3,215 3,804 | Planning Services Corporate & |
| Core Non Distributed Costs | (21,421) | 0 | (21,421) | | | | (21,421) | 0 | (21,421) | Democratic Core Non Distributed Costs |
| Cost of Services Other Operating Expenditure | 291,417 14,089 | (135,401) (45) | 156,016 14,044 | 0 | 0 | 2 | 291,417 13,591 | (135,399) (45) | 156,018 13,546 | Cost of Services Other Operating Expenditure |
| Financing & Investment Income & Expenditure | 16,137 | (1,047) | 15,090 | | | | 16,635 | (1,047) | 15,588 | Financing & Investment Income & Expenditure |
| Taxation & Non-specific Grant Income | 0 | (205,844) | (205,844) | | | 141 | 0 | (205,703) | (205,703) | Taxation & Non- specific Grant Income |
| (Surplus) or Deficit on Provision of Services | 321,643 | (342,337) | (20,694) | 0 | 0 | 143 | 321,643 | (342,194) | (20,551) | (Surplus) or Deficit on Provision of Services |

| | Previousl | y Reported | 31/03/2011 | | | | Res | tated 31/03/2 | 2011 | |
|--|------------------------------|-------------------------|----------------------------|------------------------------|-------------------------|-------------------------|------------------------------|-------------------------|----------------------------|--|
| | | | | Adjustmo | ent (a) | Adjustment (b) | | | | |
| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Gross Income £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | |
| Surplus of Deficit on revaluation of Property, Plant & Equipment assets | | | (32,198) | (2,584) 2,584 | | | | | (34,782) 2,584 | Surplus of Deficit on revaluation of Property, Plant & Equipment assets Impairment losses on non-current assets charged to the |
| Surplus or deficit on revaluation of available for sale financial assets | | | 0 | | | | | | 0 | Revaluation Reserve Surplus or deficit on revaluation of available for sale financial assets |
| Actuarial gains/losses on pensions assets/liabilities | | | (12,673) | | | | | | (12,673) | Actuarial gains/losses on pensions assets/liabilities |
| Other Comprehensive Income & Expenditure | | | (44,871) | 0 | 0 | 0 | | | (44,871) | Other Comprehensive Income & Expenditure |
| Total Comprehensive Income & Expenditure | | | (65,565) | 0 | 0 | 143 | | | (65,422) | Total Comprehensive Income & Expenditure |

Balance Sheet as at 31st March 2011

| | | / Reported 2/2011 | | Resta | ited |
|---|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|
| | 01 April 2010 £000 | 01 April 2010 £000 | Adjustment (c) £000 | 1 April 2010 £000 | 1 April 2010 £000 |
| Council Dwellings Other Land & Buildings | 265,973 195,936 | | (9,821) | 265,973 186,115 | |
| Vehicles, Plant, Furniture & Equipment | 9,558 | | (0,021) | 9,558 | |
| Infrastructure | 70,958 | | | 70,958 | |
| Community Assets | 3,136 | | (361) | 2,775 | |
| Assets Under Construction | 7,547 | | (001) | 7,547 | |
| Surplus Assets not Held for Sale | 3,075 | | | 3,075 | |
| Property, Plant & Equipment | 556,183 | | | 546,001 | |
| Heritage Assets | 000,100 | | 10,182 | 10,182 | |
| Investment Property | 10,405 | | , | 10,405 | |
| Long Term Investments | 7 | | | 7 | |
| Long Term Debtors | , 1,446 | | | 1,446 | |
| LONG TERM ASSETS | ., | 568,041 | | ., | 568,041 |
| Short Term Investments | 18,599 | • | | 18,599 | · |
| Assets Held for Sale (< 1yr) | 76 | | | 76 | |
| Inventories | 1,361 | | | 1,361 | |
| Short Term Debtors | 26,369 | | | 26,369 | |
| Cash & Cash Equivalent | 95 | | | 95 | |
| CURRENT ASSETS | | 46,500 | | | 46,500 |
| Short Term Borrowing | (3,395) | | | (3,395) | |
| Short Term Creditors | (30,583) | | | (30,583) | |
| Provisions | (331) | | | (331) | |
| Capital Grants Received in Advance | (1,833) | | | (1,833) | |
| CURRENT LIABILITIES | | (36,142) | | | (36,142) |
| Long Term Creditors | (10,781) | | | (10,781) | |
| Provisions | (4,900) | | | (4,900) | |
| Long Term Borrowing | (125,262) | | | (125,262) | |
| Other Long Term Liabilities | (162,180) | | | (162,180) | |
| | | (303,123) | | | (303,123) |
| NET ASSETS | | 275,276 | | () | 275,276 |
| Council Fund | (6,896) | | | (6,896) | |
| Earmarked Reserves | (18,018) | | | (18,018) | |
| Housing Revenue Account | (1,544) | | | (1,544) | |
| Capital Receipts Reserve | (3,026) | | | (3,026) | |
| Capital Grants Unapplied | (4,974) | | | (4,974) | |
| Usable Reserves | (170.050) | (34,458) | | (170.050) | (34,458) |
| Revaluation Reserve | (173,259) | | | (173,259) | |
| Pensions Reserve | 162,180 | | | 162,180 | |
| Capital Adjustment Account | (232,249) | | | (232,249) | |
| Deferred Capital Receipts | (19) | | | (19) | |
| Financial Instruments Adjustment Account | 345 | | | 345 | |
| Short Term Accumulating Compensated | 2,184 | | | 2,184 | |
| Absences Account Unusable Reserves | | (240 949) | | | (240 919) |
| | } | (240,818) | | | (240,818) |
| TOTAL RESERVES | | (275,276) | | | (275,276) |

| | Previously Reported 31/03/2011 | | d | | | Restated 31/03/2011 | |
|------------------------------|-----------------------------------|--------------------------|-----------------|-----------------|-----------------|--------------------------|--------------------------|
| | 31 March 2011 £000 | 31 March 2011 £000 | Adj (b) £000 | Adj (c) £000 | Adj (d) £000 | 31 March 2011 £000 | 31 March 2011 £000 |
| Council Dwellings | 289,347 | 2000 | 2000 | 2000 | 2000 | 289,347 | 2000 |
| Other Land & Buildings | 190,830 | | | (9,742) | | 181,088 | |
| Vehicles, Plant, Furniture & | 10,052 | | | (3,742) | | 10,052 | |
| Equipment | 10,002 | | | | | 10,002 | |
| Infrastructure | 81,522 | | | | | 81,522 | |
| Community Assets | 3,396 | | | (361) | | 3,035 | |
| Assets Under Construction | 7,898 | | | (001) | | 7,898 | |
| Surplus Assets not Held for | 2,633 | | | | | 2,633 | |
| Sale | _, | | | | | _, | |
| Property, Plant & Equipment | 585,678 | | | | | 575,575 | |
| Heritage Assets | | | | 10,103 | | 10,103 | |
| Investment Property | 10,011 | | | -, | | 10,011 | |
| Long Term Investments | 7 | | | | | 7 | |
| Long Term Debtors | 1,120 | | | | | 1,120 | |
| LONG TERM ASSETS | | 596,816 | 0 | | | | 596,816 |
| Short Term Investments | 19,219 | , | - | | | 19,219 | , |
| Assets Held for Sale (< 1yr) | 410 | | | | | 410 | |
| Inventories | 1,404 | | | | | 1,404 | |
| Short Term Debtors | 24,343 | | (143) | | | 24,200 | |
| Cash & Cash Equivalents | 3,617 | | (- / | | | 3,617 | |
| CURRENT ASSETS | , | 48,993 | (143) | | | , | 48,850 |
| Short Term Borrowing | (2,508) | | (110) | | | (2,508) | |
| Short Term Creditors | (26,323) | | | | 1,117 | (25,206) | |
| Provisions | (311) | | | | ., | (311) | |
| Revenue Grants Receipts in | (0) | | | | (1,117) | (1,117) | |
| Advance | | | | | () / | (,,,, | |
| Capital Grants | (1,513) | | | | | (1,513) | |
| Received in Advance | | | | | | | |
| CURRENT LIABILITIES | | (30,655) | 0 | | | | (30,655) |
| Long Term Creditors | (10,480) | | | | | (10,480) | |
| Provisions | (5,023) | | | | | (5,023) | |
| Long Term Borrowing | (129,130) | | | | | (129,130) | |
| Other Long Term Liabilities | (129,680) | | | | | (129,680) | |
| LONG TERM LIABILITIES | | (274,313) | 0 | | | | (274,313) |
| NET ASSETS | | 340,841 | (143) | | | | 340,698 |
| Council Fund | (8,281) | - | , <i>,</i> , | | | (8,281) | |
| Earmarked Reserves | (25,977) | | | | | (25,977) | |
| Housing Revenue Account | (2,009) | | | | | (2,009) | |
| Capital Receipts Reserve | (3,478) | | | | | (3,478) | |
| Capital Grants Unapplied | (5,714) | | | | | (5,714) | |
| Usable Reserves | | (45,459) | 0 | | | | (45,459) |
| Revaluation Reserve | (199,801) | / | | | | (199,801) | |
| Pensions Reserve | 129,680 | | | | | 129,680 | |
| Capital Adjustment Account | (227,899) | | 143 | | | (227,756) | |
| Deferred Capital Receipts | (14) | | | | | (14) | |
| Financial Instruments | 339 | | | | | 339 | |
| Adjustment Account | | | | | | | |
| Short Term Accumulating | 2,313 | | | | | 2,313 | |
| Compensated Absences | | | | | | | |
| Account | | | | | | | |
| Unusable Reserves | | (295,382) | 143 | | | | (295,239) |
| TOTAL RESERVES | | (340,841) | 143 | | | | (340,698) |

SECTION 4: SUPPLEMENTARY STATEMENTS

AND

NOTES TO THE SUPPLEMENTARY STATEMENTS

Housing Revenue Account Income and Expenditure Statement for the period 31 March 2012

| 2010/11 £000 | | Note | 2011/12 £000 |
|-----------------|--|------|-----------------|
| | EXPENDITURE | | |
| 2,795 | Repairs & maintenance | | 2,946 |
| 2,150 | Supervision & management | | 2,323 |
| 17 | Rents, rates, taxes & other charges | | 18 |
| 3,016 | Negative Housing Revenue Account subsidy payable | | 3,085 |
| 13,084 | Depreciation and impairment of non-current assets | 5 | 12,432 |
| 14 | Debt management costs | | 16 |
| 8 | Increase in bad debt provision | | 28 |
| 21,084 | Total Expenditure | | 20,848 |
| | INCOME | | |
| (10,685) | Dwelling Rents (Gross) | | (11,147) |
| (150) | Non-Dwelling Rents (Gross) | | (155) |
| (10,835) | Total Income | | (11,302) |
| 10,249 | Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | | 9,546 |
| 46 | HRA Share of Corporate & Democratic Core | | 46 |
| 10,295 | Net Cost of HRA Services | | 9,592 |
| | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement | | |
| 1,266 | Interest payable and similar charges | | 1,302 |
| (5) | Interest and investment income | | (5) |
| 95 | Pensions interest cost & expected return on pensions assets | 6 | 140 |
| (2,400) | Capital grants and contributions receivable | | (2,400) |
| 9,251 | (Surplus) or deficit for the year on HRA services | | 8,629 |

Movement on the HRA Statement

| 2010/11 £000 | | 201 ⁻ £0 | |
|-----------------|--|------------------------|---------|
| (1,544) | Balance on the HRA at 1 April | | (2,009) |
| 9,251 | (Surplus) or deficit for the year on the HRA Income & Expenditure Statement | 8,629 | |
| (9,693) | Adjustments between accounting basis and funding basis under statute (see below) | (7,477) | |
| (442) | Net (increase) or decrease before transfers to or from reserves | | 1,152 |
| (23) | Transfers to or (from) reserves | | (14) |
| (465) | (Increase) or decrease in year on the HRA | | 1,138 |
| (2,009) | Balance on the HRA at 31 March | | (871) |

| | Adjustments between accounting basis and funding basis | |
|----------|--|----------|
| | under statute: | |
| | Adjustments primarily involving the Capital Adjustment | |
| | Account | |
| | Reversal of items debited or credited to the Comprehensive | |
| | Income & Expenditure Statement | |
| (13,084) | Charges for depreciation and impairment of non-current assets | (12,432) |
| 2,400 | Capital grants and contributions applied | 2,400 |
| 0 | Revenue Expenditure Funded from Capital Under Statute | 0 |
| (374) | Amounts of non-current assets written off on disposal or sale as | (284) |
| | part of the gain/loss on disposal to the Comprehensive Income & | |
| | Expenditure Statement | |
| | Insertion of items not debited or credited to the Comprehensive | |
| | Income & Expenditure Statement | |
| 1,037 | Statutory provision for the financing of capital investment | 1,255 |
| 0 | Capital Expenditure charged against HRA balances | 1,341 |
| | Adjustments primarily involving the Capital Receipts | |
| | Reserve | |
| 374 | | 284 |
| | on disposal to the HRA Income & Expenditure Statement | |
| | Adjustments primarily involving the Financial Instruments | |
| | Adjustment Account | |
| 23 | Amount by which finance costs charged to the HRA Income & | 18 |
| | Expenditure Statement are different from finance costs | |
| | chargeable in the year in accordance with statutory requirements | |
| | Adjustments primarily involving the Pensions Reserve | |
| (244) | Reversal of items relating to retirement benefits debited or | (406) |
| | credited to the HRA Income & Expenditure Statement | |
| 180 | | 361 |
| | Adjustments involving the Accumulated Absence Account | |
| (5) | Amount by which officer remuneration charged to the HRA | (14) |
| | Income & Expenditure Statement on an accruals basis is different | |
| | from remuneration chargeable in the year in accordance with | |
| | statutory requirements | |
| (9,693) | Total Adjustments | (7,477) |

1. Housing Stock

The Council's total housing stock was as follows:

| 2010/11 No. of Properties | | 2011/12 No. of Properties |
|------------------------------|-----------|------------------------------|
| 1,872 | Houses | 1,867 |
| 970 | Flats | 975 |
| 621 | Bungalows | 616 |
| 3,463 | Total | 3,458 |

During the year, four properties were sold under the Right to Buy Scheme and two properties were merged into one.

2. Rent Arrears

At the 31st March 2012, tenants' net rent arrears were £0.200m, (£0.202m as at 31st March 2011) which represented 1.73% of the net rent income due in the year. Arrears totalling £0.028m were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £0.028m was made during the year and the balance at year end is £0.159m.

3. Capital Receipts

HRA capital receipts for 2011/12 are summarised below:

| 2010/11 £000 | Housing Receipts | 2011/12 £000 |
|-----------------|------------------|-----------------|
| 370 | Sales | 284 |
| 4 | Repaid Discounts | 0 |
| 5 | Mortgages | 5 |
| 379 | Total Receipts | 289 |

4. Analysis of Housing Revenue Account Capital Expenditure

During 2011/12, capital expenditure of £5.835m was incurred on improvements to the Council's housing stock. Total capital expenditure has been financed by three sources: the Major Repairs Allowance (a government grant), capital receipts (from the 'Right to Buy' scheme) and prudential borrowing as detailed in the table below.

| 2010/11 £000 | Housing Capital Expenditure | 2011/12 £000 |
|---------------------------|---|--------------------------------|
| 6,563 | Improvement Works | 5,835 |
| 6,563 | In-year Expenditure | 5,835 |
| 2,400 95 0 4,068 | <i>Financed by:</i> Major Repairs Allowance (Grant) Usable Capital Receipts Direct HRA Revenue Contributions Prudential Borrowing | 2,400 221 1,341 1,873 |
| 6,563 | Total | 5,835 |

5. Depreciation & Impairment of Non-current Assets

In line with the Resource Accounting framework, depreciation charges impairment and revaluation losses are included in the HRA Net Cost of Services. The depreciation charge is based on the Balance Sheet value of dwellings and other assets and reflects the assets held and consumed in the delivery of the service, rather than simply the cash spent on them each year. The impairment and revaluation losses arise as a result of the revaluation process and previous general HRA capital expenditure that could not be allocated to individual properties being written off. The depreciation charge, impairment and revaluation losses are reversed out of the Net Cost of Services via the Movement on the HRA Statement. The reversal brings the net capital charge to the HRA back to the statutory charge, which is calculated in line with Item 8 (Wales) General Determination 2011/12. The depreciation charge and impairment losses have no effect on HRA balances.

The total depreciation charges and impairment and revaluation losses for 2011/12 are shown below:

| 2010/11 £000 | HRA Depreciation Charges & Impairment Losses | 2011/12 £000 |
|-----------------|---|-----------------|
| 6,197 | Operational Assets – Dwellings | 6,339 |
| 21 | Operational Assets - Garages | 45 |
| 20 | Operational Assets – Communication Systems | 83 |
| 6,238 | Total Depreciation | 6,467 |
| 6,846 | Impairment and Revaluation Losses | 5,965 |
| 13,084 | Total HRA Depreciation & Impairment Losses | 12,432 |

6. Transactions Relating to Retirement Benefits

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

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

| 2010/11 £000 | Comprehensive Income and Expenditure Statement | 2011/12 £000 |
|-----------------|--|-----------------|
| | Net cost of services: | |
| 149 | Current Service Cost | 263 |
| | Past Service Cost | 3 |
| | Net Operating Expenditure | |
| 312 | Interest cost on gross pension liability | 585 |
| (217) | Expected return on gross pension assets | (445) |
| | Net charge to the Comprehensive Income & | |
| 244 | Expenditure Statement | 406 |
| | | |
| | Movements on the HRA statement | |
| | Reversal of net charges made for retirement benefits | |
| (244) | in accordance with the Code | (406) |
| | Employer's contribution payable to the Clwyd | |
| 180 | Pension Fund Scheme | 361 |

SECTION 5: THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENBIGHSHIRE COUNTY COUNCIL

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 10 to 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Denbighshire County Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Denbighshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

Opinion on other matters

In my opinion, the information contained in the Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with *Delivering Good Governance in Local Government: Framework* published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

l_t

Anthony Barrett Appointed Auditor Wales Audit Office 24 Cathedral Road CARDIFF CF11 9LJ

Date 28 September 2012



SECTION 6: ANNUAL GOVERNANCE STATEMENT 2011-12

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1. Scope of Responsibility

- 1.1. Denbighshire County Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that it safeguards and properly accounts for public money, using it economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which we operate, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, operating effectively and managing risk.
- 1.3. We have a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This Annual Governance Statement explains how we have complied with the Code during 2011-12 and how we meet the requirements of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1. Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. It comprises the Council's systems, processes, cultures and values, through which we account to, engage with and, where appropriate, lead our communities. It enables us to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2. The system of internal control is a significant part of that framework, designed to manage risk to a reasonable level. It is an ongoing process to identify and prioritise the risks to the Council's achievement of its policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. However, the system of internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3. The Council's governance framework has been in place for the year ended 31 March 2012 and up to the date of the approval of the Statement of Accounts.

3. Key Elements of Our Governance Framework

3.1. Our Code of Corporate Governance has six key principles, each with a definition of what this means in the Council. This Annual Governance Statement explains how we have delivered against these principles during 2011-12.

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing our medium & long term vision

Denbighshire County Council will be an excellent Council providing high quality and efficient services to all its citizens and communities, which complements our long-term county vision

- We are exercising strategic leadership by developing and clearly communicating our Corporate Plan and its intended improvement outcomes.
- We ensure that users receive an efficient and effective standard of service, whether directly, in partnership, or by commissioning.
- Arrangements are in place to report on activities, performance, financial position and to achieve value for money, although we need to develop a more strategic approach to the efficiency programme.
 - The Council's Corporate Plan for 2009-12 has now come to an end, and County Council elections in May resulted in a new team of elected members to shape a new Corporate Plan for 2012-17. We have already commenced work on the Corporate Plan 2012-17, including a significant amount of research, analysis and engagement; however, we agreed to make no decisions before engaging the new Council, so we will publish our Corporate Plan 2012-17 in autumn 2012.
 - We have produced a document to explain the transition between the end of the old Corporate Plan and the introduction of the new Corporate Plan. This explains what has happened to our 2009-12 corporate priorities, including a commitment to complete any outstanding activities identified in the old Corporate Plan. This transition document does not perform the role of an improvement plan, as required by the Local Government Measure. Our new Corporate Plan 2012-17 will fulfil this role, which means that we are producing an improvement plan for 2012-13 later than most other Welsh local authorities. This is intentional, as we feel that it is inappropriate to produce an improvement plan without involving our elected members.
 - We review our corporate priorities annually to ensure that they remain relevant, and we will continue to develop an annual corporate plan delivery document that shows what we expect to deliver during each financial year. The 2009-12 corporate priorities remain relevant, although we will mainly deliver and manage these priorities through Service Plans in future.
 - There are robust business planning, performance and reporting arrangements in place to help deliver the Corporate Plan, communicate our activities and achievements, financial position and performance. We have revised our Quarterly Performance Reports to Cabinet and Performance Scrutiny to cover all major sources of performance information. This reduces fragmentation and potential duplication in performance reporting.
 - The Senior Leadership Team (SLT) has agreed a new approach to target setting to encourage consistency and provide clearer definitions of our RAG system. This will significantly improve our performance management framework, but we need to do some further work to embed this change. We have organised a workshop with SLT for July 2012 to agree steps to implement the new approach across all our Service Plans and the developing Corporate Plan 2012-17.

- The Wales Audit Office Annual Improvement Report 2012 states that: "Denbighshire County Council is improving outcomes for residents through better planning, delivery and reporting although there is further to go to achieve its ambitious objectives."
- Service Performance Challenges are now well established, and we have made amendments to the process to improve their effectiveness. Each meeting now has a bespoke agenda based on actual issues, which means that all the meetings are more focused and relevant. Finance is now a fundamental part of the agenda for the Challenges, where we routinely ask services about their contribution to the efficiency programme, both in terms of performance (achievements to date) and plans.
- Service Performance Challenges result in a Service Position Statement for all services. These Statements feed into the business planning process to ensure that services identify and act on areas for improvement.
- Financial planning is integrating more with business planning and performance management. We are confident that the processes we have in place are resilient, and strengthened since the introduction of finance partners to support services, and the development of our medium-term financial plan.
- The efficiency programme has been successful to date, enabling us to identify approximately £10m savings in 2011-13 without any significant impact on frontline services. However, a more strategic approach is needed as savings become increasingly difficult to achieve without having an impact on our communities.

Principle 2 - Having clear responsibilities and arrangements for accountability Everyone involved in running the Council understands each other's roles and responsibilities and how, together, they will deliver Denbighshire's medium and longterm vision.

- We ensure effective leadership throughout the Council and are clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.
- We ensure that a constructive working relationship exists between elected members and officers and that they carry out their responsibilities to a high standard.
- We are improving our processes to ensure that relationships between the Council and its partners are clear, so that each knows what to expect of the other, although we have concerns that current partnerships and collaborations may not have robust governance frameworks in place.
 - We have revised our Constitution, which we will continue to update as we become clear about the requirements of the Local Government (Wales) Measure 2011. We have implemented all elements of the Measure where we have received Welsh Government guidance, but we are awaiting the final guidance before planning our approach to the remaining elements.
 - Our Constitution sets out a clear statement of the respective roles and responsibilities of the Cabinet and its members, other elected members and of senior officers, including where they fit into the organisational structure. It also provides a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decision of the County Council, taking account of relevant legislation.

- We are engaged in the collaboration agenda, as can be demonstrated by the fact that we have taken the opportunity to get involved in, and lead on, a number of regional collaboration projects.
- We have signed up to the Compact, but the role we will play in implementing this requires further clarity.
- To manage collaboration, we have developed political tools, such as joint scrutiny committees with Conwy County Borough Council, and a Denbighshire and Conwy Collaboration Board. However, we need to develop an understanding of how to scrutinise successfully the governance and performance of regional service delivery from a Denbighshire perspective. The Wales Audit Office will be undertaking a local study on collaboration during 2012-13, and we will respond to address any issues identified as a result of that work.
- The Council is recognised as a leader in terms of developing the partnership agenda, with a joint Local Service Board and its integrated strategic partnership plan (The BIG Plan). However, the partnership agenda is extremely challenging and, although we are making progress, it is proving more difficult than anticipated. For example, the work to align the work programmes of the Children & Young People's Partnerships has proved difficult due to differences in the existing partnerships structures in Conwy and Denbighshire.
- In recognition that the quality of our partnership governance has been inconsistent, we are now developing a framework within which we can plan and monitor partnerships. As part of this work, we will also develop a Partnership Register. However, we realise that this will not cover partnerships and collaborations already in existence that may not have robust governance arrangements and may be based on informal agreements.

Principle 3 - Good conduct and behaviour

Creating a team that can do the job well and whose behaviours are rooted in our core values of Pride, Unity, Respect and Integrity

- We ensure that elected members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- > We ensure that we put our organisational values into practice and that they are effective.
 - Our Member and Officer Codes of Conduct and our Core Values promote openness, support and respect through the promotion of high ethical standards. These shared values, including leadership values for elected members and officers, reflect public expectations.
 - Our various codes of conduct and protocols clearly define the standards of conduct and personal behaviour expected of elected members and officers, including work between elected members and officers and between the Council, its partners and the community.
 - We have processes in place for declarations of interest to ensure that prejudice, bias and other conflicts of interest do not influence elected members and officers in dealing with different stakeholders.

- The Standards Committee meets regularly, with a key role of promoting and maintaining high standards of conduct by elected members, co-opted members and church and parent governor representatives.
- The Public Services Ombudsman for Wales' annual report for 2010-11 states that: "...although there has been a decrease in the number of complaints received by my office, this figure remains above the average. There has also been a decrease in the number of complaints investigated, and this figure is equal to the figure which could be expected. The complaint outcomes indicate a higher than average number of Voluntary Settlements and Premature complaints."

Principle 4 – Taking informed and transparent decisions that are subject to effective scrutiny and risk management

The development of governance and scrutiny functions as part of our Strong Governance & Leadership Improvement theme

- We are rigorous and transparent about how we take decisions, listening and acting on the outcome of constructive scrutiny.
- We have good quality information, advice and support to ensure that we deliver services effectively and they are what the community wants/needs.
- We have improved our risk management processes but some related policies and processes need updating to ensure that we fully embed risk management.
- We use our legal powers to the full benefit of the citizens and communities in the area but need to update our Financial Regulations and Contract Procedure Rules.
- We still need to improve our processes to ensure that the right information is available in the right format, which encourages knowledge to be created, shared, learned, enhanced and organised for the benefit of the Council and the community.
 - County Council, Cabinet, Scrutiny and regulatory committees advertise meetings publicly and meetings are open to the public unless information is exempt under legislative provisions. We formally record meetings and decisions, and meeting minutes are publicly available.
 - We have implemented a new Scrutiny structure, moving away from the previous directorate-based structure. We have based the new committees around the themes of Performance, Partnerships, and Communities. Although the new structure is less than 12 moths old, there are signs of improvement. We have reviewed the impact of the new Scrutiny system and reported to Council in February 2012, where members confirmed that the structure should continue in its new configuration.
 - Performance Scrutiny members have a lead on a particular service, which enables them to develop knowledge and expertise in specific service areas. They can then bring areas of concern to the attention of the Performance Scrutiny Committee. These lead Performance Scrutiny Members are also part of the Service Performance Challenge for their designated services.
 - We have processes in place to safeguard elected members and officers against conflicts of interest.
 - The Corporate Governance Committee is effective and operates independently of Cabinet and Scrutiny functions.

- We have effective, transparent and accessible arrangements in place for dealing with customer complaints against services, officers and elected members through 'Your Voice', the Constitution, Standards Committee and disciplinary procedures.
- Arrangements are in place to ensure that County Council, Cabinet and committees receive appropriate professional advice and information on which to base their decisions.
- Our financial management arrangements are strong, and we have received positive reports from the Wales Audit Office through the Annual Letter.
- The Head of Finance and Assets is the responsible officer for the administration of the Authority's affairs under Section 151 of the Local Government Act 1972 and carries overall responsibility for the financial administration of the Council.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) have published a "Statement on the Role of the Chief Financial Officer (CFO) in Local Government". The Statement describes the role and responsibilities of the Chief Financial Officer and sets out 5 key principles that define the core activities and behaviours that belong to the role of CFO in public service organisations and the organisational arrangements needed to support them. Denbighshire County Council through the appointment of the Head of Finance and Assets complies with the Statement.
- The council operates to a defined set of Financial Regulations which are maintained by the Finance Department. The Regulations are reviewed regularly and are currently in the process of being updated to reflect the latest organisational structure, operational financial procedures and changes to the Council's Contract Procedure Rules.
- Until 2011, responsibility for coordinating risk management was part of the remit of the Internal Audit service. Following the review of strategic risk management, the Corporate Improvement Team now coordinates it, aligning it more closely to business planning and performance management.
- This separation of duties also enables Internal Audit to undertake an independent assessment of how effective the risk management process is, which would have been difficult under the previous risk management arrangements. This will take place during 2012-13 once the new processes have had time to embed.
- Although we feel confident that this new approach significantly improves our ability to manage risk effectively, the new system is in its infancy and there is more work required to ensure complete consistency between the corporate and service risk registers. We also need to ensure that existing controls are clear and tangible, and can therefore be tested effectively.
- We also need to embed the scrutiny of risk registers into the Service Performance Challenges, and carry out more work to integrate the new approach with the management of risk for projects.
- We have whistleblowing and anti-fraud and corruption policies in place, but we need to revise these to take account of the Bribery Act 2010.
- We have an effective, independent and objective internal audit service that has open access to the Chief Executive Officer and Corporate Governance Committee.
- We have not made sufficient progress in developing policies and processes to govern the management and secure handling, storage, disposal and sharing of information assets. This was a Significant Governance Issue in last year's Annual Governance Statement and remains so this year.

• We need to develop a more consistent approach to the use of information to support strategic planning and decision-making. An initial project is now underway to scope the current demand for information / data and explore options for organising information to meet that demand. This will enable us to manage the external environment better, and identify those opportunities and threats more easily.

Principle 5 – Developing skills and capacity

One of the Council's strategic aims set out in our Statement of Intent by supporting, training and developing our staff and elected members to maintain an adaptable, skilled and flexible workforce to meet future challenges and adapt to new priorities

- We make sure that elected members and officers have the skills, knowledge, experience and resources they need to perform well in their roles but need to improve the regularity and quality of officer appraisals. We have focused on improving completion rates for the past two years, but we plan to focus more on the quality element during 2012-13. We will also need to carry out a needs assessment for elected members following the May 2012 elections.
- We are developing the capability of people with governance responsibilities and developing processes to evaluate their performance as individuals and as a group.
- We encourage new talent for the organisation so that best use can be made of individuals' skills and resources in balancing continuity and renewal. However, we recognise the need for more flexibility in the workforce for future service delivery.
 - We have a new member training and development plan to make sure that elected members and officers have the skills, knowledge, experience and resources they need to perform well in their roles. However, we will need to carry out a full needs assessment to ensure that elected members continue to receive the training and development they need to perform their roles effectively.
 - We have implemented a new employee appraisal process, but need to improve the completion rate and quality of appraisals to ensure that we continue to manage employee performance, identify emerging talent and provide the training and development they need. We are developing a concept (initially called "the Hwb") which will enable the council to identify the necessary capacity within our existing workforce to deliver projects to support our new Corporate Plan. We will undertake an equality impact assessment as the concept develops to ensure that the proposal treats all groups of staff fairly.
 - We have made some improvements to workforce planning and the way it makes use of its staff to achieve improvement; however, we recognise that we need to do more to improve the flexibility of the workforce to enable us to utilise members of staff in the areas of greatest need.
 - We have provided extensive leadership training to several tiers of management and are working on a process to identify emerging talent through the new appraisals process.
 - We are an outward looking organisation that actively seeks contributions from other public sector agencies and the private, voluntary and community groups to assist the county and the Council. We have developed a new Corporate Engagement Strategy for implementation from May 2012.

- We have developed Member Area Groups to disseminate local information to councillors, and we are strengthening our relationship with Town and Community Councils (T&CC) through a recently developed Charter, which formalises the roles and responsibilities of each party.
- We hold quarterly Middle Manager Conferences to engage our senior managers, develop emerging talent and use the skills and resources that exist within our services.
- Officers and elected members have the opportunity to feed ideas back to the Council through Your Voice and the Bright Ideas suggestion scheme.

Principle 6 - A high-performing Council, closer to the community Through engaging local people and other stakeholders to ensure robust public accountability

- We have improved our scrutiny function, which effectively engages local people and all local stakeholders, including partnerships, and develops constructive accountability relationships.
- We take an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery, whether directly by the Council, in partnership or by commissioning. However, we need to ensure consistency and co-ordination in our engagement across the organisation.
- We make best use of human resources by taking an active and planned approach to meet responsibility to staff.
 - The Wales Audit Office Annual Improvement Report 2012 states that: "The Council has made good progress with its planned actions to improve the way it works and become 'a high performing council, close to the community."
 - Scrutinising arrangements are in place to engage with local people and associated stakeholders to assist in the scrutiny process. We implemented new Scrutiny arrangements from May 2011, which shows signs of improvement. We have reviewed the impact of the new Scrutiny system and reported to Council in February 2012, where members confirmed that the structure should continue in its new configuration.
 - Senior management and elected members receive and consider internal audit and external regulator reports. Internal Audit introduced revised follow up processes during the year to hold Heads of Service accountable for improvements within their services. This had led to improved implementation rates by the agreed date.
 - We hold Council, Cabinet and committee meetings in public unless there are good reasons for confidentiality.
 - We communicate effectively with our communities and stakeholders, although more
 work is required to understand whether our approach to engagement is consistent
 across the organisation. Although most Council services consult or engage with
 residents or service users in some form or other, we recognise that we lack a
 consistent approach to how or when we consult. This can result in duplication;
 inconsistencies in the approach; missed opportunities to share valuable data; and
 inconsistencies in how we analyse and use the information.

- We publish an annual performance report and Statement of Accounts, making our final accounts available to the public in accordance with legislation.
- We have a 'Progress Through People' framework to encourage and promote a culture of engagement and recognition amongst our employees. There are six key strands of 'Employee Engagement and Communication'; 'Good Employer'; 'Staff Recognition'; 'Healthy Workforce'; 'Workforce Planning' and 'Workforce Development'.
- We carried out a staff survey in 2011, and developed an action plan as a result.
- Other key developments include:
 - our Intranet this is seen as one of the most vital tools of internal communications;
 - monthly core briefs for team briefings;
 - Excellence Denbighshire an annual awards ceremony that celebrates good practice, awards outstanding performance and recognises staff achievement; and
 - Bright Ideas the staff suggestion scheme.

4. Review of Effectiveness

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The outcomes of this are contained within the six key principles above, informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. We have maintained, reviewed and improved the effectiveness of the governance framework by carrying out the following:
 - The Monitoring Officer and Corporate Governance Committee regularly review the Constitution. This work is ongoing during the implementation of the Local Government (Wales) Measure 2011. Our Head of Legal and Democratic Services is leading on our response to the Measure. We have implemented all elements of the Measure where we have received Welsh Government guidance, but we are awaiting the final guidance before planning our approach to the remaining elements.
 - The Head of Finance & Assets regularly reviews financial controls and is in the process of restructuring the Finance service. This will ensure that the Finance team continues to support services in the most efficient manner and bring a greater focus on value for money, compliance and efficiency within services.
 - We have reviewed our Strategic Risk Management process, transferring the coordination to the Corporate Improvement Team. This provides better governance by allowing Internal Audit to objectively review risk management now that it has no management responsibilities in this area. This independent review will commence in 2012-13 to allow the risk management process time to embed.
 - Our Internal Audit service is risk-based and ensures that it aligns its work with the Corporate Risk Register and requirements of the Council's S151 Officer. During 2011-12, the service completed all of its planned work in financial and high corporate risk assurance areas to allow the Head of Internal Audit to produce the

Annual Internal Audit Report that provides an overall assessment on the adequacy of the Council's internal control environment and raises any significant areas of concern.

- The Wales Audit Office reviews Internal Audit annually to ensure that it meets the required professional standards, but no report was available at the time of developing this Annual Governance Statement.
- We act on external audit and other review agencies reports, developing action plans for Scrutiny Committee monitoring. Corporate Governance Committee maintains an overview of these action plans.
- We have Scrutiny and other committees, including Corporate Governance and Standards Committees to monitor performance, conduct, risk management, external and internal regulator reports etc. Corporate Governance Committee actively holds senior management to account if they do not act on regulatory reports.
- We regularly monitor performance against the Corporate Plan, service plans and key targets, reporting of this to senior management and elected members.
- 4.3. We are aware of the implications of the results of the review of effectiveness of the governance framework plan to address weaknesses to ensure that a continuous improvement of the system is in place. The Head of Internal Audit Services will develop an action plan that the Corporate Governance Committee will monitor during 2012-13. The action plan will include the significant governance issues outlined below, as well as any less significant issues identified during the review of the governance framework.

5. Significant Governance Issues

| Issue | Action | Responsibility & Timescale |
|---|--|--|
| Information Governance We have not made sufficient progress in developing policies and processes to govern the management and secure handling, storage, disposal and sharing of information assets. This was a Significant Governance Issue in | Responsibility for Information Governance has now passed to the Head of Business Planning & Performance who will develop an action plan to deal with any outstanding issues. | Head of Business Planning & Performance 31 October 2012 |
| last year's Annual Governance Statement and remains so this year. | Freedom of Information Exemptions Panel already set up to improve governance. | n/a |
| your. | Internal Audit review in 2012-13 of Data Protection Act and Freedom of Information to provide a more detailed review of these two key areas of information management. | Head of Internal Audit 30 September 2012 |
| We need to develop a more consistent approach to the use of information to support strategic planning and decision-making. | An initial project is now underway to scope the current demand for information / data and explore options for organising information to meet that demand. This will enable us to manage the external environment better, and identify those opportunities and threats more easily. | Head of Business Planning & Performance 31 July 2012 (for completion of initial scoping exercise) |

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

| Signed: Kugh M Evans (Lead | ler) 25-9 |
|----------------------------|--------------|
| Signed: MMgL (Chie | f Executive) |

SECTION 7: GLOSSARY

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

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

• the actuarial assumptions have varied

AGENCY ARRANGEMENTS

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

AMORTISATION

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

ASSET

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

• A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

• A **non current** asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent review of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and reserves at the end of the accounting period.

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CASH

Comprises cash on hand & demand deposits

CASH EQUIVALENTS

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

CASH FLOWS

Inflows & outflows of cash & cash equivalents.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COMMUNITY ASSETS

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

• a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or

• a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core includes all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATED REPLACEMENT COST (DRC)

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EFFECTIVE INTEREST RATE

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

EMPLOYEE BENEFITS

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

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

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

EXISTING USE VALUE (EUV)

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

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

Material items, having a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not

expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

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

FINANCE LEASE

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

FINANCIAL INSTRUMENT

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

FINANCING ACTIVITIES

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

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

INCOME

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

INCOME AND EXPENDITURE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVENTORIES

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

INVESTING ACTIVITIES

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

INVESTMENT PROPERTY

Property that is held solely to earn rentals or for capital appreciation or both.

INVESTMENTS (PENSION FUND)

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

LEASE

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

LIABILITY

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

• A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

• A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time. **MATERIALITY**

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

MINIMUM REVENUE PROVISION (MRP)

The minimum amount, which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NEGATIVE SUBSIDY

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

NET BOOK VALUE

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

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

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

OPERATING ACTIVITIES

The activities of the Council that are not investing or financing activities.

OPERATING LEASE

A lease where the ownership of the non current asset remains with the lessor.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PROJECTED UNIT METHOD

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

PROVISION

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

PUBLIC PRIVATE PARTNERSHIPS (PPP)

A joint venture in which a private sector partner agrees to provide services to or on behalf of a public sector organisation. A Public Finance Initiative is a form of PPP.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure which can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non current asset. This is to enable it to be funded from capital resources. Examples of REFCUS are grants of a capital nature to voluntary organisations.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

SERVICE CONCESSION ARRANGEMENT

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

SOFT LOAN

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will derive benefits from the use of a non current asset.

WORK IN PROGRESS

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