

# DENBIGHSHIRE COUNTY COUNCIL

## ANNUAL STATEMENT OF ACCOUNTS

2007/08

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## FOREWORD BY THE CORPORATE DIRECTOR - RESOURCES

### 1. INTRODUCTION

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

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

The Statement of Accounts includes the following elements:

- ❖ **Explanatory Foreword**
- ❖ **Statement of Responsibilities for the Accounts**
- ❖ **Statement of Accounting Policies**
- ❖ **The Accounting Statements and Notes to the Accounts including pension disclosures**
- ❖ **External Auditor's Report**
- ❖ **Statement on the System of Internal Control**

#### **1.2 Section 1 - Introduction**

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

The **Statement of Responsibilities** outlines the duties of the Corporate Director - Resources as Chief Financial Officer in preparing the accounts, and the Council's responsibilities to adhere to the relevant regulations.

#### **1.3 Section 2 - Statement of Accounting Policies**

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

#### **1.4 Section 3 - Main Financial Statements.**

The 2007 SORP brought the Accounts closer to UK Generally Accepted Accounting Practice (GAAP) and made some changes to how costs are shown in the statements. There have also been additional changes to the presentation of specific areas of the financial statements. In addition the Best Value Accounting Code of Practice introduced changes to the presentation of service expenditure. These changes are detailed in the relevant notes and accounting policies. The main financial statements are:

##### **Income and Expenditure Account**

This account is a summary of the resources generated and consumed by the Authority in the year along with any corporate income or expenditure which relates to the Authority as a whole. It also shows how much of this cost has been met by local taxpayers and how much has been funded by the Welsh Assembly Government.

##### **Statement of the Movement on the Council Fund Balance**

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

##### **Statement of Total Recognised Gains and Losses (STRGL)**

This statement demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus / deficit and to other unrealised gains and losses.

**Balance Sheet**

The Balance Sheet shows the financial position of all the Authority's assets, liabilities, reserves and balances, at the accounting year end. Assets include both the value of fixed assets such as buildings, land and equipment and of current assets such as money owed to the Authority, stock and investments. Liabilities mainly relate to money owed by the Authority to external organisations. Reserves and balances represent the net worth of the Council at the accounting year end.

**Cash Flow Statement**

This shows the Authority's cash transactions over the year, indicating the sources of cash income received and actual cash spent. The cash transactions are split between those that are of a revenue nature, those that are capital and those that are in respect of the Authority's borrowing.

**1.5 Section 4- Explanatory Notes**

Explanatory Notes are provided after both the Main and Supplementary Financial Statements. These give additional information to aid the understanding of the Statements

**1.6 Section 5 and 6 - Supplementary Financial Statements and Notes****Housing Revenue Account (HRA)**

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

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

**1.7 Section 7 - External Auditors Report**

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

**1.8 Section 8 - The Statement on the System of Internal Control** identifies responsibility for internal control within the Council and gives an indication of the level of assurance that a system of control can provide.

**2. SUMMARY OF FINANCIAL ACTIVITIES DURING 2007/08****REVENUE BUDGET AND OUTTURN**

- 2.1 The Council's net revenue budget for 2007/08 was originally set at £159.579m (2006/07 £151.949m) and took account of known and estimated pay awards and price increases. Actual net expenditure totalled £160.093m. The main components of the Budget for 2007/08 and how these compare with the actual income and expenditure are shown in the table below.
- 2.2 These figures are presented on a different basis from the Income and Expenditure Account which includes Support Services recharges and are required to comply with the Best Value Accounting Code of Practice.

	<b>Budget 2007/08 £000s</b>	<b>Actual 2007/08 £000s</b>	<b>Variance 2007/08 £000s</b>
Education – Schools Devolved Budget	48,930	48,774	(156)
Education – Other	13,791	14,310	519
Countryside & Leisure	2,737	2,857	120
Tourism, Heritage & Culture	4,041	4,091	50
Environment	22,372	22,238	(134)
Social Services & Housing	37,785	36,054	(1,731)
Central Services	8,938	8,478	(460)
<b>Total</b>	<b>138,594</b>	<b>136,802</b>	<b>(1,792)</b>
Corporate	5,367	5,802	435
Capital Financing	10,806	9,260	(1,546)
Levies	4,212	4,100	(112)
<b>Net expenditure on services</b>	<b>158,979</b>	<b>155,964</b>	<b>(3,015)</b>
Contribution to balances - General	600	253	(347)
Contribution to balances - Earmarked		1,357	1,357
Contribution to/(from) balances – Schools		156	156
Contribution to Reserves		2,363	2,363
<b>Total expenditure</b>	<b>159,579</b>	<b>160,093</b>	<b>514</b>
<i>Funded by:</i>			
Council Tax	33,755	34,269	514
Welsh Assembly Funding	125,355	125,355	0
Deprivation Grant	169	169	0
LABGI	300	300	0
<b>Total Resources</b>	<b>159,579</b>	<b>160,093</b>	<b>514</b>

The final outturn for services was an underspend of £2.9m. This allowed the Council to strengthen its general position.

The underspend enabled the Council to place additional funds in reserves and provisions to all it to better prepare for future pressures.

The position was further strengthened by the collection of a higher percentage of Council Tax than was expected.

Details of the significant budget variances are shown below:

- Spending from the Schools delegated budgets was £156k below the level of the overall Schools Delegated Budgets, largely due to a variety of factors within individual schools. As a consequence schools balances have increased by the same amount.
- The overspend position on the non delegated Education budget has come about as a result of increased costs of the schools meals service creating an overspend of £136k, the deficit on the first year of operation of the Hyfrydle Children's Home at the Ysgol Plas Brondyffryn site, £220k, the additional cost of SEN provision in Primary Schools £275k, together with the cost of the interim management for the service. These increased costs have been partly offset by reduced school and college transport costs, £162k.
- Environment directorate delivered a number of small savings across services.
- Social Services and Housing delivered savings across many services. Children's services have accrued net savings of £225k as part of a strategy to reduce pressures in 2008/09. However within the budget, the cost of specialist placements continues to be a problem. Adult Services have also been accrued an underspend (within the year) of (£390k). The in-year underspends will be used to address growing pressures in 2008/09. It should be noted that the net position was achieved despite there being pressures on the Housing budget as a result of increased costs of homeless services and these have been absorbed by the directorate. The overall directorate position was supported by balances brought forward from 2006/7 of £385k.
- Within Central Services, the underspends arise as a consequence of vacancy savings in ICT and additional DWP special funding. These funds will be needed to part fund additional staffing costs, mainly ITC and Customer Contact Centre, in 2008/9 and 2009/10.
- Borrowing costs to fund capital spend were less than anticipated due to the impact of loan refinancing. The interest earned on temporary cash surpluses increased significantly due to slippage in capital spend, improved debt collection and improved investment opportunities. These issues produced a saving of £1.546m in total. This underspend was partly offset by higher than estimated levels of past early retirement costs, the cost of the Coroners service and several other small pressures within other corporate budgets.

The County Council's agreed strategy on general balances is to build these up to a prudent level and review annually. Unearmarked balances stand at £5.805m as at 31 March 2008 in line with the minimum level recommended by the Wales Audit Office i.e. 5% of the net revenue budget, excluding Schools Delegated budgets.

It has been possible to make a number of contributions to Reserves and Provisions within the accounts, in anticipation of the tighter financial position in future years. The main items are:

- Directorates will be able to carry forward underspends
- A Modernising Education provision in anticipation of the additional costs of feasibility studies and asset management
- A provision for additional costs in relation to the implementation of the Pay and Grading Review and Equal Pay Act
- A provision for spend to save initiatives to modernise the Council's structures
- A provision for investment in IT, primarily in relation to document and information management

The contribution to unearmarked balances of £253k was below the budgeted sum mainly due to significant spending pressures within the Education service during the year. As identified above, significant additional specific reserves and provisions have however been created.

The following table details the Council's reserves, balances and provisions:

	Explanation	Balance as at 31 March 2007 £000	Balance as at 31 March 2008 £000
Earmarked Reserves	Note 39 to the Accounts The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies.	7,867	10,945
Provisions	Note 31 to the Accounts These are for specific liabilities that will probably require payment, but the timing of expenditure is uncertain	1,909	3,006
Earmarked Balances	These are underspends which Directorates have been allowed to carry forward	1,022	1,453
Environmental Services Balances	Environmental Services operate a number of 'trading accounts' that provide services to other directorates	223	324
Schools Balances	As part of the delegated budget process, every school has responsibility for its own financial management. The figure of £1,963k is the sum total of all the individual school balances	1,807	1,963
General Balances	These are balances which are not identified for use. The Wales Audit Office guidance is that this should as a minimum represent 5% of the net revenue budget (excluding school delegated budgets) and the Council is now close to achieving this position.	5,553	5,805
Housing Revenue Account Balances	This relates solely to the part of the Council's activities for the provision of Council housing	2,779	3,707
<b>TOTAL</b>		<b>21,160</b>	<b>27,203</b>

The principle of maintaining a suitable level of unearmarked general balances together with specific reserves and provisions for potential commitments is key to maintaining the Council's improved financial position.

It is essential that good budgetary control continues to be applied to avoid the possibility of overspends in the current and future years, particularly in the light of the likely WAG settlements for the next few years. It is already becoming clear that there are a number of potential pressures that will impact upon the new financial year, namely:

- The low level of the assembly settlement for the next two years, which will be in the region of 2%
- The impact of the pay & grading review under Single Status and Equal Pay back pay claims.
- Rising energy, fuel and oil based products costs.
- The increasing number of older people and people with disabilities requiring services.
- Increased costs in relation to improving the County's Education provision and addressing unresolved issues brought forward from 2007/2008
- Increased costs in relation to waste management

Therefore, whilst the Council can consider that the financial outturn for 2007/08 is good and that the Council has reached a position of some financial stability, the ongoing high level of financial monitoring needs to continue.

**3. CAPITAL SUMMARY****CAPITAL EXPENDITURE**

- 3.1 Each year the Council invests in major assets such as land, buildings, road improvements, vehicles and equipment in order to maintain and develop the services it provides. The level of this investment in the future is limited by the ability of the Council to finance its capital spending.
- 3.2 The 2007/08 Capital Plan consisted mainly of works to maintain and improve Council owned assets. The only new material assets acquired during the year were £0.98m of vehicles acquired through Prudential Borrowing. During the year two farms were sold.
- 3.3 The table below shows how much the Council has spent on its Capital Plan in 2007/08 and how it was funded.

<b>EXPENDITURE</b>	<b>£000</b>
Schools	12,751
Countryside and Leisure	821
Tourism, Culture and Heritage	4,059
Development Services	8,111
Planning and Public Protection	3,380
Transport and Infrastructure	9,012
Council Housing	10,133
Other	844
<b>Total</b>	<b>49,111</b>
<b>FUNDING</b>	<b>£000</b>
Grants	26,480
Supported borrowing	1,117
Prudential Borrowing	13,795
Capital Receipts	6,853
Other	866
<b>Total</b>	<b>49,111</b>

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

## 3.5 Expenditure on major projects undertaken during the year includes:

Project	Description	2007/08 £000s
Ysgol Dewi Sant, Rhyl	Mobile for Additional Welsh Medium Early Years Provision	234
Ysgol Clawdd Offa, Prestatyn	Construction of New Primary School	4,047
Ysgol Llewelyn, Rhyl	Window Replacement Scheme	273
Ysgol Brynhyfryd, Ruthin	New Dining Facilities	839
Ysgol Glan Clwyd, St Asaph	Four Classroom Refurbishment	238
Ysgol Tir Morfa, Rhyl	Phase 11 – Development of Key Stage Two Facility	1,843
Ysgol Dinas Bran, Llangollen	Construction of Post 16 Learning Centre	346
Prestatyn High School	Construction of Post 16 Learning Centre	327
Ysgol Brynhyfryd, Ruthin	Construction of Post 16 Learning Centre	370
Ruthin	Construction of New Craft Centre	2,422
Corwen Leisure Centre	Refurbishment of Gymnasium	232
Scala, Prestatyn	Provision of New Cinema and Arts Centre	1,421
Denbigh	Townscape Heritage Initiative Phase 2	268
64 Brighton Road, Rhyl	Office Refurbishment and Car Park Extension	547
Colomendy Industrial Estate, Denbigh	Construction of Business Units	697
Rhyl Going Forward	Major European Scheme to Improve West End	1,339
Nant Clwyd House, Ruthin	Refurbishment of Building	283
14 Edward Henry Street, Rhyl	Construction of Business Units	759
Central Beach, Prestatyn	Landscaping Works	515
Deunant Culvert, Gwyddelwern	Flood Alleviation Scheme	566
St Asaph	Elwy Cycle Bridge	393
Rhyl to Rhuddlan	Cycle Path	543
Corwen	Green Lane Car park	432
Ruthin	Lon Parcwr Depot Works	528
Corwen, Pen y Pigyn	Stabilisation Works	403
Council Housing	Major Improvements	5,717
Council Housing	Window Replacements	2,552
Council Housing	Central Heating Replacements	832
Council Housing	Disabled Facilities Grants	545

**4. OTHER SIGNIFICANT ITEMS****PENSIONS**

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

4.2 The pension liability shown as part of the FRS 17 calculation is a potential net liability. It consists of the assets available to the pension fund to pay for the accrued pensions of all the staff currently employed by Denbighshire County Council less the accrued pension entitlement of the staff. As it is a net liability it shows that the pensions owed to the staff are greater than the assets. The potential net liability could only become due and payable if all staff were to retire on 31 March 2008. Further details are shown in the notes to the accounts.



4.3 During 2005/06 the Council concluded its review of the future of its Housing Stock. It resolved to retain the stock and embark on an investment programme funded by Prudential Borrowing that would enable it to achieve the Welsh Housing Quality Standard by the statutory deadline.

4.4 During 2007/08 the Council undertook a fundamental review of the plan and while a number of risks still exist, it is still a robust plan and should allow the Council to deliver its housing aspirations.

#### **LONG TERM LIABILITIES**

4.5 The Council's outstanding debt at 31 March 2008 was £134m. This is an increase of £18m from last year and remains within both the Operational Boundary and Authorised Limit for external debt. This is different to the figure shown in the balance sheet due to the requirements of the 2007 SORP

#### **ACCOUNTING POLICIES**

4.6 The Council's Accounting Policies were reviewed during the year to ensure their continued relevance. A number of new policies were adopted as a response to the 2007 SORP.

#### **STATUTORY FUNCTIONS**

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

#### **SINGLE STATUS / EQUAL PAY**

4.8 As part of the pay negotiations in 1997 a national agreement was reached that by April 2007 all employees would have their jobs evaluated under a common method. This is known as 'Single Status'. However, due to the complexities of the negotiations between the Council and Unions it is intended that the agreement will be implemented from 1 April 2008.

During the evaluation process it became clear at a number of Councils that there could be an element of discrimination in the way that jobs had historically been evaluated and this has led to claims for back pay. While the Council has admitted no liability and will defend any claims received, it is considered prudent to create a provision to offset any possible future claims. A provision has been created to ensure the Council can fund this potential liability, and it is shown as an exceptional item in the Income and Expenditure Account

#### **FURTHER INFORMATION**

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

**Alan Evans**  
**Corporate Director of Resources – Deputy Chief Executive**

**STATEMENT OF RESPONSIBILITIES**

**The County Council’s Responsibilities**

The County Council is required:

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

**AUTHORITY’S CERTIFICATE**

I approve the Statement of Accounts of Denbighshire County Council at 31 March 2008.

Signed .....Date .....26 september 2008 .....

**CHAIR OF CORPORATE GOVERNANCE COMMITTEE**

**Responsibilities of the Corporate Director - Resources**

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

In preparing this Statement of Accounts, the Corporate Director - Resources has:

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

The Corporate Director - Resources has also:

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

**Certificate: Corporate Director - Resources**

I certify that the accounts set out on pages 11 – 65 present fairly the financial position of Denbighshire County Council at the accounting date and its income and expenditure for the year ended 31 March 2008.

**Alan Evans**  
**Corporate Director – Resources & Deputy Chief Executive**

**Date 26 September 2008**

## STATEMENT OF ACCOUNTING POLICIES

### GENERAL PRINCIPLES

The Council's Statement of Accounts has been prepared in accordance with a number of fundamental accounting principles:

#### **Relevance**

The objective of financial statements is to provide information about an authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

#### **Reliability**

Financial information is reliable if:

- (a) it can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent, and therefore reflects the substance of the transactions and other events that have taken place
- (b) it is free from deliberate or systematic bias and material error
- (c) it is complete within the bounds of materiality
- (d) under conditions of uncertainty, it has been prudently prepared (ie a degree of caution has been applied in exercising judgment and making the necessary estimates).

#### **Comparability**

Where relevant previous year's information is included to give context to the financial information disclosed. The 2007 SORP includes changes to prior year information. These changes are explained where possible.

#### **Understandability**

The accounting principles on which the SORP is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government, and reasonable diligence in reading the financial statements if they are to be properly understood. However all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

#### **Materiality**

Materiality is the final test of what information should be given in a particular set of financial statements. It is a threshold quality ensuring that the information is of such significance as to justify its inclusion in the financial statements.

### PERVASIVE ACCOUNTING CONCEPTS

#### **Accruals**

The financial statements, other than cash flow information, are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

#### **Going Concern**

The Statement of Accounts is prepared on a going concern basis, that is the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of operation.

#### **Primacy of Legislative Requirements**

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply. However, such conflicts would usually be dealt with by the SORP by showing the position required by following the accounting concepts in the Income and Expenditure Account and showing the effect of the legislative requirements in the Statement of Movement on the General Fund Balance.

**COMPLIANCE**

The statement of accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's *Code of Practice on Local Authority accounting in the United Kingdom – A Statement of Recommended Practice 2007* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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

The 2007 SORP introduced significant changes to the presentation of the accounts. The changes are highlighted in the Corporate Director - Resources' introduction. The Council has amended its presentation of the accounts to comply with these changes. As such, the following policies have been adopted in compiling the accounts:

**POLICIES****Accruals of Income and Expenditure**

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

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

Where appropriate, provisions have been made for bad or doubtful debts, however these have been netted off the debtors figure shown in the balance sheet. This is a change in policy to comply with the new SORP. No significant estimates have been included in debtors and creditors figures

**Provisions**

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

**Reserves**

The Council sets aside specific amounts as reserves for future expenses, which are likely or certain to be incurred. Certain reserves, such as the Capital Adjustment Account, are kept for statutory or accounting purposes and do not represent usable resources for the Council. These are explained further in the notes to the accounts

**Pensions**

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

- **Teachers:**

This is an unfunded scheme administered by the Teachers Pension Agency on behalf of the Government. The pension cost charged to the accounts is a notional rate set by the Department for Children, Schools and Families on the basis of a nationally funded scheme.

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

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

- **Other Employees:**

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS), specifically the Clwyd Pension Fund administered on the Council's behalf by Flintshire County Council. This scheme meets the definition of a defined benefit scheme, further details of the schemes and their impact on the Accounts are shown in the notes to the accounts.

**Value Added Tax**

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

**Best Value Accounting Code of Practice**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles CIPFA's Best Value Accounting Code of Practice 2007. The full costs of overheads and support services are shared between users in proportion to the benefits used by various methodologies including time recording, number of items used, etc. The only costs that are not charged to services are:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two cost categories are accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

Recent revisions to the BVACOP mean that the Social Services and Education blocks have been amended to show Adult Social Services and Children's and Education Services. This is a change from previous years

**Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The Council does not have any material intangible assets.

**Tangible Fixed Assets**

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

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

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

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

Subsequent revaluations of fixed assets are planned as part of a continuous assessment in order that all assets are re-valued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. A proportion of assets were revalued during 2007/08

**Impairment:** Fixed assets are reviewed for impairment at the end of each reporting period. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

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

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset is written out of the Balance Sheet. However, where there is a gain or loss on disposal, this is written off against revenue and is shown as a separate line on the Income and Expenditure Account

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

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

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

During the year there were no material changes.

### **Government Grants and Contributions**

Where expenditure which may properly be capitalised is financed wholly or in part by a government grant or contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the relevant service's revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates. This is a change in policy from previous years.

### **Charges to Revenue for Fixed Assets**

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

### **Deferred Charges**

Deferred charges are payments of a capital nature for which no fixed asset is created. All deferred charges are charged to service revenue accounts in the year the charge is incurred. The net revenue expenditure of the Authority has been offset by grants and contributions crediting revenue, with the net amount being offset by a contribution via the Statement of Movement on Council Fund Balance.

### **Stocks and Work in Progress**

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

### **Exceptional Items**

Where the Council faces any one-off items of expenditure that are of a material nature these are shown separately in the Income and Expenditure and supported by a relevant note to the accounts. In 2007/08 the Council treated the creation of an Equal Pay provision as exceptional.

**Financial Instruments**

The 2007 SORP introduced the concept of Financial Instruments and these are explained in detail in the notes to the accounts. The following policies are all connected with Financial Instruments.

**Operating Leases**

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

**Repurchase of Borrowing**

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing. These deferred premia or discounts are attached to the new loan in the balance sheet and not shown separately. This is a change in policy from previous years. See separate note to the accounts.

**Investments**

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

**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

**Long term Contracts - PFI**

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

**Prudential Borrowing**

Prudential Borrowing allows the Council to borrow additional funds to support its investment in fixed assets. A charge is made in the relevant service account for interest and an element equivalent to a repayment of principal. The charges to revenue are made over the estimated life of the asset. These charges are removed from the cost of services and shown under 'interest payable' in the Income and Expenditure Account and in the Statement of Movement on the Council Fund Balance.

**MAIN FINANCIAL STATEMENTS****INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008**

2006/07 Net Expenditure £000s		Note	2007/08 Gross Expenditure £000s	2007/08 Income £000s	2007/08 Net Expenditure £000s
1,434	Central Services to the Public		9,781	8,280	1,501
202	Courts Services		479	235	244
22,764	Culture, Environmental and Planning		52,331	23,919	28,412
64,108	Education Services		86,756	16,352	70,404
9,131	Children's Services		12,515	3,076	9,439
7,927	Highways Roads & Transportation Services		14,491	5,044	9,447
2,482	Non HRA Housing General		22,691	21,900	791
28,918	Adult Social Care		46,203	15,408	30,795
1,856	Corporate & Democratic Core		6,885	3,296	3,589
244	Non Distributed Costs	4	2,479	0	2,479
924	Housing Revenue Account		13,524	10,144	3,380
	Exceptional Items		1,696	0	1,696
<b>139,990</b>	<b>Net Cost of Services</b>		<b>269,831</b>	<b>107,654</b>	<b>162,177</b>
	<b>Precepts and Contributions</b>				
4,160	Fire and Rescue authority		4,075		4,075
1,079	Community councils		1,162		1,162
7,783	Interest payable and similar charges	34			8,199
(29)	(Surplus) / Deficit on trading undertakings	16			(5)
(1,922)	Interest and investment income	34			(2,309)
3,156	Pensions interest cost and expected return on Pensions assets	4			2,524
<b>154,217</b>	<b>Net Operating Expenditure</b>				<b>175,823</b>
	<b>Financed by</b>				
(97,945)	Revenue Support Grant				(102,088)
(21,422)	Share of National Non-Domestic Rates Pool	6			(23,267)
(34,472)	Council Tax	5			(36,010)
(165)	Deprivation Grant				(169)
<b>(154,004)</b>	<b>Total Sources of Financing</b>				<b>(161,534)</b>
<b>213</b>	<b>(Surplus) / Deficit for the Year</b>				<b>14,289</b>



**STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE 2007/08**

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

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

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

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

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

<b>STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE</b>	<b>Note</b>	<b>2006/07 £000s</b>	<b>200708 £000s</b>
(Surplus) or deficit for the year on the Income and Expenditure Account		213	14,289
Net additional amount required by statute and non– statutory proper practices to be debited or credited to the Council Fund Balances for the year	19	(2,158)	(15,229)
Increase / decrease in Council Fund balance for the year		(1,945)	(940)
Council Fund Balance brought forward		(6,660)	(8,605)
Council Fund Balances carried forward		<b>(8,605)</b>	<b>(9,545)</b>
Amount of Council Fund Balance held by governors under schemes to finance school expenditure		(1,807)	(1,963)
Amount of Council Fund Balance generally available for new expenditure		(6,798)	(7,582)
		<b>(8,605)</b>	<b>(9,545)</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)**

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)**

	<b>Notes</b>	<b>2006/07 £000</b>	<b>2007/08 £000</b>
(Surplus)/deficit on the Income and expenditure account for the year		213	14,289
Surplus arising on revaluation of fixed assets	35	(24,948)	(49,520)
Actuarial gains and losses on Pension Fund Assets and Liabilities	4	(14,529)	21,374
Other - Gains and Losses arising from transition to the 2007 SoRP		0	(266)
<b>TOTAL RECOGNISED (GAINS) OR LOSSES FOR THE YEAR</b>		<b>(39,264)</b>	<b>(14,123)</b>

**BALANCE SHEET AS AT 31 MARCH 2008**

31 Mar 07 £000s		Note	31 Mar 08 £000s	
	<u>Fixed Assets</u>			
	<b>Tangible Fixed Assets</b>	20		
	<b>Operational Assets</b>			
132,039	Council Dwellings		169,576	
157,276	Other Land & Buildings		168,655	
6,729	Vehicles, Plant & Equipment		7,179	
48,704	Infrastructure Assets		54,029	
1,684	Community Assets		1,973	401,412
	<b>Non Operational Assets</b>			
16,869	Investment Properties		18,011	
5,034	Asset under construction		14,549	
6,530	Surplus Assets held for disposal		5,813	38,373
<b>374,865</b>	<b>TOTAL FIXED ASSETS</b>			<b>439,785</b>
26	Long Term Investments		26	
238	Long Term Debtors	26	231	
1,046	Deferred Premiums		0	257
<b>376,175</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>440,042</b>
	<u>Current Assets</u>			
1,294	Stocks / Work In Progress	27	1,415	
25,672	Debtors	28	22,023	
29,000	Investments	34	39,681	63,119
<b>432,141</b>	<b>TOTAL ASSETS</b>			<b>503,161</b>
	<u>Current Liabilities</u>			
(179)	Short Term Borrowing	34	(181)	
(32,914)	Creditors	29	(28,723)	
(2,919)	Bank Overdraft		(2,992)	(31,896)
<b>396,129</b>	<b>TOTAL ASSETS less current liabilities</b>			<b>471,265</b>
(116,223)	Long Term Borrowing	34	(134,356)	
(1,519)	Capital Grants in Advance	38	(1,671)	
(53,899)	Government Grants Deferred	36	(74,155)	
(269)	Deferred Discounts		0	
(99,161)	Pensions Liability to defined benefit scheme	4	(120,801)	
(1,909)	Provisions	31	(3,006)	(333,989)
<b>123,149</b>	<b>TOTAL ASSETS less liabilities</b>			<b>137,276</b>

31 Mar 07 £000s		Note	31 Mar 08 £000s
	<b>RESERVES</b>		
(84)	Deferred Capital Receipts	30	(60)
(194,436)	Capital Adjustment Account	32	(183,717)
(8,443)	Usable capital receipts reserve	37	(3,449)
99,161	Pensions Reserve	4	120,801
0	Revaluation Reserve	35	(46,892)
(96)	PFI Acquisition Reserve	17	(128)
(2,779)	Housing Revenue Account Balance	40	(3,707)
(8,605)	Balances - Council Fund	40	(9,545)
0	Financial Instruments Adjustment Account	34	366
(7,867)	Earmarked Reserves	39	(10,945)
<b>(123,149)</b>	<b>TOTAL EQUITY or TOTAL NET WORTH</b>		<b>(137,276)</b>

**CASH FLOW STATEMENT**

2006/07 £000s		2007/08		
		£000s	£000s	£000s
	<b>REVENUE ACTIVITIES</b>			
	<b>Cash Outflows</b>			
111,572	Cash paid to and on behalf of employees	117,624		
107,031	Other operating cash payments	116,585		
12,123	Housing Benefit paid out	13,508		
17,659	NNDR payments to national pool	18,793		
11,377	Precepts & Levies paid	11,983		
	<b>Cash Inflows</b>		278,493	
(3,692)	Rents (after rebates)	(4,031)		
(41,375)	Council Tax receipts	(43,840)		
(21,422)	NNDR receipts from national pool	(23,267)		
(18,467)	NNDR receipts (ratepayers)	(18,931)		
(97,760)	Revenue Support Grant	(102,088)		
(9,795)	DWP grants for benefits	(13,396)		
(48,806)	Other Government & EU Grants Note 55	(52,873)		
(31,768)	Cash Received for Goods & Services	(33,671)		
(7,233)	Other Operating Cash Receipts	(6,418)	(298,515)	
<b>(20,556)</b>	<b>Revenue Activities Cash Flow</b>			<b>(20,022)</b>
	<b>SERVICING OF FINANCE</b>			
	<b>Cash Outflows</b>			
7,454	Interest paid		7,380	
	<b>Cash Inflows</b>			
(1,362)	Interest Received		(1,562)	
	<b>CAPITAL ACTIVITIES</b>			5,818
	<b>Cash Outflows</b>			
37,884	Purchase of Fixed Assets		49,111	
	<b>Cash Inflows</b>			
(1,238)	Sale of Fixed Assets	(2,420)		
(23,601)	Capital Grants Received	(24,613)	(27,033)	22,078
<b>(1,419)</b>	<b>NET CASH INFLOW BEFORE FINANCING</b>			<b>7,874</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
2,900	Net increase / decrease in short term deposits		9,300	
	<b>FINANCING</b>			
	<b>Cash Outflows / Payments</b>			
8,835	Repayments of Amounts Borrowed		7,457	
0	PWLB Premium Paid		642	
	<b>Cash Inflows / Receipts</b>			
(9,080)	New Loans Raised		(25,200)	
(214)	PWLB Discount Received		0	(7,801)
<b>1,022</b>	<b>NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS</b>			<b>73</b>

**EXPLANATORY NOTES**  
**TO THE**  
**MAIN FINANCIAL**  
**STATEMENTS**

**NOTES TO THE MAIN FINANCIAL STATEMENTS****1. EXPENDITURE UNDER SECTION 137 OF THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY S.36 OF THE LOCAL GOVERNMENT AND HOUSING ACT 1989**

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

No expenditure was incurred in 2007/8 under this section.

**2. PUBLICITY**

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

2006/07 £000s		2007/08 £000s
156	Staff advertising	169
203	General advertising	219
146	Publicity	156
<b>505</b>	<b>Total</b>	<b>544</b>

**3. AGENCY EXPENDITURE AND INCOME**

The agency work the Authority undertakes is detailed below, this expenditure is not included in the Income and Expenditure Account

Trunk Road – Transport and Infrastructure within the Environment Directorate, undertakes Trunk Road Agency work on behalf of the Welsh Assembly Government. In 2007/08 the North Wales Trunk Road Agency replaced the North-East Wales Partnership with Gwynedd County Council as the lead authority. The Authority reclaimed £4.040m in 2007/08 (£5.685m in 2006/07).

Taith – Transport and Infrastructure, within the Environment Directorate, undertakes work on behalf of the Welsh Assembly Government. Flintshire County Council has the role of Taith Management Authority for the Denbighshire area. In 2007/08 the Authority reclaimed £0.669m (£0.838m in 2006/07).

**4. PENSION COSTS**

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

**Teachers** – This is an unfunded scheme administered by the Teachers Pension Agency on behalf of the Government. The pension cost reported for a year is equal to the contributions payable to the scheme for the accounting period and is shown within the net cost of services in the Income and Expenditure Account. For 2007-08 employer contributions paid over to the Teachers Pension Agency at a rate of 14.1% amounted to £4.612m (including St Brigids). There are no added years payments awarded in respect of the Teachers' Pension Scheme by the authority.

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

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

2006/07		2007/08	
£000s		£000s	£000s
	<b>Net Cost of Services:</b>		
8,872	Current Service Cost	7,852	
218	Curtailment Cost	102	
26	Past Service Cost	2,377	10,331
	<b>Net Operating Expenditure:</b>		
(11,798)	Expected Return on Assets	(14,014)	
14,954	Interest Costs	16,538	2,524
	<b>Amount to be met from Government Grants &amp; Local Taxation:</b>		
(204)	Movement on Pension Reserve		(266)
12,068	<b>Actual amount charged against council tax in the year – employers contribution</b>		12,589

Investments have performed broadly in line with FRS 17 assumptions over the year to 31 March 2008 and as a result the difference between the expected and the actual return on assets represents a loss of £16m of net assets.

During the year, the yields on corporate bonds had risen to a greater extent than inflation expectations. This has resulted in a difference between the expected and the actual change in the financial assumptions affecting the estimation of liabilities of £11m or 3.37% of liabilities in the scheme. The combined effect of all of the changes in assumptions is typically in the order of 5% of liabilities

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

31 Mar 07 £000s		31 Mar 08 £000s
207,031	Estimated assets in scheme	206,500
(306,192)	Estimated liabilities in scheme	(327,301)
<b>(99,161)</b>	<b>Net Liability</b>	<b>(120,801)</b>

The liability shows the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £120.8m has a substantial impact on the net worth of the council as recorded in the balance sheet.

The accounting statements are required to reflect the conditions applying at the end of the financial year. Therefore no adjustments are made for any changes in the market value of investments between 1 April and the date that the accounting statements are authorised for issue. It is not possible to provide a reliable estimate of the current market value of investments.

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected method, an estimate of the pension that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Under this method the current service cost will increase as the members of the scheme approach retirement. The Clwyd Pension Fund liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, with estimates for the Fund being based on the latest valuation of the scheme as at 31 March 2007. The main assumptions used in their calculations have been:



31 Mar 07 %	ACTUARIAL ASSUMPTIONS	31 Mar 08 %
<b>i) Financial Assumptions</b>		
3.1	Rate of inflation	3.6
4.35	Rate of increase in salaries	4.85
3.1	Rate of increase in pensions	3.6
5.4	Discount rate	6.1
<b>ii) Expected rate of return on assets</b>		
7.5	Equities	7.5
4.7	Government Bonds	N/A
5.4	Other Bonds	6.1
6.5	Property	6.5
5.25	Cash/Liquidity	5.25
7.5	Other	7.5
<b>iii) Split of assets between investment categories</b>		
63.4	Equities	56.5
0.0	Government Bonds	0.0
12.4	Other Bonds	11.6
6.4	Property	6.4
1.6	Cash/Liquidity	3.7
16.2	Other	21.8
<b>100.00</b>		<b>100.00</b>

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

The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

	2004/05		2005/06		2006/07		2007/08	
	£000s	%	£000s	%	£000s	%	£000s	%
Difference between the expected and actual return on assets	4,771	3.19	28,754	15.00	(123)	(0.06)	(16,003)	7.75
Differences between actuarial assumptions about liabilities and actual experience	2,758	(0.01)	(5,789)	2.00	0	0	5,670	1.73
Changes in the demographic and financial assumptions used to estimate liabilities	(47,015)	17.66	(22,758)	7.50	14,652	4.59	(11,041)	3.37
	<b>(39,486)</b>		<b>207</b>		<b>14,529</b>		<b>(21,374)</b>	

## **5. COUNCIL TAX**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Denbighshire County Council, each Community Council and the North Wales Police Authority and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The tax base is 37,809 in 2007/08 (36,633 in 2006/07).

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was £1,122.53 (£1,078.33 in 2006/07) and is multiplied by the proportion specified for the particular band to give the individual amount due.

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

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No of Properties at 31st Mar 08	3,896	6,969	13,868	7,520	5,149	3,410	1,894	294	167

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

2006/07 £000s		2007/08 £000s
40,586	Council Tax collectable	42,618
6,114	Less: payable to North Wales Police Authority	6,608
<b>34,472</b>	<b>Net proceeds from Council Tax</b>	<b>36,010</b>
	<b>Denbighshire County Council Split:</b>	
33,288	Denbighshire County Council	34,742
1,079	Community Councils	1,162
105	Discretionary non-domestic rate relief	106
<b>34,472</b>		<b>36,010</b>

## 6. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government specified the rate of 44.8 p in 2007/08 (43.2p in 2006/07) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) of £18.807m for 2007/008 (£18.217m for 2006/07) was based on an aggregate rateable value of £49.180m for the year.

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

2006/07 £000s		2007/08 £000s
18,217	Non Domestic rates collectable	18,807
3	Transitional Relief amendments	3
<b>18,220</b>	<b>Non domestic rates collectable</b>	<b>18,810</b>
(196)	Cost of Collection allowance	(207)
(215)	Provision for bad debts	(837)
(27)	Transitional Relief and Refunds of interest etc.	(22)
<b>17,782</b>	<b>Payment into national pool</b>	<b>17,744</b>
<b>21,422</b>	<b>Redistribution from National Pool</b>	<b>23,267</b>

**7. EMPLOYEES' EMOLUMENTS**

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

2006/07 Total Employees	Remuneration Band	2007/08		
		School Based Staff	Non-School Staff	Total Employees
10	£60,000 - £69,999	7	6	13
4	£70,000 - £79,999	3	5	8
3	£80,000 - £89,999	1	3	4
0	£90,000 - £99,999	0	1	1
0	£100,000 - £109,999	0	0	0
1	£110,000 - £119,999	0	1	1
<b>18</b>	<b>Total</b>	<b>11</b>	<b>16</b>	<b>27</b>

**8. MEMBERS' ALLOWANCES**

Details of members' allowances paid in 2007/08 were issued to the press and posted on the Council's website in June 2008. Further copies are obtainable from the Press/Public Relations Officer, County Hall, Wynnstay Road, Ruthin, Denbighshire, LL15 1YN.

2006/07 £000s		2007/08 £000s
559	Basic Allowances	576
229	Special Allowances	220
<b>788</b>	<b>Total</b>	<b>796</b>

**9. MINIMUM REVENUE PROVISION**

Local authorities are required by statute to set aside from revenue a minimum provision for the redemption of external debt. The Council has based the 2007/08 Statutory General Fund MRP provision on 4% of the opening capital financing requirement. This is in line with regulation implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. We will review this charge in 2008/09 to determine whether the new Welsh Assembly Government guidance issued in 2007/08 will have any impact on this provision. Any changes will be implemented in 2008/09. Note – The Housing Revenue Account MRP is not impacted by this policy change.

The calculation is as follows:

2006/07 £000s		2007/08 £000s
161	Housing amount - 2% of adjusted Capital Financing Requirement	142
5,629	Statutory Provision for repayment of Debt	5,695
<b>5,790</b>	<b>Minimum Revenue Provision</b>	<b>5,837</b>
11,211	Provision for depreciation	11,945
(1,373)	Release of grant deferred	(1,788)
(4,048)	Reconciling amount to minimum revenue provision	(4,320)
<b>5,790</b>	<b>Minimum Revenue Provision</b>	<b>5,837</b>

**10. RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to deal freely with the council. Financial Reporting Standards (FRS 8 Related Party Disclosures), which are incorporated into the Statement of Recommended Practice for local authority accounting, require the disclosure of any related party transaction, when such information is not clearly disclosed elsewhere in the Statement of Accounts.

All current elected members, the Chief Executive, Corporate Directors and Heads of Service were asked to complete a declaration and to disclose any related party transactions. Local Government Elections took place in May 2008 and a number of members were not re-elected. Every effort has been made to contact these members however there are eight cases where no 2007/08 declarations have been received and the 2006/07 declaration has been used as a proxy.

The Welsh Assembly Government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties. Details of transactions with government departments are set out in the Income and Expenditure Account and the Cash Flow Statement.

Elected members and chief officers of the council have direct control over the council's financial operating policies and the following relevant declarations have been made by them for 2007/08:

- An elected member was Chair of Corwen War Memorial Ground Committee. The Committee received grants and other payments of £6,383.
- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see note on related companies) which received payments of £9,400
- An elected member received payments totalling £10,225 in respect of rent for short term tenancies.
- A Chief Officer's spouse is Chair and Trustee of Menter Iaith the organisation received a grant of £10,358
- Two elected members declared membership of Rhyl and District Benefits Advice Shop which received a grant of £24,737
- An elected member declared membership of Rhyl Shop Mobility which received a grant of £5,148
- Payments of £4,887 were made to a company in which a member had declared an interest.
- An elected member is Vice Chair of the Meliden Residents Action Group which received a grant of £7,560

Additionally, several elected members declared membership of organisations that precept or levy the council. A list of all elected members interests are maintained by the County Clerk 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 'Related Parties' note.

**11. PRIOR YEAR ADJUSTMENT**

The Introduction of the 2007 SORP, plus amendments to the Best Value Accounting Code of Practice and other requirements have altered the layout of the statements compared to last year. To aid comparability last years figures in the Balance Sheet and Income and Expenditure Account have been restated. The Table below shows the adjustments.

	Original Balance 2006-07 £000	Transfers £000	Restated Balance 2006-07 and 2007/08 £000
<b>INCOME AND EXPENDITURE</b>			
Social Services	37,978	(37,978)	0
Non HRA Housing General	2,553	(71)	2,482
Children's Services	0	9,131	9,131
Adult Social Services	0	28,918	28,918
<b>TOTAL</b>	<b>40,531</b>	<b>0</b>	<b>40,531</b>
<b>BALANCE SHEET</b>	<b>AUDITED 2006/07 POSITION</b>	<b>AMENDMENTS</b>	<b>RESTATED OPENING BALANCE</b>
Capital Financing Account	(36,588)	36,588	0
Capital Adjustment Account	0	(194,436)	(194,436)
Fixed Asset Revaluation Account	(157,848)	157,848	0
Debtors and prepayments	28,428	(2,756)	25,672
Provision for Bad Debt and Doubtful Debts	(2,756)	2,756	
Earmarked Reserves	(7,963)	96	(7,867)
PFI Acquisition Reserve		(96)	(96)
<b>TOTAL</b>	<b>(176,727)</b>	<b>0</b>	<b>(176,727)</b>

**12. LEASES**

The Council holds various capital assets under operating leases. During 2007/08 operating lease rentals totalled £0.476m split between Plant and Vehicles £0.461m and IT equipment £0.015m (total for 2006/07 amounted to £0.618m).

The Authority was committed at 31 March 2008 to making payments of £0.199m under operating leases in 2008/09

Those in which the commitment expires	£000s
Within 1 year	199
Within 2 – 5 years	251
Over 5 years	0

**13. AUDIT COSTS**

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

2006/07 £000s		2007/08 £000s
210	External Audit fees payable to the appointed auditor	204
78	Inspection Fee	68
288	Total Regulatory Fee	272
80	Grant Certification	98

**14. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970**

The Council is empowered by this Act to provide Goods and Services to other public bodies. The Council is the Clerk to the North Wales Fire Service and also provides legal services. For 2007/08, Denbighshire County Council received £21.8k for providing these services (£28.2k in 2006/07). The Council also provides audit services to the North Wales Police Authority for which it received £32.7k in 2007/08 (£33.2k in 2006/07) and the Countryside Council for Wales for which it received £29.6k in 2007/08 (£27.1k in 2006/07).

**15. BUILDING CONTROL TRADING ACCOUNT**

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit, such as providing general advice and liaising with other statutory authorities, cannot be charged for. The statement below shows the total cost of operating the Unit during 2007/08.

2006/07 Total £000s		Chargeable £000s	Non Chargeable £000s	2007/08 Total £000s
	<b>Expenditure:</b>			
278	Employees	192	43	235
17	Transport	13	3	16
54	Supplies	48	14	62
58	Support Costs	54	0	54
<b>407</b>		<b>307</b>	<b>60</b>	<b>367</b>
	<b>Income:</b>			
334	Building Regulation Charges	329	0	329
0	Other Income	0	2	2
<b>334</b>		<b>329</b>	<b>2</b>	<b>331</b>
<b>(73)</b>	<b>Net Income/(Expenditure)</b>	<b>22</b>	<b>(58)</b>	<b>(36)</b>

**16. OTHER TRADING SERVICES**

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

2006/07			ACTIVITY	2007/08		
Turnover	Expenditure	Surplus/ (Deficit)		Turnover	Expenditure	Surplus/ (Deficit)
£000s	£000s	£000s		£000s	£000s	£000s
1,509	1,435	74	Environmental Services	1,457	1,443	14
2,895	2,881	14	Building Maintenance	2,965	2,946	19
797	755	42	Highways Maintenance/ Sign Shop	948	918	30
823	789	34	Street Lighting	855	818	37
2,216	2,351	(135)	Building Cleaning	2,317	2,412	(95)
<b>8,240</b>	<b>8,211</b>	<b>29</b>	<b>Total Environment Services</b>	<b>8,542</b>	<b>8,537</b>	<b>5</b>
712	337	375	Catering	751	280	471
3,117	3,417	(300)	Industrial Estates	3,183	3,715	(532)
<b>3,829</b>	<b>3,754</b>	<b>75</b>	<b>Total Other Trading Activities</b>	<b>3,934</b>	<b>3,995</b>	<b>(61)</b>
<b>12,069</b>	<b>11,965</b>	<b>104</b>	<b>Total</b>	<b>12,476</b>	<b>12,532</b>	<b>(56)</b>

**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 and Wrexham.

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 2007/08 the Council Charged £205k to operate the WPPP Unit. This sum was recharged to the partner authorities as follows: Denbighshire £90k, Gwynedd £88k, Anglesey £25k and Wrexham £2k (the latter only joining the partnership on 1 March 2008).

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

In May 2004 the Council occupied the new civic facilities provided under a Private Finance Initiative arrangement in Ruthin. The contract allows for a unitary charge for the serviced accommodation over 25 years of £2.2m per annum.

Seventy percent of the charge is fixed for the entire period and funded through special Welsh Assembly funding, the remainder of the charge is index linked.

The Assembly funding reduces over time and the Council has created a reserve which will meet this shortfall in future years. The Council has also created a long term debtor and PFI acquisition reserve which represents the Council's residual interest in the asset. The PFI acquisition reserve is:

Balance at 31 March 2007 £000	Movement £000	Balance at 31 March 2008 £000
96	32	128

**18. HEALTH ACT 2006 – SECTION 33 AGREEMENTS**

In July 2005, a mental health partnership was formed with Conwy County Borough Council and Conwy and Denbighshire NHS Trust under Section 33 of the Health Act 1999 (superseded by the 2006 Act). The partnership involves joint commissioning and joint management arrangements but not pooled budgets – although this will be reviewed in 2008/09. The council's financial contribution to the partnership is included in the Social Services Net Cost of Services in the Income and Expenditure Account. The council's gross contribution to the partnership in 2007/08 was £1,034k (£830k net)

During 2007/08, work continued on a Section 33 agreement for a joint community equipment store (CESI Project) and this was actually signed early in 2008/09. A further project (Telecare equipment services) is still being developed but has not yet been formalised as a Section 33 agreement.

### **19. STATEMENT OF MOVEMENT ON COUNCIL FUND BALANCE**

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

<b>AMOUNTS INCLUDED IN THE INCOME AND EXPENDITURE ACCOUNT REQUIRED BY STATUTE TO BE EXCLUDED WHEN DETERMINING THE MOVEMENT ON THE COUNCIL FUND BALANCE FOR THE YEAR</b>	<b>2006/07 £000s</b>	<b>2007/08 £000s</b>
Depreciation and impairment of fixed assets	(11,211)	(24,694)
Government Grants Deferred amortisation	2,469	2,507
Amortisation of Deferred charges	(3,784)	(2,238)
Net Loss on Sale of Fixed Assets	0	0
Difference between amounts debited/ credited to the I and E account and the amounts payable / Receivable to be recognised under statutory provision relating to soft loans and premiums and discounts on the early repayment of debt	0	(635)
Net charges made for retirement benefits in accordance with FRS17	(12,272)	(12,856)
	<b>(24,798)</b>	<b>(37,916)</b>
<b>AMOUNTS NOT INCLUDED IN THE INCOME AND EXPENDITURE ACCOUNT REQUIRED BY STATUTE TO BE INCLUDED WHEN DETERMINING THE MOVEMENT ON THE COUNCIL FUND BALANCE FOR THE YEAR</b>		
Statutory provision for repayment of debt (MRP) +	5,791	5,837
Capital expenditure financed by Council Fund	567	224
Employer's contributions payable to Clwyd Pension Fund and retirement benefits payable direct to pensioners	12,069	12,589
	<b>18,427</b>	<b>18,650</b>
<b>TRANSFERS TO OR FROM THE COUNCIL FUND BALANCE THAT ARE REQUIRED TO BE TAKEN INTO ACCOUNT WHEN DETERMINING THE MOVEMENT ON THE COUNCIL FUND BALANCE FOR THE YEAR</b>		
Housing Revenue Account balance	941	927
Transfers to PFI Acquisition Reserve	0	32
Net transfer to or from earmarked reserves	3,272	3,078
	<b>4,213</b>	<b>4,037</b>
	<b>(2,158)</b>	<b>(15,229)</b>



**20. FIXED ASSETS**

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

	<b>Council Dwellings £000s</b>	<b>Other Land and Buildings £000s</b>	<b>Vehicles, Plant, Furniture and Equipment £000s</b>	<b>Infrastructure Assets £000s</b>	<b>Community Assets £000s</b>	<b>Total Operational Assets £000s</b>
Gross Book Value of Assets at 31/03/07	138,448	169,352	13,394	58,143	1,684	<b>381,021</b>
Accumulated Depreciation and Impairment	(6,409)	(12,076)	(6,665)	(9,439)	0	<b>(34,589)</b>
<b>Net Book Value of Assets at 31/03/07</b>	<b>132,039</b>	<b>157,276</b>	<b>6,729</b>	<b>48,704</b>	<b>1,684</b>	<b>346,432</b>
20% Revaluation Gains	33,793	14,114	0	0	0	47,907
Loss / Impairments	(1,288)	(1,941)	0	0	0	(3,229)
<b>Net Book Value of Assets at 1/04/07</b>	<b>164,544</b>	<b>169,449</b>	<b>6,729</b>	<b>48,704</b>	<b>1,684</b>	<b>391,110</b>
<b>Movements</b>						
Additions	10,015	7,876	2,220	8,042	289	<b>28,442</b>
Revaluations Year	336	0	0	0	0	<b>336</b>
Disposals	(875)	0	0	0	0	<b>(875)</b>
Transfers	0	1,151	0	1	0	<b>1,152</b>
Depreciation	(3,558)	(5,183)	(1,770)	(1,434)	0	<b>(11,945)</b>
Impairment	(886)	(4,638)	0	(1,284)	0	<b>(6,808)</b>
<b>Net Book Value of Assets at 31/3/08</b>	<b>169,576</b>	<b>168,655</b>	<b>7,179</b>	<b>54,029</b>	<b>1,973</b>	<b>401,412</b>

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

	<b>Investment Properties £000s</b>	<b>Assets Under Construction £000s</b>	<b>Surplus Assets Held for Disposal £000s</b>	<b>Total Non-Operational Assets £000s</b>	<b>Total Fixed Assets £000s</b>
Gross Book Value of Assets 31/03/07	16,869	5,034	7,548	29,451	410,472
Accumulated Depreciation and Impairment	0	0	(1,018)	(1,018)	(35,607)
<b>Net Book Value of Assets at 31/03/07</b>	<b>16,869</b>	<b>5,034</b>	<b>6,530</b>	<b>28,433</b>	<b>374,865</b>
20% Revaluation Gains	640	0	0	640	48,547
Loss / Impairment	(1,504)	0	0	(1,504)	(4,733)
<b>Net Book Value of Assets at 01/04/07</b>	<b>16,005</b>	<b>5,034</b>	<b>6,530</b>	<b>27,569</b>	<b>418,679</b>
<b>Movements in 2007/08</b>					
Additions	3,212	10,859	0	14,071	42,513
Revaluations in Year	0	0	635	635	971
Disposals	0	0	(1,545)	(1,545)	(2,420)
Transfers	0	(1,344)	193	(1,151)	1
Depreciation	0	0	0	0	(11,945)
Impairment	(1,206)	0	0	(1,206)	(8,014)
<b>Net Book Value Asset at 31/03/08</b>	<b>18,011</b>	<b>14,549</b>	<b>5,813</b>	<b>38,373</b>	<b>439,785</b>

**21. FIXED ASSET VALUATION**

As part of a programme to revalue all assets within five years of their previous valuation, a proportion of the freehold and leasehold properties which comprise the Authority's property portfolio have been valued between April 2003 and 1 April 2004, by J E Powell Bsc (Hons), MRICS, Valuation and Estates Manager of the Council and on 1 April 2005 onwards by Mr C D Mathews BSc (Hons) MRICS, on the under mentioned bases in accordance with the Statements of Asset Valuation and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation. Inspections were carried out between January 2008 and June 2008

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.

**22. INFORMATION ON ASSETS HELD**

Type of Property	31 Mar 08
Museums	2
Libraries	8
Sport Centres	7
Parks	13
Theatres/ Craft Centre	4
Schools	65
Depots & Lon Parcwr Stores	9
Farms	45
Residential Homes	4
Day Centres	5
Sheltered Workshops	1
Factory Units	2
Youth Centres	6
Offices	20
Public Conveniences	20
Council Dwellings	3,471
Car Parks	48
Cemeteries	8
Town/County Halls	4
Industrial Centres	16

**23. DEFERRED CHARGES**

Classification	Value at 31 Mar 07 £000s	Gross Additions £000s	Grants & Contributions £000s	Net Additions £000s	Write off to Revenue £000s	Balance at 31 Mar 08 £000s
Housing Improvement Grant	0	1,461	(1,461)	0	0	0
Renewal Areas	0	1,823	(1,823)	0	0	0
School Accommodation	0	337	(28)	309	(309)	0
Legal Services	0	12	0	12	(12)	0
Community Projects	0	289	0	289	(289)	0
Members Priority Grants	0	173	0	173	(173)	0
Feasibility	0	87	(15)	72	(72)	0
Exchequer Division	0	16	0	16	(16)	0
Office Accommodation	0	554	(131)	423	(423)	0
Town Schemes	0	423	(423)	0	0	0
Business Development Grant	0	138	(92)	46	(46)	0
Economic Development Grant	0	24	(24)	0	0	0
Adaptations to Homes of Disabled	0	219	(100)	119	(119)	0
Depots	0	40	(21)	19	(19)	0
Grant Repayment	0	482	0	482	(482)	0
Drift Park Compensation	0	9	0	9	(9)	0
CCTV Rhyl	0	107	0	107	(107)	0
Contaminated Land	0	96	(91)	5	(5)	0
HRA – RTB Sale Costs	0	118	0	118	(118)	0
Active Lifestyles	0	47	(35)	12	(12)	0
Heather and Hillforts	0	119	(102)	17	(17)	0
Woodlands and Conservation	0	23	(13)	10	(10)	0
<b>Total</b>	<b>0</b>	<b>6,597</b>	<b>(4,359)</b>	<b>2,238</b>	<b>(2,238)</b>	<b>0</b>

In 2007/8, £6.479m was written off to the Income and Expenditure Account and £0.0118m written off to the HRA. Also £4.359m was credited to the Income and Expenditure Account in respect of grants and contributions.

**24. FINANCING OF CAPITAL EXPENDITURE**

2006/07 £000s		2007/08 £000s
30,531	Fixed Assets	42,514
7,353	Deferred Charges	6,597
<b>37,884</b>	<b>Total Capital Expenditure</b>	<b>49,111</b>
	<b>Financed By:</b>	
8,253	Supported Borrowing	1,117
8,766	Prudential Borrowing	13,796
18,232	Capital Grants	26,480
315	Reserves	146
922	Capital Receipts - Earmarked	3,620
-	Capital Receipts - General	3,232
1,144	Contributions	642
252	Revenue	78
<b>37,884</b>	<b>Total Finance</b>	<b>49,111</b>

**25. SIGNIFICANT CONTRACTS FOR FUTURE CAPITAL SPENDING**

At 31 March 2008, the Council was contractually committed to capital works which amounted to £12,021m on the following schemes:

PROJECT	TOTAL FUTURE CONTRACT PAYMENTS
	2008/09 £000s
Heating Refurbishment Contract	622
Housing Refurbishment 2005	265
Housing Refurbishment 2005 – Windows and Doors	135
Ysgol Glan Clwyd – Science Block	182
Housing Refurbishment 2006 – 2011	5,118
Scala Development – Prestatyn	1,226
Prestatyn Primary School	1,846
Elwy Footbridge	324
Sarn Lane – Traffic Signals	148
Rhyl High / Cut – Clifton Park Road	107
Rhyl – Edward Henry Street	436
Prestatyn Post 16 Learning Centre	277
Prestatyn – Scala Stage Installation	118
Ysgol Dinas Bran – Learning Centre	343
Ruthin – New Craft Centre	874
	<b>12,021</b>

**26. LONG TERM DEBTORS**

31 Mar 07 Balance £000s		Advances 2007/08 £000s	Repayments 2007/08 £000s	31 Mar 08 Balance £000s
84	(i) Loan Agreements Mortgages	-	(24)	60
58	(ii) Car Loans	17	(32)	43
96	(iii) PFI – Residual Value	32	-	128
<b>238</b>	<b>Total</b>	<b>49</b>	<b>(56)</b>	<b>231</b>

**27. STOCKS & WORK IN PROGRESS**

At 31 March 2008 the Authority held stocks and work in progress to the value of £1.415m (£1.294m at 31 March 2007).

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

31 Mar 07 £000s		31 Mar 08 £000s
-	<b>Stocks</b>	
	Resources - ICT	61
345	Environmental Services	401
599	Social Services & Housing	715
112	Environment	101
98	Lifelong Learning	87
<b>1,154</b>	<b>Total Stocks</b>	<b>1,365</b>
<b>140</b>	<b>Work in Progress</b>	<b>50</b>
<b>1,294</b>	<b>Total Stocks &amp; Work in Progress</b>	<b>1,415</b>

**28. DEBTORS AND PAYMENTS IN ADVANCE**

31 Mar 07 £000s		31 Mar 08 £000s
	<b>Debtors</b>	
	<b>Amounts falling due in one year:</b>	
5,657	Government Department/Grants	4,285
2,680	Council Tax Debtors	2,570
1,761	NNDR Debtors	2,676
566	Housing Rents	579
4,666	Capital Debtors	3,793
1,808	Taxes and Social Security Debtors (incl. VAT)	1,997
9,242	Sundry Debtors	8,701
<b>26,380</b>	<b>Total Debtors</b>	<b>24,601</b>
2,048	Payments in Advance	1,407
(2,756)	Bad Debt Provision	(3,985)
<b>25,672</b>	<b>Total</b>	<b>22,023</b>

**29. CREDITORS AND RECEIPTS IN ADVANCE**

31 Mar 07 £000s		31 Mar 08 £000s
	<b>Creditors</b>	
3,042	Government Departments/Grants	1,675
2,106	Tax and Social Security Creditor	2,213
17,382	Trade Creditors	15,603
4,303	Capital Creditors	3,389
13	Taxes and Social Security	5
294	Sundry Creditors	394
<b>27,140</b>	<b>Total Creditors</b>	<b>23,279</b>
5,774	Receipts in Advance	5,444
<b>32,914</b>	<b>Total</b>	<b>28,723</b>

**30. DEFERRED CAPITAL RECEIPTS**

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

**31. PROVISIONS****Insurance Fund**

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

As at 31 March 2008 a £0.8m provision has been set aside for the full estimated cost of meeting insurance liabilities.

The movement (decrease of £0.1m) in the value of the insurance provision during 2007/08 was due to the costs of settling claims to the value of £0.3m from the provision and additional contributions of £0.3m from revenue and a contribution to reserves of £0.2m.

**Fire Service Pension**

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

**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.

**Equal / Back Pay Claims**

This is a fund to pay for any potential liability arising. See note on Extraordinary Items for further details.

**Wirral and North Wales Purchasing Organisation (WNWPO)**

The stores and stock element of WNWPO business transferred from Local Authority ownership on 31 July 2003. The Council had a provision of £0.589m for its share of the accumulated trading deficit and closedown costs of the WNWPO. This was paid out in full in April 2007.

**Financial Software Developments**

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

<b>31 Mar 07 £000s</b>		<b>Movement £000</b>	<b>31 Mar 08 £000s</b>
892	Insurance Fund	(111)	781
589	W.N.W.P.O. Deficit	(589)	0
38	Other	18	56
127	Health & Safety	89	216
142	Fire Service Pension	0	142
-	Equal / Back Pay Claims	1,696	1,696
121	Financial Software Developments	(6)	115
<b>1,909</b>	<b>Total</b>	<b>1,097</b>	<b>3,006</b>

**32. CAPITAL ADJUSTMENT ACCOUNT**

The Capital Adjustment account is a new account which is required by the 2007 SORP. Its opening balance is comprised of the closing balances of the Fixed Asset Restatement Account and the Capital Finance Account.

	<b>2007/08 £000s</b>
<b>Transfer of Balances</b>	
Fixed Asset Restatement Account	157,848
Capital Financing Reserve	36,588
<b>Balance at the Beginning of the Year</b>	<b>194,436</b>
<b>Transactions During the Year</b>	
Depreciation	(11,945)
Impairment Losses	(12,749)
Deferred Charges	(2,238)
Write off from Government Grants Deferred	2,507
Depreciation Adjustment	1,656
Disposals	(2,420)
Disposals – Adjustment to Revaluation Reserve	971
<b>Resources Set Aside to Finance Capital Expenditure</b>	
Minimum Revenue Provision	5,837
Capital Receipts	6,852
Capital Receipts set aside	586
Capital Expenditure Financed by Revenue	78
Reserves	146
<b>Balance at end of year</b>	<b>183,717</b>

**33. ANALYSIS OF NET ASSETS EMPLOYED**

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

<b>2006/07 £000s</b>		<b>2007/08 £000s</b>
2,802	Council Fund	19,404
120,347	Housing Revenue Account	117,872
<b>123,149</b>	<b>Total</b>	<b>137,276</b>

**34. FINANCIAL INSTRUMENTS****(a) Financial Instruments - Classifications**

New accounting standards in respect of financial instruments have been incorporated into the 2007 SORP. The definition of a financial instrument is:

*'Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity'.*

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees and derivatives. The Council's borrowing and investment transactions are classified as financial instruments.

**Financial Liabilities**

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's loan debt portfolio at the year end consisted of PWLB debt. During the year temporary borrowing from the money markets was also undertaken. Under the 2007 SORP these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Income and Expenditure Account.

**Financial Assets**

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the 2007 SORP are Loans and Receivables, Available for Sale, and Fair Value through Profit and Loss. The Council's portfolio of investments consists mainly of term deposits. These are classed as Loans and Receivables and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. The Council also has some small sums invested in Gilts which would be classified as Available for Sale. As these are considered immaterial they have been measured at cost on the Balance Sheet. Trade Receivables (Debtors) are classified as Loans and Receivables. The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

**Transaction costs**

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to Income and Expenditure over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Income and Expenditure account in the financial year that they are incurred. The Council has adopted this latter approach in 2007/08.

**Transition to the 2007 SORP**

The date of transition to the new accounting standards for financial instruments under the 2007 SORP is 1 April 2007. This is classed as a change in accounting policy and any resulting adjustment between the closing Balance Sheet for 2006/07 and the restated opening Balance Sheet on 1 April 2007 should be treated as a prior period adjustment. However, comparative information should not be restated to comply with the 2007 SORP. Instead, the Opening Balance Sheet adjustment arising from the prior period adjustment is disclosed as a total amount, with any adjustment to the previous carrying amount on transition to the 2007 SORP being recognised as an adjustment to the opening Council Fund Balance.

**(b) Financial Instruments - Balances**

The borrowings and investments disclosed in the balance sheet are analysed across the following categories:

Long Term 31 March 2007 £000	Short Term 31 March 2007 £000		Long Term 31 March 2008 £000	Short Term 31 March 2008 £000
116,223	179 32,914	<b>Financial Liabilities:</b> Total borrowings Creditors	134,356	181 28,897
	<b>33,093</b>	<b>Total Financial Liabilities</b>	<b>134,356</b>	<b>29,078</b>
26 238	29,000 25,672	<b>Financial Assets:</b> Total investments Debtors	26 231	39,681 22,083
<b>264</b>	<b>54,672</b>	<b>Total Financial Assets</b>	<b>257</b>	<b>61,764</b>

In accordance with the 2007 SORP the carrying amounts shown for 31<sup>st</sup> March 2007 have not been re-measured to amortised cost and are shown at their nominal amounts. The carrying amounts at 31<sup>st</sup> March 2008 are shown at amortised cost.



Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2007 SORP sets out specific accounting requirements for soft loans. The Council has £20,000 invested in an Association of District Councils Debenture for which the coupon interest is at zero percent. Although this is technically a soft loan it is considered to be an immaterial amount and the special accounting requirements have not been applied.

### **(c) Financial Instruments - Gains and Losses**

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

Financial Liabilities Measured at amortised cost 2006/07 £000	Financial Assets (loans and receivables) 2006/07 £000		Financial Liabilities Measured at amortised cost 2007/08 £000	Financial Assets (loans and receivables) 2007/08 £000
7,783		Interest Expenditure	7,557	
		Losses on de-recognition	642	
7,783		<b>Total interest payable &amp; Similar Charges</b>	8,199	
	(1,922)	Interest Receivable		(2,309)
	0	Gains on de-recognition		0
	<b>(1,922)</b>	<b>Total interest receivable and investment income</b>		<b>(2,309)</b>

### **(d) Financial Instruments - Fair Values**

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The 2007 SORP requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in Financial Reporting Standard 26 (FRS 26) as the amount for which 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 2007 and 31 March 2008 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.

Carrying amount 31 March 2007 £000	Fair value 31 March 2007 £000		Carrying amount 31 March 2008 £000	Fair value 31 March 2008 £000
116,402	142,492	<b>Financial Liabilities:</b>		
32,914	32,914	Loans Outstanding	134,537	171,229
		<b>Creditors</b>	28,897	28,897
<b>149,316</b>	<b>175,406</b>	<b>Total Financial Liabilities</b>	<b>163,434</b>	<b>200,126</b>
		<b>Financial Assets:</b>		
26	26	Long Term Investments	26	26
29,000	29,704	Short Term Investments	39,681	39,681
25,910	25,910	Debtors	22,314	22,314
<b>54,936</b>	<b>55,640</b>	<b>Total Financial Assets</b>	<b>62,021</b>	<b>62,021</b>

**(e) Financial Instruments - Risks**

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 approves a Treasury Management Strategy before the commencement of each financial year. 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 Assembly 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**

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 £6m is placed on the amount of money that can be invested with a single counterparty. No more than £3m in total can be invested for a period longer than one year. The Council has no historical experience of counterparty default.

The table below summarises the nominal value of the Council's investment portfolio at the end of each financial year into the relative credit rating.

Balance Invested as at 31 March 2007 £000s		Short Term Rating	Individual Rating	Support Rating	Long Term Rating	Balance Invested as at 31 March 2008 £000s
4,800	<b>Banks</b>	F1+	A/B	1	AA	9,000
		F1+	B	1	AA+	4,000
5,800		F1+	B	1	AA-	6,000
		F1+	B	2	AA-	6,000
4,500		F1+	B/C	1	AA-	7,300
6,000		F1+	B	1	A+	
2,000	F1+	B/C	2	A		
<b>23,100</b>	<b>Total Banks</b>					<b>32,300</b>
5,900	<b>Building Societies</b>	F1+ A/B2	A/B	2	AA-	6,000
<b>29,000</b>	<b>Total</b>					<b>38,300</b>

**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 debt at 31<sup>st</sup> March 2008 was as follows:

	Years	31 Mar 2008 £000s	%
<b>Short Term Borrowing</b>	<b>Less than 1 year</b>	<b>174</b>	<b>0.13</b>
<b>Long Term Borrowing</b>	Over 1 under 2	4,151	3.09
	Over 2 under 3	1,040	0.78
	Over 3 under 4	140	0.10
	Over 4 under 5	121	0.09
	Over 5 under 6	121	0.09
	Over 6 under 10	8,725	6.50
	Over 10 under 15	7,482	5.58
	Over 15 under 20	5,819	4.34
	Over 20 under 25	5,922	4.41
	Over 25 under 30	6,500	4.85
More than 30	93,951	70.04	
<b>Total Long Term Borrowing</b>		<b>133,972</b>	<b>99.87</b>
<b>Total Borrowing at Nominal Amount</b>		<b>134,146</b>	<b>100.00</b>
Accrued Interest		1,427	
Deferred Premium		(1,036)	
<b>Total Borrowing at Amortised Cost</b>		<b>134,537</b>	

**Market Risk**

## (1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable interest rates. At 31 March 2007 and 31 March 2008 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 County Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the County Council will suffer loss as a result of adverse movements in the price of financial instruments).

## (3) Foreign exchange risk

The County 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.

**(f) Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account is a new account shown in the Balance Sheet under the requirements of the 2007 SORP. The balance in the account at the end of the financial year represents the amount that should have been charged to Income and Expenditure in accordance with proper accounting practices under the SORP, but which Statutory Provisions allow or require to be deferred over future years.

The 2007 SORP requires all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Income and Expenditure account over the life of the new loan. A modification exists where the terms of the new debt are not "substantially different" from those of the old debt.

In the case of premiums and discounts relating to transactions occurring prior to 1 April 2006, these are classified between those that are overhanging and those that are not overhanging. Overhanging premiums and discounts are those that cannot be associated with a continuing loan. These must be written off in full as an adjustment to Council Fund Balances Brought Forward at 1 April 2007.

Premiums and Discounts that are not overhanging must be added to the carrying value of the loan and amortised to Income and Expenditure over the life of the continuing loan. Any adjustment arising from this re-measurement must be charged as an adjustment to Council Fund Balances Brought Forward at 1 April 2007. One transaction fell into this category.

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, Statutory Provisions exist to override the provisions of the SORP. The charges are reversed out in the Statement of Movements on Balances and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the Council Fund do not apply.

Premiums amortised under Statutory provisions can be charged to the Council Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the Council Fund over 10 years or the life of the original loan, whichever is the shorter period.

In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements.

Council Fund Balances Brought Forward were credited with a net amount of £0.266m on 1 April 2007 as a result of the 2007 SORP requirements for premiums and discounts classified as overhanging or related to extinguishments. A premium of £1.021m was classed as not overhanging and was added to the carrying amount of the associated loan. On re-measurement of the loan Council Fund Balances Brought Forward were credited with £0.022m on 1 April 2007. In 2007/08 a premium of £0.642m was incurred which was initially charged to Income & Expenditure.

The transactions reflected in the Financial Instruments Adjustment Account in 2007/08 were as follows:

	<b>Discounts £000s</b>	<b>Premia £000s</b>	<b>Net Total £000s</b>
Balance at 1 April 2007	(269)	0	(269)
2007/08 Loan Extinguishment Transferred from I&E		642	642
2007/08 Statutory Amortisations charged to Revenue	35	(42)	(7)
<b>Balance at end of year</b>	<b>(234)</b>	<b>600</b>	<b>366</b>

**35. REVALUATION RESERVE**

The Revaluation Reserve is a new Reserve as required by the 2007 SoRP.

The Revaluation Reserve Replaces the Fixed Asset Restatement Account (FARA) the credit balance on the FARA on the 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account.

The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve as at the 31 March 2008 therefore only shows revaluation gains accumulated since the 1<sup>st</sup> April 2007.

The SoRP also specifies that the Reserve is to be implemented without prior period adjustment.

	<b>2007/08 £000s</b>
<b>Balance at beginning of year</b>	0
Recognition of Net Revaluation Gain	49,520
Difference between current value depreciation and historical cost depreciation	(1,657)
Clearance of Balance remaining on Revaluation Reserve following disposal	(971)
<b>Balance at end of year</b>	<b>46,892</b>

**36. GOVERNMENT GRANTS DEFERRED ACCOUNT**

<b>2006/07 £000s</b>		<b>2007/08 £000s</b>
40,562	Balance at beginning of year	53,899
(1)	Adjustment	0
	<b>Applied in year</b>	
18,232	Capital Grants	26,480
1,144	Capital Contributions	642
59,937		81,021
(3,569)	Less: Applied to Deferred Charges	(4,359)
56,368		76,662
(2,469)	Written off to Revenue	(2,507)
<b>53,899</b>	<b>Balance at end of year</b>	<b>74,155</b>

Capital grants and contributions applied to finance capital expenditure in 2007/08 have initially been credited to this account. Where grants have been used to finance capital expenditure on deferred charges the value of these grants has been transferred to deferred charges. Where grants have been used to finance capital expenditure on fixed assets that are not depreciated, the value of these grants has been written off in full to the Revenue Account in the first instance then to the Capital Financing Account.

**37. USABLE CAPITAL RECEIPTS RESERVE**

	Housing £000s	Council Fund £000s	Total £000s
Plus			
Balance at beginning of year	593	7,850	8,443
Receipts – Asset Sales	857	1,545	2,402
Receipts – RtB Discounts Repaid	18	0	18
Deferred Capital Receipts	24	0	24
	1,492	9,395	10,887
Less			
Applied during year:			
Financing Capital Expenditure – RtB Costs	(118)	0	(118)
Financing Capital Expenditure – Other	(483)	(6,251)	(6,734)
Debt Redemption	(586)	0	(586)
<b>Balance at end of year</b>	<b>305</b>	<b>3,144</b>	<b>3,449</b>

**38. CAPITAL GRANTS IN ADVANCE**

	£000s	£000s
Unapplied at 31 Mar 07		1,519
Capital Debtors at 31 Mar 07		(4,694)
Capital Creditors at 31 Mar 07		4,979
Net Balance at 1 Apr 07		1,804
Grants & Contributions received in year		24,840
		<b>26,644</b>
Amounts Transferred	(26)	
Grants and Contributions applied in year		
-Capital Grants	(26,480)	
-Capital Contributions	(642)	(27,148)
		(504)
Capital Debtors at 31 Mar 08		5,177
		4,673
Capital Creditors at 31 Mar 08		(3,002)
<b>Unapplied at 31 Mar 08</b>		<b>1,671</b>

**39. RESERVES**

Details of significant cash backed reserves are given below:

31 Mar 07 £000s		Transfers In / (Out) £000s	31 Mar 08 £000s
351	Capital schemes	(147)	204
71	Environmental Services	(20)	51
105	LDP Future Costs	50	155
71	Environment Directorate - Reserves	2	73
215	Winter Maintenance	58	273
860	Sustainable Waste Management	340	1,200
363	Renewals Fund	(46)	317
160	Major Projects	-	160
100	Design and Development	(63)	37
130	Early Retirement Fund – Schools	(62)	68
22	Mousematics	0	22
0	Modernising Education	250	250
100	North Wales Child Abuse Inquiry	-	100
10	Llys Marchan Reserve	-	10
1,433	Supporting People Reserve	989	2,422
52	S.117 Mental Health Act	-	52
4	Major Events Reserve (Urdd Eisteddfod)	29	33
257	Risk Management Fund	(136)	121
542	Insurance Fund	161	703
1,469	PFI	509	1,978
50	Elections	25	75
1,118	Single Status	382	1,500
184	Spend to Save	121	305
200	Council Tax Revaluation	(200)	-
0	IT Systems Developments	372	372
0	North Wales Fire Authority	114	114
0	Modernising Structures / Service Delivery	350	350
<b>7,867</b>	<b>Total</b>	<b>3,078</b>	<b>10,945</b>

**40. 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. Schools balances are under the control of individual schools and are to be spent on education related expenditure.

31 Mar 07 £000s		31 Mar 08 £000s
	<b><u>Council Fund Revenue Balances:</u></b>	
5,553	General Balances	5,805
1,807	Schools Balances	1,963
1,022	Earmarked Balances	1,453
223	Environmental Services Balances	324
<b>8,605</b>	<b>Total Council Fund Balances</b>	<b>9,545</b>
<b>2,779</b>	<b>Housing Revenue Account Balances</b>	<b>3,707</b>

**41. WELSH CHURCH ACTS FUND**

Under the requirements of the Welsh Church Act Funds (Designation and Specification) Order 1996, the former Clwyd County Council fund is administered by Flintshire County Council and income is distributed to successor authorities on a population basis. The application of this fund covers a wide field ranging from education, social and recreational needs, and the relief of sickness and protection of historical buildings. The total balance on the fund, held by Flintshire County Council, is £592,690 (£612,611 in 2006/07). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Fund. The balance on the Fund as at 31 March 2008 was £18 (£2,152 as at 31 March 2007).

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 2008:

	Income £000s	Expenditure £000s	Investments £000s
31 March 2008	29	23	625
31 March 2007	28	23	636

**42. EDUCATION TRUST FUNDS**

The County Council administered 54 Education Trust Funds during 2007/08. 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 2007/08, Fund income amounted to £3,717.59 (£4,585.92 in 2006/07). Awards made during the year amounted to £131.56 (£1,322.19 in 2006/07).
- The Council has no outstanding liabilities in respect of the trust funds it administers.

The Fund balances as at 31 March 2008 amounted to £266,096 which is not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2008 was £88,723

**43. RELATED COMPANIES**

The Accounting Code of Practice requires that where an authority has material interests in one or more subsidiary and associated companies, it should prepare a group revenue account and balance sheet. Denbighshire County Council's interests in the associated companies are not considered material in relation to the overall scale of the Council's operations and consequently Group Accounts have not been prepared. Due to differences in the financial year end of each of the related companies, the latest audited statements of accounts are for 2006/07

Details of the related companies are as follows:

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

Clwydfro is a company limited by guarantee, having no share capital. The objective of the company is to promote and encourage industrial and commercial activity or enterprise within the county with a view to reducing unemployment. Its payroll and accounting services are provided by the Council. The Clwydfro audited statement of accounts for the financial year 2007/08 is not yet available. However, the net assets of the company as at 31 March 2007 were £396,676 and the net loss achieved by the company was £120,388.

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

The balance owed to Denbighshire County Council as at 31 March 2008 was £41,365.

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

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



**(ii) ECTARC**

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

Denbighshire County Council gives an annual grant to the company and during 2007/08 ECTARC received £47,062. In addition Denbighshire County Council allowed ECTARC to lease its premises on Parade Street, Llangollen at a peppercorn rental. The value of this lease has been assessed at £12,500 per annum. The Council also provides its payroll services. The Board of Directors consists of six members in total, including one Denbighshire County Councillor, who is the Chair of ECTARC. The ECTARC audited statement of accounts for the financial year 2007/08 is not yet available.

The balance owed to Denbighshire County Council as at 31 March 2008 was £114,300.

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

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

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

Bodelwyddan Castle Trust is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2007/08 the Trust received £182,605. The Council provides its payroll services. The Board of Directors consists of twelve members in total, of which two are Denbighshire County Councillors. The Chair of the Trust is a Denbighshire County Councillor.

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

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

Bodelwyddan Castle Enterprises Ltd. is a private company limited by shares that is a wholly owned subsidiary of Bodelwyddan Castle Trust. The objectives of the company are to promote in whatever way it sees fit the charitable objects of Bodelwyddan Trust. All profits from Bodelwyddan Castle Enterprises Ltd. contribute to the running costs of Bodelwyddan Castle Trust via a deed of covenant. The Board of Directors consists of eight members, which includes one Denbighshire County Councillor.

The audited Statement of Accounts for the financial year 2007/08 is not yet available. However the net assets of the group as at 31 March 2007 were £805,882 and it achieved a surplus of £22,086 for the year.

The balance owed to Denbighshire County Council as at 31 March 2008 was £90,221.

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

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

**(iv) Clwyd Leisure Ltd.**

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The objectives of the company are to provide and operate facilities, attractions, goods and services for recreation and leisure time primarily for the community and visitors to Denbighshire. It is grant aided by Denbighshire County Council and during 2007/08 Clwyd Leisure Ltd. received £295,059. The Council provides both creditor and payroll services. The company's audited financial statement for the 2007/08 year is not yet available. However, the net assets of the company as at 31 March 2007 were £144,749 and the company had made a net loss of £79,898 in 2006/07. The Board of Directors consists of twelve members in total, including two Denbighshire County Councillors. The Chair of Clwyd Leisure Ltd. is a Denbighshire County Councillor.

The balance owed to Denbighshire County Council as at 31 March 2008 was £306,879.

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

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

**44. 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.

In the 2006/07 Statement of Accounts a contingent liability was recognised in respect of the potential for Equal Pay Act discrimination cases to be brought against the Council. A provision has now been created for this and is reported in the Exceptional Items note below, although there is a risk that the total amount of the liability will change in the light of the claims progressed locally and nationally.

The Authority Supports several Leisure and Cultural Trusts which operate assets on its behalf. The financial climate within which these Trusts operate is becoming more difficult and the Council is actively involved in negotiations on future actions. Details of the relationship with these organisations are shown in Note 43.

**45. EVENTS AFTER THE BALANCE SHEET DATE**

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

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

The accounting statements are required to reflect the conditions applying at the end of the financial year. All investments have been fixed interest, short term cash investments. As such their value has not been affected by the current market conditions

Between the balance sheet date and the statement of Accounts being authorised by the Corporate Governance Committee on 27 June 2008 there were no such material events

**46. EXCEPTIONAL ITEMS**

As part of the move to harmonise pay and conditions for all Council workers in line with the implementation of the Equal Pay Act, the Council, along with many other public sector employees, carried out a pay and grading review.

As part of the process, the Council has to be mindful of what is happening on a national level and recognise that it may have been discriminatory in its previous grading of some posts.

While the Council has admitted no liability and will defend any claims received, it is considered that it would be prudent to create a provision to offset any possible future claim costs. This has therefore been shown as an exceptional item in the Income and Expenditure Account.

**47. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET DEBT**

	31 Mar 08 £000s
<b>Movement in Cash</b>	<b>(73)</b>
<u>Movements in:</u>	
Fixed Assets	64,920
Long Term Investments	0
Long Term Debtors	(7)
Deferred Premiums	(1,046)
Stocks & Work in Progress	121
Debtors	(3,649)
Investments	10,681
Short Term Borrowing	(2)
Creditors	4,191
Long Term Borrowing	(18,133)
Capital Grants in Advance	(152)
Government Grants Deferred	(20,256)
Deferred Discounts	269
Pensions Liability	(21,640)
Provisions	(1,097)
<b>Movement in Net Debt</b>	<b>14,127</b>

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

	31 Mar 08 £000s
Council Fund – (Surplus) / Deficit for the Year	(940)
HRA – (Surplus) / Deficit for the Year	(928)
<b>Total (Surplus) / Deficit for the Year</b>	<b>(1,868)</b>
Interest Paid	(7,380)
Interest Received	1,562
<b>Items on Accruals Basis</b>	
Increase / (Decrease) in Stock	121
Increase / (Decrease) in Long Term Debtors	(7)
Increase / (Decrease) in Debtors	(2,357)
Increase / (Decrease) in Payments in Advance	(641)
(Increase) / Decrease in Creditors	2,058
(Increase) / Decrease in Receipts in Advance	156
<b>Non Cash Transactions</b>	
MRP	(5,837)
Transfers (to) / from provisions	(1,097)
Bad Debt Provision	(1,134)
Revenue used to finance capital expenditure	(78)
Reserves used to finance capital expenditure	(146)
Transfers (to) / from reserves	(3,078)
Capital Grants Transferred	(201)
Other	(95)
<b>Cash Flow Statement – Net Revenue (Inflow) / Outflow</b>	<b>(20,022)</b>

**49. ANALYSIS OF MOVEMENT IN CASH AND EQUIVALENTS**

<b>31 Mar 07 £000s</b>		<b>31 Mar 08 £000s</b>	<b>Movement £000s</b>
(2,919)	Cash	(2,992)	(73)
<b>(2,919)</b>		<b>(2,992)</b>	<b>(73)</b>

**50. ANALYSIS OF GRANTS RECEIVED**

<b>2006/07 £000s</b>		<b>2007/08 £000s</b>
12,512	Government Grants	12,956
23,954	Housing Grants	26,297
3,199	Education Grants	4,143
4,669	Social Services Grants	4,918
431	Environmental Grants	577
4,041	European Grants	3,982
<b>48,806</b>	<b>Total Grants Received</b>	<b>52,873</b>

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**SUPPLEMENTARY**  
**STATEMENTS**  
**AND**  
**EXPLANATORY NOTES**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT FOR THE  
PERIOD 31 MARCH 2008**

2006/07 £000s		Note	2007/08 £000s
	<b>INCOME</b>		
9,084	Dwelling Rents (Gross)		9,761
104	Non-Dwelling Rents (Gross)		143
160	Government Grants Deferred		240
0	Reduction in Bad Debt Provision		0
<b>9,348</b>	<b>Total Income</b>		<b>10,144</b>
	<b>EXPENDITURE FRS17 Basis</b>		
2,495	Repairs and Maintenance		2,577
1,955	Supervision and management		1,996
217	Rents, Rates, Taxes & Other Charges		324
2,761	Negative housing revenue account subsidy payable		2,827
0	Sums directed by the National Assembly		0
2,790	Depreciation and Impairment of Fixed Assets	4	5,733
5	Debt Management costs		11
7	Increase in bad debt provision	5	13
<b>10,230</b>	<b>Total Expenditure</b>		<b>13,481</b>
<b>882</b>	<b>Net Cost of Services per Authority Income and Expenditure Account</b>		<b>3,337</b>
42	HRA Share of Corporate & Democratic Core		43
<b>924</b>	<b>Net Cost of HRA Services</b>		<b>3,380</b>
758	Interest payable and similar charges		1,064
52	Pension Interest Costs & Expected Return on Pension Assets	6	40
(153)	Interest and Investment income		(200)
<b>1,581</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>4,284</b>

**STATEMENT OF MOVEMENT IN THE HRA BALANCE**

2006/07 £000s		2007/08 £000s
1,581	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	4,284
(2,522)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(5,211)
<b>(941)</b>	<b>(Increase) or decrease in the Housing Revenue Account Balance</b>	<b>(927)</b>
(1,839)	Housing Revenue Account surplus brought forward	(2,780)
(2,780)	Housing Revenue Account surplus carried forward	(3,707)

**NOTE TO THE MOVEMENT IN THE HRA BALANCE**

2006/7 £000s		2007/08 £000s
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>	
(168)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any)	(180)
(2,790)	Depreciation and impairment of fixed assets	(5,733)
160	Government Grants Deferred	240
0	Gain or loss on sale of HRA fixed assets	0
(198)	Net charges made for retirement benefits in accordance with FRS 17	(163)
<b>(2,996)</b>		<b>(5,836)</b>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	
188	Employer's contribution payable to the Clwyd Pension Fund and retirement benefits payable direct to pensioners	190
286	HRA Minimum Revenue Provision	435
0	Capital expenditure funded by the HRA	0
474		625
<b>(2,522)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(5,211)</b>



**EXPLANATORY NOTES TO THE SUPPLEMENTARY  
FINANCIAL STATEMENTS**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**1. HOUSING STOCK**

The Council's total housing stock was as follows:

2006/07 No. of Properties		2007/08 No. of Properties
1,891	Houses	1,879
972	Flats	971
621	Bungalows	621
<b>3,484</b>	<b>Total</b>	<b>3,471</b>

During the year, 13 properties were sold under the Right to Buy Scheme and the council had 47 leased properties in use on 31st March 2008.

**2. CAPITAL RECEIPTS**

The sale of 13 properties resulted in capital receipts of £857k, with repaid discounts amounting to £18k and mortgage repayments £24k. The average discount applied to sales was 19.4%.

HRA capital receipts for 2007/08 are summarised below:

2006/07 £000s	Housing Receipts	2007/08 £000s
1,112	Sales	857
76	Repaid Discounts	18
35	Mortgages	24
<b>1,223</b>	<b>Total Receipts</b>	<b>899</b>

**3. ANALYSIS OF HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE**

During 2007/08, capital expenditure of £10.015m was incurred on improvements to the Council's housing stock. Fees incurred in the sale of council dwellings totalling £118k have been notionally added to the HRA Net Cost of Services so that the expenditure is recognised and then reversed in the Statement of Movement in the HRA Balance. These expenses are actually written-off as a deferred charge, financed by capital receipts. The total capital expenditure has been financed by three sources: the Major Repairs Allowance (a government grant), capital receipts (from 'Right to Buy' sales) and unsupported borrowing under the Prudential Code of Borrowing and is detailed in the table below:

2006/07 £000s	Housing Capital Expenditure	2007/08 £000s
6,042	<b>Improvement Works</b>	10,015
168	<b>Right to Buy Expenses</b>	118
<b>6,210</b>	<b>In-year Expenditure</b>	<b>10,133</b>
	<i>Financed by:</i>	
2,400	Major Repairs Allowance (Grant)	2,400
431	Useable Capital Receipts	601
3,379	Prudential Borrowing	7,132
<b>6,210</b>	<b>Total</b>	<b>10,133</b>

**4. DEPRECIATION & IMPAIRMENT OF FIXED ASSETS**

The accounting rules governing changes in asset values have been amended under the SORP 2007. The amendments require that a Revaluation Reserve replaces the Fixed Asset Restatement Reserve (FARA). The accounting arrangements for the FARA allowed adverse movement in the value of fixed assets to be debited to it. However, the Revaluation Reserve arrangements do not allow this and losses must be debited to the Income & Expenditure Account. In line with the Resource Accounting framework, depreciation charges and impairment 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 depreciation charge and impairment losses are reversed out of the Net Cost of Services via the Statement of Movement on the HRA Balance. The reversal brings the net capital charge to the HRA back to the statutory charge, which is calculated in line with Item 8 of the Housing Revenue Account Subsidy (Wales) Determination 2007/08. The depreciation charge and impairment losses have no effect on HRA balances.

The total depreciation charges and impairment losses for 2007/08 is shown below:

2006/07 £000s	HRA Depreciation Charges & Impairment Losses	2007/08 £000s
2,769	Operational Assets – Dwellings	3,537
21	Operational Assets - Garages	21
0	Non-Operational Assets	0
<b>2,790</b>	<b>Total Depreciation</b>	<b>3,558</b>
<b>0</b>	<b>Impairment Losses</b>	<b>2,175</b>
<b>2,790</b>	<b>Total HRA Depreciation &amp; Impairment Losses</b>	<b>5,733</b>

**5. RENT ARREARS**

At the 31 March 2008, tenants' net rent arrears were £0.386m, (£0.419m as at 31 March 2007) which represented 3.72% of the net rent income due in the year. Arrears totalling £0.038m were written off during the year. The Provision for Bad and Doubtful Debts in 2007/08 has been increased by £0.013m.

**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 Statement of Movement in the HRA Balance.

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

2006/07 £000	<u>INCOME AND EXPENDITURE ACCOUNT</u>	2007/08 £000
	<u>Net cost of services:</u>	
146	Current Service Cost	123
0	Past Service Cost	0
	<u>Net Operating Expenditure</u>	
246	Interest cost on gross pension liability	260
(194)	Expected return on gross pension assets	(220)
<b>198</b>	<b>Net charge to the Income &amp; Expenditure Account</b>	<b>163</b>
	<u>STATEMENT OF MOVEMENT IN THE HRA BALANCE</u>	
(198)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(163)
<b>188</b>	<b>Employer's contribution payable to the Clwyd Pension Fund Scheme</b>	<b>190</b>

I have audited the accounting statements and the related notes of Denbighshire County Council for the year ended 31 March 2008 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

**Respective responsibilities of the responsible financial officer and the independent auditor**

The responsible financial officer's responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the local government body and its income and expenditure for the year.

I review whether the Statement on Internal Control reflects compliance with 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

**Basis of audit opinion**

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

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

**Opinion**

In my opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Denbighshire County Council as at 31 March 2008 and its income and expenditure for the year then ended.

The maintenance and integrity of Denbighshire County Council's website is the responsibility of the Accounting Officer / Client Officer, the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to financial statements since they were initially presented on the website.

Anthony Barrett  
Appointed Auditor  
Wales Audit Office  
Unit 4, Evolution  
Lakeside Business Village  
St David's Park  
Ewloe  
CH5 3XP

Date 29<sup>th</sup> September 2008

**STATEMENT ON THE SYSTEM OF INTERNAL CONTROL****1 SCOPE OF RESPONSIBILITY**

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

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

**THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies three underlying principles of good governance, namely:

- openness and inclusivity
- integrity
- accountability

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that they are complying with these principles.

This Statement of Internal Control forms part of the overall process within the Council of monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

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

**3 THE INTERNAL CONTROL ENVIRONMENT**

The requirement to have a sound system of internal control covers all of the Council's activities. The internal control environment within the Council consists of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of internal control within the Council consist of policies and guidance, political and managerial structures and processes, strategic planning processes, management and decision making processes, financial management, compliance arrangements, risk management, internal audit, counter fraud activities and performance management.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include

- The Council's Constitution.
- Formal Codes of Conduct for members and employees
- Corporate Performance Management Guidance
- Protocol on Officer / Member Relations
- Financial Regulations and Procurement Rules and Procedures
- Member and Officer Schemes of delegation
- Payments of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and Anti-fraud and Corruption
- Asset Management Plans
- Strategic Risk Register
- Key elements of a Local Code of Corporate Governance are in place.

Political and Managerial Structures and Processes

The Council is responsible for agreeing overall policies and setting the budget. The Cabinet is responsible for decision making within the policy and budget framework set by the Council. There is also a scheme of delegation to individual Lead Members.

The Council's Corporate Executive Team (CET – consisting of the Chief Executive, Corporate Directors and Monitoring Officer) has responsibility for implementing Council policies and decisions, providing access to Members and for coordinating the use of resources and the work of the Council's directorates. There is also a scheme of delegation to individual officers.

The Council has scrutiny arrangements which include the review of policies, budgets and service delivery. There is also a Corporate Governance Committee, its purpose being to provide independent assurance of the adequacy of the risk management framework and the associated control environment.

Strategic Planning Processes

The Council has developed a strategic planning process that is intended to reflect political and community objectives and act as a basis for corporate prioritisation.

The Council's annual Improvement Plan sets targets for service priorities in line with the Council's priorities. Progress is monitored by regular reporting to Cabinet and Scrutiny Committees. The Improvement Plan is supported by Directorate and Service Plans.

The Council has a dedicated Strategic Policy Unit that enables the coordinated development of corporate strategies and policies.

Financial Management

The Corporate Director – Resources (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the Council's financial affairs, including making arrangements for appropriate systems of financial control. The Council operates a system of delegated financial management within a corporate framework of standards and financial regulations, budgetary control systems and regular reporting of financial management information.

The Financial Regulations lay out roles and responsibilities for the day to day financial management of the Council.

The Council operates a scheme of delegated budgets supported by a centrally managed team of finance professionals.

Monthly updates on the HRA and County Fund revenue and Capital financial position are presented to Cabinet. Full Council also receives an update on the capital plan at every meeting.

All major capital projects are overseen by a dedicated project board to monitor progress.

The Management of the Council's cash, investments and borrowing is carried out in accordance with CIPFA guidance.

**Compliance Arrangements**

By law the Council has to appoint two officers to take responsibility for adherence to the relevant policies, procedures, laws and regulations. These are:

- The County Clerk is the Council's appointed 'Monitoring Officer' responsible for general compliance with laws, regulations and procedures.
- The Corporate Director - Resources is the Council's appointed 'Section 151 Officer' responsible for the financial management of the Council and adherence to financial regulations, legislation and statutory guidelines.

The Council has an Internal Audit department. The Head of Internal Audit has direct access to the Chief Executive, all Directors, Heads of Service, Cabinet, Corporate Governance Committee and Scrutiny Committees.

All services are subject to a programme of Internal Audit based upon an assessment of risk. The progress of Internal Audit reports and any incidences of non-compliance with recommendation are reported to Corporate Governance Committee.

The Council is also subject to review by external regulators such as the Wales Audit Office, Estyn, Social Services Inspectorate for Wales and European Union Auditors. These reviews are summarised in the Regulatory Plan. The actions carried out as a result of this plan are monitored and reported to the Corporate Governance Committee quarterly.

**Risk Management**

The Council has adopted a formal risk management strategy.

Each Head of Service is responsible for the maintenance of a departmental risk register that is formally reviewed on a regular basis by the Head of Internal Audit.

These contribute to the Corporate Risk Register which is reviewed by CET and Members. The Corporate Risk Register informs the Joint Risk Assessment carried out in conjunction with the Council's external regulators and is taken into account when planning the work of Internal Audit.

**Internal Audit and Counter Fraud Initiatives**

The Council operates internal audit and fraud investigation functions. The Internal Audit team undertakes an annual programme of review covering financial and operational systems and including risk based, systems, regularity and probity audits designed to give assurance to Members and managers on quality of operations, with particular emphasis on corporate governance, risk management and operational and financial control. Through its work, the team provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides

- Advice and assistance to managers in the design, implementation and operation of controls
- Support for managers in the prevention and detection of fraud, corruption and other irregularities

**Performance Management and Continuous Improvement**

The Council constantly strives to improve the efficiency and quality of services and has a number of methods of facilitating this. The Improvement Plan identifies the improvement targets for the year and progress is reported regularly to Members.

A Change Management Board was created which regularly monitored the delivery of the Efficiency Strategy. It is intended that this responsibility will be transferred to the 'Focused Agenda' Board.

The Council has also introduced a Spend to Save budget to allow departments to implement new, more efficient ways of working.

Innovative collaborative projects will form an increasingly important way of delivering service improvement and financial savings.

Increased focus on the quality of design procurement, construction and sustainability of new assets demonstrated by an increase in the size of the Corporate Project Management Team and an increase in the Design Department's feasibility study budget.

The Council's Capital Strategy Group is responsible for appraising all capital projects prior to formal approval.

#### **4. REVIEW OF EFFECTIVENESS**

The purpose of this section is to evaluate the effectiveness of the Internal Control systems detailed in section 3. It is particularly relevant to review procedures in detail at this time at the start of a new Council and also following the Estyn report (considered later) which has highlighted leadership and management concerns.

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

- The annual Improvement Planning Process.
- External auditors in their annual audit letter and other reports.
- External Inspections
- Regular reviews of the Council's Constitution and Financial Regulations.
- Regular risk reviews carried out by senior managers and assisted by the Head of Internal Audit
- Regular reviews by Cabinet and Scrutiny Committees of performance and decision making.
- Internal Audit reviews.

##### Internal Audit Annual Report

The role of the Internal Audit Department is to ensure that:

- all strategic risks are identified, prioritised and addressed;
- all operations are conducted effectively, efficiently and economically in accordance with policies, good governance, laws and regulations;
- the assets of the Council are safeguarded;
- records and reports of the Council are accurate and reliable; and
- fraud and corruption is deterred, prevented or detected.

The Internal Audit programme of work is based upon an assessment of risk, linked to the corporate risk management process, thus ensuring that resources are focused on the most critical operations.

The Head of Internal Audit produces an annual report to the Corporate Governance Committee that provides an opinion on the overall control and risk environment and reports upon significant findings in the year.

The report showed that during the year:

- Internal Audit completed 81% of the audit plan (against a target of 80%).
- Of the recommendations made 89.4% had been implemented.
- There were no instances where no action was taken after Internal Audit recommendations.

The report concluded that the Council can have assurance in the overall adequacy and effectiveness in its internal control environment.

It did however highlight some risk areas that will require further review:

- Embed Corporate and Service Asset Management Planning.
- Improve governance and understanding of responsibilities in some primary schools.
- Review the arrangements for the delivery of the proposed future waste treatment facility.

##### Further Risks

Work is ongoing to ensure that corporate procedures are applied consistently in all areas.

##### Partnerships and Collaboration

A review of the controls of strategic partnerships arising from the collaboration agenda was undertaken and it was clear that while controls are in place there are further improvements to be undertaken during the coming year.



Estyn Report

During 2007/08 the Council received a report from the education inspection body Estyn. It highlighted a number of weaknesses in the leadership and management of the service and made a number of recommendations for improvement.

In response the Council has:

- Developed a robust Action Plan backed by detailed Work Plans.
- Set up the Modernising Education Board consisting of senior managers and members.
- Set up the Schools Standards Monitoring Group to review the performance of individual schools.
- Appointed a number of new staff to move the service forward.
- Seconded staff from other services to give additional capability and capacity to the Directorate.
- Restructured the Lifelong Learning Directorate to allow a greater focus on Education by moving Culture, Heritage, Tourism and Countryside Services to the Environment Directorate.
- Worked closely with Estyn and Independent Monitoring Board appointed by the Minister.

Improvements

During the year the following additional improvements took place to internal controls:

- Development of the 'Focused Agenda' methodology to deliver key priority areas
- Centralisation of the devolved finance teams.
- Financial performance in 2007/08 is good and the financial position of the Council strengthened
- Strengthening of the project management procedures and project team
- A review of the Financial Regulations was begun.
- A review of members training was undertaken in preparation for the May elections.
- Further development of the e-procurement and HR systems and purchase of financial management software.
- Improved reporting on head count and sickness to members.
- Retention of the Investors in People standard.

**5 CONCLUSION**

The Corporate Director – Resources, Monitoring Officer, Head of Internal Audit and Head of Strategic Policy have considered this report and are assured that plans are in place to address known weaknesses and promote continuous improvement.

In doing so, all four were mindful of the significant financial challenges facing Denbighshire (and local authorities in general), which will require a willingness to change longstanding and historic methods of service delivery. In addition there are a range of HR issues (including the impact of the Pay and Grading Review) which give rise to managerial and financial risks that require careful management.

**Ian Miller**  
Chief Executive

**Cllr. Hugh Evans**  
Leader of the Council