



STATEMENT OF ACCOUNTS 2010/11

2010/11

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Welcome to Denbighshire County Council

With a population of around 95,000, the County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle and the tiny cathedral city of St. Asaph.

The County Council was formed in April 1996 as one of Wales' unitary authorities. This means that the Council's 4,500 staff are responsible for a wide range of activities including schools, libraries, leisure centres, collection and disposal of waste, planning, economic development, tourism, social services, highways and lots more besides. In addition to delivering these services, the Council has set its priorities as modernising education, responding to demographic change (the changing age profile and social needs of our population), regeneration (improving the opportunities for the creation and development of employment) and improving roads and flood defences.

When the Council was formed, it took the decision not to have one county headquarters, but to have a number of office bases throughout the area. County offices are located at Prestatyn, Rhyl, Denbigh and Ruthin, with one-stop shops at Corwen and Llangollen.

Denbighshire is largely a rural county with tourism and agriculture the main industries. The St. Asaph Business Park, on the edge of the A55, is home to a number of companies and organisations. The county is also very diverse being not only home to a designated Area of Outstanding Natural Beauty, but also to three of the most socially deprived wards in the whole of Wales. Its geography and diversity present a unique challenge when trying to decide where to spend money on services.

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

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

WHAT IS IN THE STATEMENT OF ACCOUNTS?

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

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

The Statement of Accounts contains the following sections:

Section 1- Explanatory Foreword

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

Section 2 - Statement of Responsibilities

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

Section 3 - Main Financial Statements & Notes to the Accounts

The 2010 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). In prior years the accounts were based on UK Generally Accepted Accounting Principles (UK GAAP). The introduction of IFRS has significantly changed the way that local authority accounts are prepared and a large number of areas are subject to different accounting treatments. There are also additional or amended notes to support the main financial statements. The first of the notes outlines the accounting policies adopted by the council in the production of the Statement of Accounts. The main financial statements comprise:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2011. It sets out the value of the items it owns (assets) and the value of what it owes to others (liabilities). It incorporates all the council's funds, both capital and revenue.

Cash Flow Statement

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

Notes to the Accounts

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

Section 4 - Supplementary Financial Statements and Notes

Housing Revenue Account (HRA)

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

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

Section 5 - External Auditors Report

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

Section 6 – Annual Governance Statement

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

Section 7 – Glossary

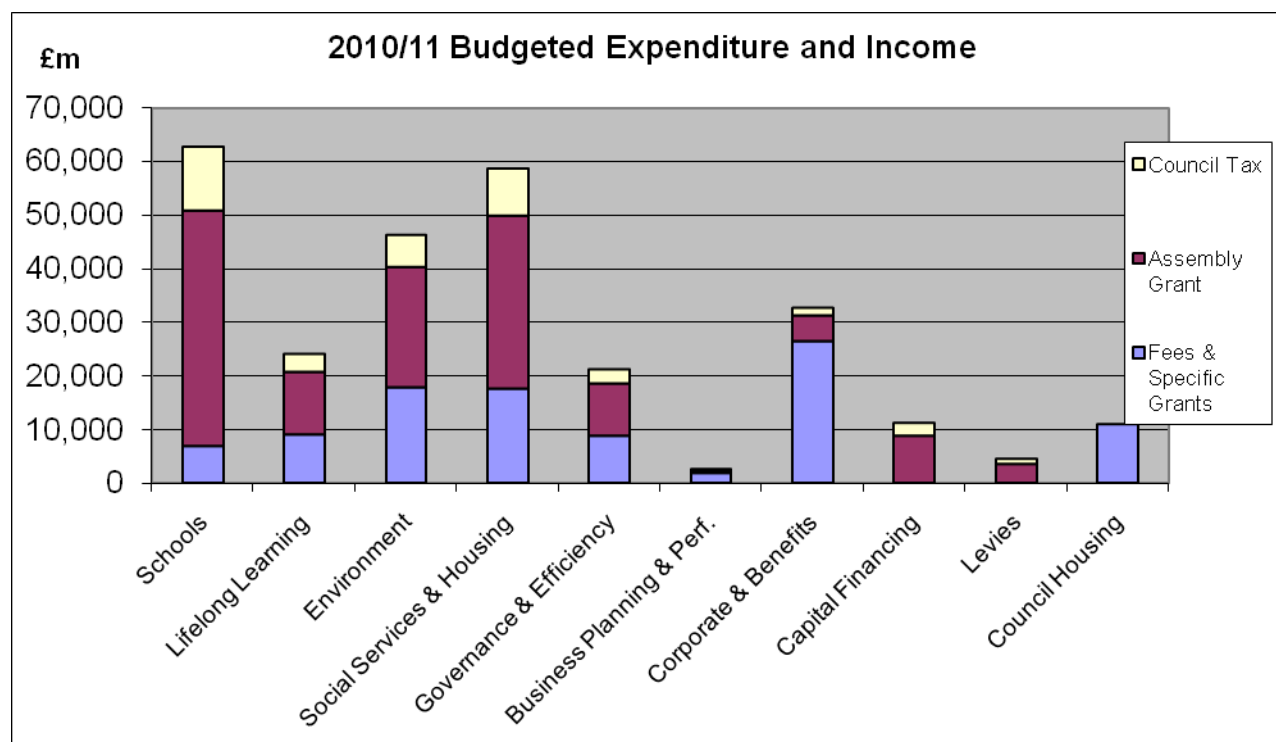
This contains a list of some of the definitions adopted for the purpose of accounts completed under Internal Financial Reporting Standards

SECTION 1: EXPLANATORY FOREWORD

1.1 HOW MUCH MONEY DID WE SPEND ON PROVIDING SERVICES IN 2010/11?

The Council sets a revenue budget each year. This is a budget for services it will provide in the year and that will be paid for by service users, Welsh Government Grants and Council Tax and Business Rate payers. For 2010/11, this gross budget was £266m.

The following graph shows how much the Council spent on services and how this was funded.



By the end of the year, the Council had spent £0.998m less than it had budgeted for on services and corporate budgets. Details of the significant differences between planned and actual spend are shown below:

- Spending given to schools to manage was £282k below budget meaning that this amount of money has been added to the balances held by schools. Towards the end of the financial year, there was a significant improvement in the position of schools in financial difficulty which has contributed toward the overall improved position. The Council has continued to increase funding to schools over recent years, and uses a formula based on pupil numbers to allocate money to each.
- Within the rest of the Lifelong Learning budget, the cost of various restructuring exercises were planned but not fully realised in 2010/11 and some projects planned to be joint funded with the Welsh Government were deferred, these contributed to an under spend of £431k.

- Services within the Environment Directorate made savings during the year from vacant posts and their savings. The Highways & Infrastructure Department benefited from additional government grants late in the year that helped fund some of the costs of winter maintenance. The additional funding made it possible to make a further contribution of £129k to a winter maintenance reserve which will help the council to deal with any cost pressures that arise from future severe winter weather.
- The final in-year position for Social Services & Housing in 2010/11 was a balanced budget. The directorate continued to deliver efficiency savings across many service areas as part of a strategy to meet growing demographic pressures. Demand across services has continued to increase this year but initiatives such as extra care housing, investing in trying to care and support people at home rather than in residential homes and a vacancy control procedure have helped to contain pressures.
- The Corporate Governance and Efficiency Directorate achieved a net under spend of £275k. There were pressures with the cost of translation but savings from some vacant posts and other areas.

Balances, Provisions and Reserves

In line with good practice, the Council puts money on one side to pay for specific projects or risks, or in case of emergencies. These are classified into different headings depending on what they are for – reserves, provisions and balances. The table below shows the details of each. A new provision of £83k has been made in 2010/11 in relation to the possible costs associated with a product recall at the council's sheltered employment facility (Cefndy Healthcare).

The final revenue position this year has meant that it has been possible to make a net contribution to reserves and provisions within the accounts of £1.7m. A summary of the reserves, provisions and balances are summarised in the following table and further details are shown in the notes to the accounts.

The final revenue position of service and corporate budgets in 2010/11, taken along with the highest council tax collection rate in Wales, has meant that a new reserve has been created of £300k for investment by elected members of the council through Local Area Member Groups, of which there are six in Denbighshire and each will have £50k available to invest in local priority projects in 2011/12.

The council budgeted to make an in-year contribution to general balances of £300k and this was achieved.

	Explanation	Balance 31 March 2010 £000s	Balance 31 March 2011 £000s
Earmarked Reserves	This is money set aside by the Council to pay for specific projects. Note 8 to the Accounts gives further details.	(17,080)	(24,399)
Provisions	This is money that we may have to pay out (e.g. for insurance or legal claims), but the timing and amount are not certain. Note 22 to the Accounts gives further details.	(3,047)	(3,021)
Earmarked Balances	These are under spends which Directorates have been allowed to carry forward and should be spent within the coming year on specific projects.	(136)	(1,109)
Environmental Services Balances	Environmental Services operate a number of 'trading accounts' that provide services to other Directorates. These balances allow them to 'smooth out' any variations in income.	(133)	(241)
Schools Balances	Each school is responsible for managing its own budget and can put money aside for various purposes. By law, this money must be spent on schools.	(938)	(1,578)
General Balances	General Balances is the term for the money we put on one side to cover general unexpected events. The Council's strategy is to work towards maintaining 5% of its net budget as General Balances.	(6,627)	(6,931)
Housing Revenue Account Balances	The Council must account for its housing stock separately and the service can put money aside for future requirements. By law, this money must be spent on the Council's housing service.	(1,544)	(2,009)
TOTAL		(29,505)	(39,288)

The Council must make sure it keeps enough money in these balances so it can be sure it is able to deal with any unexpected problems it faces.

It must also continue to manage its money carefully given that public sector funding will continue to be cut in real terms in future years because of the ongoing effects of the rebalancing of the UK economy. Pressures that may affect the Council in the new financial year include:

- Revenue and capital funding from the Welsh Government will continue to reduce in real terms for at least another two years
- The remaining impact of the pay & grading review under Single Status and the potential risk of any Equal pay claims
- The increasing number of older people and people with disabilities requiring services
- Increased costs in relation to improving the County's Education provision and school buildings
- Backlog of maintenance and improvements required over the council's building portfolio.

Therefore, while the Council can consider that it has managed its money well in 2010/11 and has reached a position of some financial stability, it will still need to continue to pay close attention to its budget. The Council will need to continue to target spending on its priorities and this may involve moving existing budgets to other areas as resources become more scarce.

How We Report Our Budget

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

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

During 2010/11, the council reorganised its senior management and introduced a new organisational structure. This new structure started with effect from January 2011 but was not fully implemented until closer to the end of the financial year. It was agreed with cabinet that the reporting structure for budget reports and the final accounts would be based on the former structure for consistency in both presentation and financial planning assumptions made earlier in the year. The council's new structure has disbanded the four directorate structure and introduced a structure based on fourteen services with three corporate Directors. All financial management reports and the accounts for 2011/12 will be presented in the new structure.

	Final Revenue Outturn Report to Cabinet 21st June 2011 £000s
Service and Corporate Budgets	
Lifelong Learning	70,025
Environment	28,914
Social Services & Housing	41,034
Governance & Efficiency	13,132
Business Planning & Performance	721
Benefits	(257)
Corporate Budgets	4,341
Total Service and Corporate Budgets	157,910
Other	
Capital Finance / Investment Interest	11,321
Levies	4,602
Contributions to Reserves and Provisions	577
Total Expenditure (excludes HRA)	174,410
Less Funding	(176,102)
In-year Position	(1,692)
Contribution to Reserves and General Balances Reported to Members:	(1,692)
Allocated as follows:	
Earmarked Balances – Services	1,110
Area Member Reserve	300
School Balances	282
Total	1,692

1.2 HOW MUCH MONEY HAVE WE SPENT ON OUR ASSETS?

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

In 2010/11, capital expenditure consisted mainly of works to maintain and improve Council owned assets. There was no significant investment in the procurement of new assets. During the year, properties were purchased in Rhyl to either demolish or refurbish as part of the major regeneration project underway in the town.

The table below shows how much the Council spent on its assets per directorate in 2010/11 and how the expenditure was funded:

EXPENDITURE		£000s
Lifelong Learning – Schools		3,145
Lifelong Learning – Culture & Leisure		2,654
Environment - Highways		16,673
Environment - Other		6,304
Governance & Efficiency		2,045
Social Services		463
Council Housing		6,563
Total		37,847
FUNDING		£000s
Grants		17,993
Supported Borrowing		6,289
Prudential Borrowing		11,349
Capital Receipts		356
Other		1,860
Total		37,847

Expenditure on major Projects undertaken during the year includes:

Project	Description	2010/11 £000
Denbigh	Townscape Heritage Initiative – Phase 2	440
Foryd Harbour Rhyl	Works to Harbour Moorings – North Wales Coast SRA	272
Apollo Cinema Rhyl	Redevelopment Works – North Wales Coast SRA	450
Denbighshire	Property and Environment Grants (PEG)	624
Denbigh	Flood Alleviation Scheme	3,154
Hall Street, Llangollen	Flood Alleviation Scheme	292
Prestatyn Bus Station	Enabling Works	291
Ysgol Dinas Bran, Llangollen	Safer Routes to Schools works	200
Rhyl	Recycling Centre and Marsh Tracks Cycle Scheme	2,203
Rhyl	Property Demolitions – North Wales Coast SRA	629
Rhyl	Coastal Defence Works	1,747
Llangollen	Dee Valley Cycle Route Improvements	278
Council Housing	Major Improvements	275
Council Housing	Disabled Adaptations	516
Council Housing	Housing Refurbishment 2009-13 Various	4,662
Ysgol Bryn Collen/Gwernant, Llangollen	Extension and Refurbishment	291
Ysgol Penbarras, Ruthin	Roofing Works	228
Rhyl Library	Major Internal Refurbishment	345
Heather and Hillforts	Landscape Partnership Project	479
Llangollen	Improvement to Royal International Pavilion	662
Rhyl Town Hall	External Stonework and Repairs	280
Rhyl	Acquisition of Properties	613

1.3 WHAT OTHER ISSUES HAVE WE FACED?

Pensions

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

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

Housing Business Plan

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

During 2010/11, the Council reviewed the plan again. There are still some risks, but it continues to be a robust plan that should allow the Council to deliver its housing improvements on time. This view was confirmed by the Welsh Government who reviewed the plan during the year.

Borrowing & Investments

Due to the careful management of its investments, the Council avoided any problems with banks in financial difficulty. The ongoing low interest rates and reduced number of banks that meet our security requirements mean that the Council will not be able to earn as much money from its investments as it did before 2008. The Council's strategy in 2010/11 has been to reduce new borrowing and investment balances through use of temporary cash surpluses but maintain a level of cash that is sufficient for cash flow purposes. Investment balances are continually monitored with the aim of maintaining sufficient levels to meet the Council's cash flow requirements. The Council's outstanding debt at 31 March 2011 was £131.2m.

Accounting Policies & International Financial Reporting Standard (IFRS)

The Accounting Policies are detailed fully in Note 1 to the accounts. This year has seen a significant change in the presentation of the accounts as the council, along with all councils in the UK, has adopted IFRS. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. Note 48 to the Accounts gives further details.

Statutory Functions

There were no significant changes to the Council's statutory functions during 2010/11.

Management Restructure

Following a new senior management structure introduced in 2009/10, the council reorganised its services further toward the end of 2010/11 to support the Chief Executive's vision for Denbighshire to be among the best performing councils in Wales by 2012. The service reorganisation disbanded the former four directorate structure and introduced a senior leadership team comprising of the Chief Executive, three Corporate Directors and fourteen Heads of the council's departments. The old structure reflected four traditional directorates and those directorates' priorities. The new structure reflects the council's corporate priorities and emphasises clear leadership and shared responsibilities. The main principle underpinning the new operational arrangements is to encourage Corporate Directors and Heads of Service to think beyond traditional directorate boundaries in the way they conduct their business.

The Chief Executive and Corporate Directors will performance manage a group of Heads of Services. The difference between line management and performance management is fundamental to our new way of working. Heads of Service are now

completely accountable for their service area. They are not line managed by Corporate Directors. Corporate Directors will focus on the overall performance of Heads of Service and the delivery of business plans.

Single Status / Equal Pay

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

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

Looking Ahead

The council will have to carefully manage demands for services whilst the amount of money available to pay for them is reduced. Over the next three years, unprecedented reductions in the amount the council spends each year will have to be made and some very tough decisions will have to be taken to ensure the council continues to live within its means. During 2010/11, a process of service challenges was introduced which meant that each service had to give an assessment of its budget and priorities and propose savings for the next three years. For 2011/12, a saving target of over £6m has been agreed and the council is on target to achieve this. Similar targets have been set for future years which will require robust financial stewardship as well as the continued support of staff managing services and elected members. Part of the council's strategy to save money and improve services involves collaborating with other councils. The council currently has a jointly-managed highway and transportation service and numerous other partnership and collaboration projects underway. It is likely in the coming years that there will be a greater emphasis on collaboration between councils both regionally and nationally which may have an impact on the future presentation of the accounts

Paul McGrady

Acting Chief Finance Officer/Head of Finance & Assets

SECTION 2: STATEMENT OF RESPONSIBILITIES

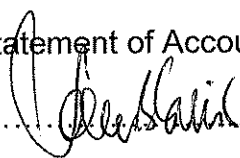
The County Council's Responsibilities

The County Council is required to:

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

AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Denbighshire County Council.

Signed  Date 28/9/11

CHAIR OF CORPORATE GOVERNANCE COMMITTEE

Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

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

Certificate: Chief Finance Officer

I certify that the accounts presented give a true and fair view of the financial position of Denbighshire County Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

A handwritten signature in black ink, appearing to read 'Paul McGrady'.

Paul McGrady
Chief Finance Officer

Date 28/9/11.

**SECTION 3:
FINANCIAL
STATEMENTS
AND
NOTES TO THE
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Movement in Reserves

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

	Note	Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009		(7,054)	(17,263)	(1,022)	(2,541)	(3,050)	(30,930)	(257,184)	(288,114)
Movement in reserves during 2009/10									
(Surplus) or deficit on the provision of services	CI&E	7,328		11,316			18,644		18,644
Other Comprehensive Income & Expenditure	CI&E							(5,806)	(5,806)
Total Comprehensive Income & Expenditure		7,328	0	11,316	0	0	18,644	(5,806)	12,838
Adjustments between accounting basis & funding basis under regulations	7	(7,922)		(11,841)	(485)	(1,924)	(22,172)	22,172	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(594)		(525)	(485)	(1,924)	(3,528)	16,366	12,838
Transfers to/from Earmarked Reserves	8	752	(755)	3			0	0	0
Increase/Decrease in 2009/10		158	(755)	(522)	(485)	(1,924)	(3,528)	16,366	12,838
Balance at 31 March 2010		(6,896)	(18,018)	(1,544)	(3,026)	(4,974)	(34,458)	(240,818)	(275,276)

	Note	Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010		(6,896)	(18,018)	(1,544)	(3,026)	(4,974)	(34,458)	(240,818)	(275,276)
Movement in reserves during 2010/11									
(Surplus) or deficit on the provision of services	CI&E	(29,945)		9,251			(20,694)		(20,694)
Other Comprehensive Income & Expenditure	CI&E							(44,871)	(44,871)
Total Comprehensive Income & Expenditure		(29,945)	0	9,251	0	0	(20,694)	(44,871)	(65,565)
Adjustments between accounting basis & funding basis under regulations	7	20,578		(9,693)	(452)	(740)	9,693	(9,693)	
Net Increase/Decrease before Transfers to Earmarked Reserves		(9,367)	0	(442)	(452)	(740)	(11,001)	(54,564)	(65,565)
Transfers to/from Earmarked Reserves	8	7,982	(7,959)	(23)					
Increase/Decrease in 2010/11		(1,385)	(7,959)	(465)	(452)	(740)	(11,001)	(54,564)	(65,565)
Balance at 31 March 2011		(8,281)	(25,977)	(2,009)	(3,478)	(5,714)	(45,459)	(295,382)	(340,841)

Comprehensive Income and Expenditure Statement

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

2009/10					2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,460	(9,686)	1,774	Central Services to the Public		12,069	(10,237)	1,832
56,873	(24,308)	32,565	Cultural, Environmental, Regulatory & Planning Services		53,788	(24,706)	29,082
113,728	(20,665)	93,063	Education & Children's Services		106,115	(20,790)	85,325
21,835	(10,047)	11,788	Highways & Transport Services		23,872	(12,337)	11,535
22,992	(10,614)	12,378	Local Authority Housing (HRA)		21,130	(10,835)	10,295
33,175	(30,484)	2,691	Other Housing Services		35,343	(32,998)	2,345
49,158	(17,028)	32,130	Adult Social Care		51,412	(17,864)	33,548
6,230	(4,697)	1,533	Corporate & Democratic Core		9,109	(5,634)	3,475
780	0	780	Non Distributed Costs*		(21,421)	0	(21,421)
316,231	(127,529)	188,702	Cost of Services		291,417	(135,401)	156,016
13,582	0	13,582	Other Operating Expenditure	9	14,089	(45)	14,044
18,163	(1,245)	16,918	Financing & Investment Income & Expenditure	10	16,137	(1,047)	15,090
	(200,558)	(200,558)	Taxation & Non-specific Grant Income	11	0	(205,844)	(205,844)
		18,644	(Surplus) or Deficit on Provision of Services				(20,694)
		(49,181)	Surplus or deficit on revaluation of Property, Plant & Equipment assets	24			(32,198)
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		43,375	Actuarial gains/losses on pension assets/liabilities	43			(12,673)
		(5,806)	Other Comprehensive Income & Expenditure				(44,871)
		12,838	Total Comprehensive Income & Expenditure				(65,565)

*The Non Distributed Costs negative expenditure figure includes an amount of (£21,805,000) relating to past service costs that are calculated in accordance with IAS19 retirement benefits. Further detail regarding this is shown in Note 43.

Balance Sheet

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

01 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000	31 March 2011 £000
236,203	265,973	<i>Council Dwellings</i>		289,347	
199,748	195,936	<i>Other Land & Buildings</i>		190,830	
9,604	9,558	<i>Vehicles, Plant, Furniture & Equipment</i>		10,052	
62,595	70,958	<i>Infrastructure</i>		81,522	
2,655	3,136	<i>Community Assets</i>		3,396	
6,408	7,547	<i>Assets Under Construction</i>		7,898	
3,083	3,075	<i>Surplus Assets not Held for Sale</i>		2,633	
520,296	556,183	Property, Plant & Equipment	14	585,678	
9,509	10,405	Investment Property	15	10,011	
7	7	Long Term Investments	16	7	
1,137	1,446	Long Term Debtors	16	1,120	
530,949	568,041	LONG TERM ASSETS			596,816
27,571	18,599	Short Term Investments	16	19,219	
1,042	76	Assets Held for Sale (<1yr)	20	410	
1,506	1,361	Inventories	17	1,404	
20,424	26,369	Short Term Debtors	18	24,343	
0	95	Cash and Cash Equivalents	19	3,617	
50,543	46,500	CURRENT ASSETS			48,993
(3,850)	0	Cash & Cash Equivalents	19	0	
(6,171)	(3,395)	Short Term Borrowing	16	(2,508)	
(24,661)	(30,583)	Short Term Creditors	21	(26,323)	
(378)	(331)	Provisions	22	(311)	
(1,763)	(1,833)	Capital Grants Receipts in Advance	35	(1,513)	
(36,823)	(36,142)	CURRENT LIABILITIES			(30,655)

01 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000	31 March 2011 £000
(11,130)	(10,781)	Long Term Creditors	16	(10,480)	
(5,266)	(4,900)	Provisions	22	(5,023)	
(122,644)	(125,262)	Long Term Borrowing	16	(129,130)	
(117,515)	(162,180)	Other Long Term Liabilities	24	(129,680)	
0	0	Capital Grants Receipts in Advance	35	0	
(256,555)	(303,123)	LONG TERM LIABILITIES			(274,313)
288,114	275,276	NET ASSETS			340,841
(7,054)	(6,896)	<i>Council Fund</i>		(8,281)	
(17,263)	(18,018)	<i>Earmarked Reserves</i>		(25,977)	
(1,022)	(1,544)	<i>Housing Revenue Account</i>		(2,009)	
(2,541)	(3,026)	<i>Capital Receipts Reserve</i>		(3,478)	
(3,050)	(4,974)	<i>Capital Grants Unapplied</i>		(5,714)	
(30,930)	(34,458)	Usable Reserves	23		(45,459)
(129,459)	(173,259)	<i>Revaluation Reserve</i>		(199,801)	
117,515	162,180	<i>Pensions Reserve</i>		129,680	
(248,140)	(232,249)	<i>Capital Adjustment Accounts</i>		(227,899)	
(39)	(19)	<i>Deferred Capital Receipts</i>		(14)	
		<i>Financial Instruments</i>			
237	345	<i>Adjustment Account</i>		339	
		<i>Short Term Accumulating</i>			
2,702	2,184	<i>Compensated Absences Account</i>		2,313	
(257,184)	(240,818)	Unusable Reserves	24		(295,382)
(288,114)	(275,276)	TOTAL RESERVES			(340,841)

Cash Flow Statement

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

2009/10 £000		Note	2010/11 £000
18,644	Net (surplus) or deficit on the provision of services		(20,694)
(24,109)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		8,014
(1,291)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		(1,086)
(6,756)	Net cash flows from Operating Activities	25	(13,766)
2,318	Investing Activities	26	12,819
493	Financing Activities	27	(2,575)
(3,945)	Net increase or decrease in cash and cash equivalents		(3,522)
(3,850)	Cash and cash equivalents at the beginning of the reporting period		95
3,945	Increase in Cash		3,522
95	Cash and cash equivalents at the end of the reporting period	19	3,617

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2010/11' (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Council also complies with the Best Value Accounting Code of Practice 2010/11 (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 Council has amended its presentation of the accounts to comply with the adoption of International Financial Reporting Standards (IFRS). The Main Statements now comprise:

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

Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The most notable changes in the accounting policies adopted in compiling the accounts relate to the following:

- Leases - The IFRS definition of a finance lease is not identical to that previously given under the Statement of Recommended Practice (SORP). As a result, a greater degree of professional judgement is required when classifying leases. In addition, under the Code, leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment as a result of these differences can result in the land or buildings element being treated as a finance lease where it was previously treated as an operating lease. Further information about leases can be found under Note 1 Section xvi and Note 38.
- Property, Plant and Equipment (PPE) – Previously referred to as Tangible Fixed Assets. The adoption of the IFRS-based Code has had implications for a number of areas within PPE including: valuation; the introduction of component accounting; the impact on depreciation; impairments and classification. Further information about Property, Plant and Equipment can be found under Note 1 Section xviii and Note 14.

- Short term accumulating compensated absences – These are benefits that employees receive as part of their contract of employment. The most significant benefit is holiday pay. Under the Code, the Council is required to accrue for any annual leave earned but not yet taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. Further information about the Council's policy on Employee Benefits can be found under Section vii.
- Government grants and contributions– Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. Further information about the Council's policy on Government grants can be found under Section x.

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively,

i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

v. Charges to Revenue for Non-Current Assets

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

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

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

vi . Capitalisation of Borrowing Costs

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

vii. Employee Benefits

Benefits Payable During Employment

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

Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and estimates of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond 5.1%)
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the Clwyd Pension Fund – cash paid as employer's contributions to the pension fund

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

Discretionary Benefits

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

viii. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

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

Soft Loans

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

ix. Foreign Currency Translation

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

x. Government Grants and Contributions

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

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

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

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

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

xi . Intangible Assets

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

The Council does not have any material intangible assets.

xii. 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.

xiii. Inventories

The Environmental Services' stores are valued at average purchase price. It is recognised that this is not in accordance with the Code, which requires inventories to be valued at the lower of cost and net realisable value. This is due to the limitations of the computer

software used by the stores and is unlikely to change in the short term. The inventory at Cefndy Healthcare is valued on the latest cost price rather than assessed between cost and net realisable value and so is also a departure from the Code. This is to reflect the volatility of some of the commodity values involved and is deemed to be a reasonable valuation method. A Social Services Equipment Store has been developed with the NHS. In keeping with general practice for such equipment, the inventory is treated as a revenue item.

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

xiv. Investment Property

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

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

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

xv. Jointly Controlled Operations and Jointly Controlled Assets

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

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the

gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The full costs of overheads and support services are shared between users in proportion to the benefits used by various methodologies including time recording, number of items used etc. The only costs not charged to the services are:

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

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

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Subsequent revaluations of non current assets are planned as part of a continuous assessment in order that all assets are revalued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. 20% of the Council's assets were revalued during 2010/11. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

xix. Private Finance Initiative (PFI)

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

A PFI contract for the provision to the Council of office accommodation in Ruthin, for 25 years, was signed in 2002/03. Service commenced in May 2004. The original recognition of these non-current assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For Denbighshire's scheme the liability was written down by an initial capital contribution of £300k.

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

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

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

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

xxi. Reserves

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

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

xxii. Revenue Expenditure Funded from Capital Under Statute

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

xxiii. VAT

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

xxiv. Non Exchange Revenue

Recognition of Revenue from Non-Exchange Transactions

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

Taxation transactions

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

Non-taxation transactions

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

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

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

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

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

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

xxv Events after the Balance Sheet Date

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. Full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council include land and buildings, archaeological monuments and listed buildings and archaeological collections.

The buildings are accounted for at depreciated current cost where the buildings have a finite life. The carrying value of heritage assets currently held in the Balance Sheet within Property, Plant & Equipment, as Other Land & Buildings at 1 April 2010 is £8.8m and Community Assets is £0.4m.

The Council estimates the value of a number of its civic regalia, volumes of letters and museum exhibits from its insurance records is £0.1m as at 1 April 2010. In addition the Council has various archaeological monuments and collections which are not held on the Council's asset register. These assets have not yet been recognised in the Balance Sheet.

The Council is unlikely to be able to recognise the majority of its archaeological monuments and collections in future financial statements as it is of the view that obtaining valuations for the vast majority of these would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements – this exemption is permitted by the 2011/12 Code.

There is no depreciation charged on the heritage assets that are currently classified as community assets or a heritage asset included in Other Land and Buildings as it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. Depreciation is not charged on land or buildings with an infinite life.

The movements of heritage assets in the 2010/11 financial year are shown below:

	Included in Land & Buildings £m	Included in Community Assets £m	Total Heritage Assets £m
Heritage Assets at current depreciated cost as at 1 April 2010	8.8	0.4	9.2
Revaluation gain/ (Loss) in year	0	0	0
Depreciation/ impairment in year	(0.1)	0	(0.1)
Heritage Assets at current depreciated cost as at 31 March 2011	8.7	0.4	9.1

3. Critical Judgements in Applying Accounting Policies

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

- **PFI Scheme** - The Council is deemed to control the services provided under its Private Finance Initiative arrangements and also to control the residual value of the asset at the end of the contract. The accounting policy for the PFI scheme (County

Hall offices) and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

- **Classification of Leases** - The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.
- **Assets held for sale** - The Council has reviewed all property assets in accordance with the accounting policies and has determined that some properties needed to be reclassified.
- **Investment Properties** - The Council has reviewed all assets previously classed as investment property in accordance with the accounting policy and as a result some assets have been reclassified as Property, Plant and Equipment.

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant & Equipment

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

Equal Pay

The Council has made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average

settlement amount. Whilst the council believes the provision to be reasonable the settlement process has yet to be formally resolved.

Pension Liability

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

Employee Benefit Accrual

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees.

Arrears

A review of outstanding debt has been made and an allowance made for doubtful debts. However, in the current economic climate, it is not certain that such an allowance would be sufficient.

5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items appear in this note to the accounts. There are no such items to report for 2010/11.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 28 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As outlined in Note 43, the decision to uplift public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the Government have not been assessed.

7. Adjustments between Accounting Basis and Funding Basis under Regulation

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

2010/11	Usable Reserves				
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account</u>					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation & impairment of non-current assets	(11,274)	(13,083)			24,357
Revaluation losses on Property, Plant & Equipment	(8,365)				8,365
Movements in the market value of Investment Properties	(517)				517
Amortisation of intangible assets					
Capital Grants & contributions applied	12,569	2,400			(14,969)
Revenue expenditure funded from capital under statute	(6,329)				6,329
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(666)	(374)			1,040
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment	6,783	1,037			(7,820)
Capital expenditure charged against the Council Fund & HRA balances	1,392				(1,392)
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	6,521	0		(6,521)	
Application of grants to capital financing transferred to the Capital Adjustment Account				5,781	(5,781)

2010/11	Usable Reserves				
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	714	374	(1,088)		
Use of the Capital Receipts Reserve to finance new or existing capital expenditure			641		(641)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(5)		
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					5
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>					
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(17)	22			(5)
<u>Adjustments primarily involving the Pensions Reserve:</u>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	5,465	(244)			(5,221)
Employers pension contributions payable in the year	14,426	180			(14,606)
<u>Adjustments primarily involving the Accumulated Absences Account:</u>					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(124)	(5)			129
Total Adjustments	20,578	(9,693)	(452)	(740)	(9,693)

2009/10	Usable Reserves				
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account</u>					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation & impairment of non-current assets	(26,360)	(15,181)			41,541
Revaluation losses on Property, Plant & Equipment					465
Movements in the market value of Investment Properties	(465)				
Amortisation of intangible assets					
Capital Grants & contributions applied	13,766	2,400			(16,166)
Revenue expenditure funded from capital under statute	(6,598)				6,598
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,199)	(77)			1,276
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment	6,368	975			(7,343)
Capital expenditure charged against the Council Fund & HRA balances	1,232				(1,232)
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	4,978	0		(4,978)	
Application of grants to capital financing transferred to the Capital Adjustment Account				3,054	(3,054)

2009/10	Usable Reserves				
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<u>Adjustments primarily involving the Capital Receipts Reserve:</u> Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement.	1,200	77	(1,277)		
Use of the Capital Receipts Reserve to finance new capital expenditure			812		(812)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(20)		
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u> Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					20
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u> Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(117)	10			107
<u>Adjustments primarily involving the Pensions Reserve:</u> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(15,071)	(221)			15,292
Employers pension contributions payable in the year	13,827	175			(14,002)
<u>Adjustments primarily involving the Accumulated Absences Account:</u> Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	517	1			(518)
Total Adjustments	(7,922)	(11,841)	(485)	(1,924)	22,172

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2010/11.

	Balance at 1 st April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 st March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 st March 2011 £000
Council Fund:							
Balances held by schools under a scheme of delegation (i)	(1,498)	969	(409)	(938)	0	(640)	(1,578)
Capital Schemes	(400)	849	(1,461)	(1,012)	1,078	(931)	(865)
PFI Grant (ii)	(2,607)	0	(386)	(2,993)	17	(287)	(3,263)
Environmental Services	(57)	58	(93)	(92)	92	(70)	(70)
Early Retirement Fund – Schools	(56)	0	(35)	(91)	29	(654)	(716)
Mousematics	(22)	22	0	0	0	0	0
Modernising Education	(250)	250	0	0	0	(153)	(153)
Youth Service	0	0	(61)	(61)	0	0	(61)
Integrated Children's Centre	0	0	(49)	(49)	4	(27)	(72)
Leisure Strategy	0	0	(50)	(50)	0	0	(50)
North Wales Child Abuse Inquiry	(100)	100	0	0	0	0	0
Insurance Fund	(788)	6	0	(782)	210	0	(572)
Major Events Reserve	(78)	0	(61)	(139)	0	(61)	(200)
Town & Country Planning Act (s. 106) Requirements	0	19	(1,900)	(1,881)	35	0	(1,846)
Capital Financing (VAT refund interest)	0	0	(381)	(381)	90	(569)	(860)
Elections	(5)	0	(25)	(30)	0	(25)	(55)
Risk Management Fund	(104)	0	(33)	(137)	8	0	(129)
IT Networks Development	0	0	(110)	(110)	0	(79)	(189)
Single Status (iii)	(2,893)	5,322	(3,092)	(663)	2,765	(6,124)	(4,022)
Spend to Save	(306)	158	0	(148)	148	0	0
Modernising Structures/Service Delivery	(350)	350	0	0	0	0	0
IT Systems Development (EDRMS)	(490)	338	0	(152)	128	0	(24)
Early Voluntary Retirement	(600)	600	0	0	0	0	0
LABGI reserve	(200)	51	0	(149)	0	0	(149)

	Balance at 1 st April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 st March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 st March 2011 £000
Delivering Change (iv)	0	0	(2,359)	(2,359)	88	(715)	(2,986)
Regeneration Project (VAT refund)	(648)	616	(253)	(285)	119	0	(166)
Renewals Fund	(127)	127	0	0	0	0	0
Winter Maintenance	(273)	0	0	(273)	0	(129)	(402)
Major Highways Projects	(160)	0	0	(160)	0	0	(160)
Llys Marchan Reserve	(10)	0	0	(10)	0	0	(10)
Supporting People Reserve (v)	(2,696)	964	(964)	(2,696)	0	(244)	(2,940)
S.117 Mental Health Act	(52)	0	0	(52)	0	0	(52)
Specialist PSS Placements	(890)	0	0	(890)	0	0	(890)
Environment Directorate – Reserves	(38)	132	(154)	(60)	28	(134)	(166)
Sustainable Waste Management	(1,209)	589	(56)	(676)	0	(1,073)	(1,749)
LDP Future Costs	(205)	0	(50)	(255)	0	(50)	(305)
Design & Development	(55)	33	(73)	(95)	70	0	(25)
External Funding Administration	0	0	(115)	(115)	0	(50)	(165)
Revenue Grants Unapplied	(96)	96	(234)	(234)	234	(467)	(467)
Area Member Reserve	0	0	0	0	0	(300)	(300)
CESI Pooled Budget	0	0	0	0	2	(92)	(90)
Planning Delivery for Wales	0	0	0	0	0	(230)	(230)
Total	(17,263)	11,649	(12,404)	(18,018)	5,145	(13,104)	(25,977)

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

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

9. Other Operating Expenditure

2009/10 £000		2010/11 £000
7,353	Police Precept	7,598
4,477	Fire Authority Precept	4,602
1,282	Community Council Precepts	1,341
470	Gains/losses on the disposal of non-current assets	503
13,582	Total	14,044

10. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
9,091	Interest payable & similar charges	9,068
8,638	Pensions interest cost & expected return on pensions assets	6,523
(662)	Interest receivable & similar income	(425)
(91)	Income & expenditure in relation to investment properties & changes in their fair value	32
(58)	Other investment income	(108)
16,918	Total	15,090

11. Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
(45,989)	Council tax income	(47,340)
(26,372)	Non domestic rates	(27,608)
(109,407)	Non-ringfenced government grants	(112,231)
(18,790)	Capital grants & contributions	(18,665)
(200,558)	Total	(205,844)

12. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Denbighshire County Council, each Community Council and the North Wales Police Authority and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts. The tax base is 37,741 in 2010/11 (37,617 in 2009/10).

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was £1,232.31 (£1,200.75 in 2009/10) 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 11	3,981	7,099	14,003	7,633	5,251	3,469	1,914	296	165

Analysis of the net proceeds from Council Tax:

2009/10 £000		2010/11 £000
45,989	Council Tax collectable	47,340
(7,353)	Amount payable to North Wales Police Authority	(7,598)
(327)	Provision for non-payment of Council Tax	(283)
38,309	Net proceeds from Council Tax	39,459
	Denbighshire County Council Split:	
36,909	Denbighshire County Council	38,004
1,282	Community Councils	1,341
118	Discretionary Non-domestic Rate Relief	114
38,309		39,459

13. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 40.9p in 2010/11 (48.9p in 2009/10) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) of £17.602m for 2010/11 (£19.247m for 2009/10) was based on an aggregate rateable value of £56.636m for the year.

Analysis of the net proceeds from non-domestic rates:

2009/10 £000		2010/11 £000
19,247	Non Domestic Rates collectable	17,602
(198)	Cost of Collection allowance	(206)
66	Provision for Bad Debts	47
(74)	Refunds of interest	(37)
19,041	Payment into National Pool	17,406
26,372	Redistribution from National Pool	27,608

14. Property , Plant and Equipment

2010/11	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or Valuation									
At 1 April 2010	282,161	227,038	22,675	87,897	3,170	3,083	7,748	633,772	4,299
Additions	6,364	5,615	3,337	15,038	260	1	779	31,394	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,699	(1,656)	0	0	0	491	0	26,534	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,176)	(4,538)	0	0	0	(914)	0	(12,628)	0
Derecognition – disposals	(375)	(665)	0	0	0	0	0	(1,040)	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	(272)	0	0	0	0	0	(272)	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2011	308,673	225,522	26,012	102,935	3,430	2,661	8,527	677,760	4,299

2010/11	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Accumulated Depreciation & Impairment									
At April 2010	(16,188)	(31,102)	(13,117)	(16,939)	(34)	(8)	(201)	(77,589)	(58)
Depreciation charge	(6,218)	(5,715)	(2,843)	(2,132)	0	(19)	0	(16,927)	(59)
Depreciation written out to Revaluation Reserve	4,291	3,790	0	0	0	0	0	8,081	0
Depreciation written out to the Surplus/Deficit on the Provision of Service Impairment	480	2,869	0	0	0	0	0	3,349	0
losses/(reversals) recognised in the Revaluation Reserve Impairment	(1,541)	(977)	0	0	0	0	0	(2,518)	0
losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(150)	(3,565)	0	(2,342)	0	(1)	(428)	(6,486)	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Other movements in depreciation & impairment	0	8	0	0	0	0	0	8	0
At 31 March 2011	(19,326)	(34,692)	(15,960)	(21,413)	(34)	(28)	(629)	(92,082)	(117)

Net Book Value									
At 31 March 2011	289,347	190,830	10,052	81,522	3,396	2,633	7,898	585,678	4,182
At 31 March 2010	265,973	195,936	9,558	70,958	3,136	3,075	7,547	556,183	4,241

2009/10	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or Valuation									
At 1 April 2009	248,560	216,782	20,010	75,078	2,655	3,083	6,408	572,576	4,627
Additions	3,859	8,125	2,665	12,819	515	39	1,340	29,362	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	38,893	7,577	0	0	0	0	0	46,470	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,079)	(5,916)	0	0	0	0	0	(14,995)	(328)
Derecognition – disposals	(72)	0	0	0	0	(39)	0	(111)	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	470	0	0	0	0	0	470	0
At 31 March 2010	282,161	227,038	22,675	87,897	3,170	3,083	7,748	633,772	4,299

2009/10	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Accumulated Depreciation & Impairment									
At April 2009	(12,357)	(17,034)	(10,406)	(12,483)	0	0	0	(52,280)	(255)
Depreciation charge	(5,634)	(5,475)	(2,711)	(1,880)	0	(8)	0	(15,708)	(58)
Depreciation written out to Revaluation Reserve	2,576	26	0	0	0	0	0	2,602	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	404	(2,568)	0	0	0	0	0	(2,164)	255
Impairment losses/(reversals) recognised in the Revaluation Reserve	(214)	(5,986)	0	0	0	0	0	(6,200)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(966)	(119)	0	(2,576)	(34)	0	(201)	(3,896)	0
Derecognition - disposals	3	54	0	0	0	0	0	57	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0	0
At 31 March 2010	(16,188)	(31,102)	(13,117)	(16,939)	(34)	(8)	(201)	(77,589)	(58)
Net Book Value									
At 31 March 2010	265,973	195,936	9,558	70,958	3,136	3,075	7,547	556,183	4,241
At 31 March 2009	236,203	199,748	9,604	62,595	2,655	3,083	6,408	520,296	4,372

Depreciation

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

- Council Dwellings – 15-70 years
- Other Land and Buildings* – 1-200 years
- Vehicles, Plant, Furniture & Equipment – 3-10 years
- Infrastructure – 40 years

*Included within Other Land and Buildings are Plas Newydd and Nant Clwyd House which have asset lives of 180 years and 200 years respectively.

Voluntary Aided and Voluntary Controlled Schools

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

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £11.948m. Similar commitments at 31 March 2010 were £7.895m. The major commitments are:

<u>Project</u>	Total Future Contract Payments 2011/12 £000s
Ysgol Dinas Bran – New Dining Area and Kitchen	65
Ysgol Bryn Collen/Gwernant – Extension & Refurbishment	468
Housing Refurbishment Schemes 2009-13 – Various	3,192
Denbigh Flood Risk Management Scheme ph1a – 3	887
West Rhyl Coastal Defence Scheme	6,796
Brighton Road & Abbey Street, Rhyl – Property Demolitions	160
Rhyl Recycling Centre	208
Total	11,776

Revaluations

As Part of the programme to revalue all assets within five years of their previous valuation, a proportion of the freehold and leasehold properties which comprise the Authority's property portfolio have been valued by 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 2011 and June 2011.

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

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

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost			10,052		10,052
Valued at fair value as at:					
31 March 2011	67,723	25,116			92,839
31 March 2010	63,670	55,228			118,898
31 March 2009	77,759	27,032			104,791
31 March 2008	41,897	38,122			80,019
31 March 2007	38,298	45,332		2,633	86,263
Total Cost or Valuation	289,347	190,830	10,052	2,633	492,862

15. Investment Properties

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

	2010/11 £000	2009/10 £000
Rental income from Investment Property	514	525
Direct operating expenses arising from Investment Property	(546)	(434)
Net gain/(loss)	(32)	91

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

	2010/11 £000	2009/10 £000
Balance at start of the year	10,405	9,509
Additions:		
• Purchases	123	
Disposals		
Net gains/(losses) from fair value adjustments	(498)	(470)
Transfers:		
• to/from Inventories		161
• to/from Property, Plant and Equipment	(19)	1,205
Other changes		
Balance at end of the year	10,011	10,405

16. Financial Instruments

Categories of Financial Instruments

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

Long Term 01-April-09 £000	Current 01-April-09 £000	Long Term 31-Mar-10 £000	Current 31-Mar-10 £000		Long Term 31-Mar-11 £000	Current 31-Mar-11 £000
7	27,571	7	18,599	<u>Investments</u>		
				Loans and receivables	7	19,219
7	27,571	7	18,599	Total Investments	7	19,219
1,137	20,424	1,446	26,369	<u>Debtors</u>		
				Loans and receivables	1,120	24,343
1,137	20,424	1,446	26,369	Total Debtors	1,120	24,343
122,644	6,171	125,262	3,395	<u>Borrowings</u>		
				Financial liabilities at amortised cost	129,130	2,508
122,644	6,171	125,262	3,395	Total Borrowings	129,130	2,508
11,130		10,781	0	<u>Other Long Term Liabilities</u>		
				PFI and finance lease liabilities	10,480	31
11,130		10,781	0	Total Other Long Term Liabilities	10,480	31
	24,661		30,583	<u>Creditors</u>		
				Financial liabilities at amortised cost		26,323
	24,661		30,583	Total Creditors		26,323

Income Expense, Gains and Losses.

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

Financial Liabilities 2009/10 £000	Financial Assets 2009/10 £000		Financial Liabilities 2010/11 £000	Financial Assets 2010/11 £000	Total 2010/11 £000
8,972 119		Interest Expense Losses on de-recognition	9,068		9,068
9,091	0	Total expense in Surplus or Deficit on the Provision of Services	9,068	0	9,068
	(703)	Interest Income Gains on de-recognition		(425)	(425)
0	(703)	Total income in Surplus or Deficit on the Provision of Services	0	(425)	(425)

Fair Values of Assets and Liabilities

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. IFRS requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2010 and 31 March 2011 consisted entirely of loans from the Public Works Loan Board (PWLb). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates.

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

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

The fair values calculated are as follows:

Carrying Amount 01 April 2009 £000	Fair Values 01 April 2009 £000	Carrying Amount 31 March 2010 £000	Fair Values 31 March 2010 £000		Carrying Amount 31 March 2011 £000	Fair Value 31 March 2011 £000
128,815	164,875	128,657	158,506	Financial Liabilities	131,638	164,790
11,130	11,130	10,781	10,781	Long Term Creditors	10,480	10,480
139,945	176,005	139,438	169,287	Total Financial Liabilities	142,118	175,270
27,578	27,578	18,606	18,606	Loans and Receivables	19,226	19,226
1,137	1,137	1,446	1,446	Long Term Debtors	1,120	1,120
28,715	28,715	20,052	20,052	Total Financial Assets	20,346	20,346

17. Inventories

At 31 March 2011 the Council held inventories to the value of £1.404m (£1.361m at 31 March 2010)

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

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	328	283	328	387	145	162	83	119	884	951
Purchases	2,421	2,065	695	660	0	0	44	6	3,160	2,731
Recognised as an expense in the year	(2,346)	(2,020)	(685)	(719)	(4)	(17)	0	(42)	(3,035)	(2,798)
Written off balances	0	0	0	0	0	0	0	0	0	0
Reversals of write offs in previous years	0	0	0	0	0	0	0	0	0	0
Balance outstanding at year-end	403	328	338	328	141	145	127	83	1,009	884

The following table shows the remainder of the inventories balances:

01 April 2009 £000	31 Mar 10 £000		31 Mar 11 £000
		Inventories	
110	85	Governance and Efficiency - ICT	112
105	81	Environmental Services	71
209	184	Social Services & Housing	64
117	113	Environment	132
14	14	Lifelong Learning	16
555	477	Total Inventories	395

18. Debtors

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Central government bodies	12,795	15,215	9,569
Other local authorities	524	368	245
NHS bodies	995	945	702
Public corporations and trading funds	4	0	0
Other entities and individuals	10,025	9,841	9,908
Total	24,343	26,369	20,424

19. Cash and Cash Equivalents

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

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
314	307	Cash held by the Council	393
(4,164)	(3,912)	Bank current accounts	224
0	3,700	Cash held instant access call account	3,000
(3,850)	95	Total Cash and Cash Equivalents	3,617

20. Assets Held for Sale

	Current	
	2010/11 £000	2009/10 £000
Balance Outstanding at start of year	76	1,042
Assets newly classified as Held for Sale:		
• Property, Plant and Equipment	365	
Revaluation losses	(31)	
Assets sold:		
Transfers to/from non-current to current	0	0
Other movements		(966)
Balance outstanding at year end	410	76

21. Creditors

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Central government bodies	(1,424)	(1,627)	(1,336)
Other local authorities	(2,389)	(3,634)	(2,989)
NHS bodies	(589)	(482)	(439)
Public corporations & trading funds	(43)	(100)	(57)
Other entities & individuals	(21,878)	(24,740)	(19,840)
Total	(26,323)	(30,583)	(24,661)

22. Provisions

	Insurance Fund £000	Equal/Back Pay Claims £000	Other Provisions £000	Total £000
Balance as at 1 April 2010	931	1,696	420	3,047
Additional provision made in 2010/11	319	0	114	433
Amounts used in 2010/11	(552)	0	(47)	(599)
Unused amounts reversed in 2010/11	140	0	0	140
Balance as at 31 March 2011	838	1,696	487	3,021

Insurance Fund

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

As at 31st March 2011 a £0.8m provision has been set aside for the full estimated cost of meeting insurance liabilities.

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

We expect £311k to be settled within the next twelve months with the remainder of £527k to be settled within the next five years. The Authority may be reimbursed by its insurers but until claims are actually settled no income is recognized as the insurers will only reimburse amounts above a £10,000 excess.

Equal / Back Pay Claims

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

Other Provisions

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

Fire Service Pension

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

Health and Safety

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

Financial Software Developments

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

Product Liability

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

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

23. Usable Reserves

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(7,054)	(6,896)	Council Fund	(8,281)
(17,263)	(18,018)	Earmarked Reserves (Note 8)	(25,977)
(1,022)	(1,544)	Housing Revenue Account	(2,009)
(2,541)	(3,026)	Capital Receipts Reserve	(3,478)
(3,050)	(4,974)	Capital Grants Unapplied	(5,714)
(30,930)	(34,458)	Total Usable Reserves	(45,459)

Revenue Balances

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

01 April 2009 £000	31 March 2010 £000		Transfers (In)/Out £000	31 March 2011 £000
		<u>Council Fund Revenue Balances</u>		
(6,034)	(6,627)	General Balances	(304)	(6,931)
(978)	(136)	Earmarked Balances	(973)	(1,109)
(42)	(133)	Environmental Services Balances	(108)	(241)
(7,054)	(6,896)	Total Council Fund Balances	(1,385)	(8,281)
(1,022)	(1,544)	Housing Revenue Account Balances	(465)	(2,009)

Capital Receipts Reserve

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

2009/10 £000			Council Fund £000	Housing Revenue Account £000	Total £000
(2,541)		Balance at 1 April	(2,720)	(306)	(3,026)
(1,271)	Plus	Receipts – Asset Sales	(360)	(370)	(730)
		Receipts - Leases	(350)		(350)
(1)		Receipts – Grants Repaid	(3)		(3)
(5)		Receipts – RtB Discounts Repaid		(4)	(4)
(20)		Deferred Capital Receipts		(5)	(5)
(3,838)			(3,433)	(685)	(4,118)
	Less	Applied During year:			
739		Finance Capital Expenditure - Other	261	95	356
73		Debt Redemption		284	284
(3,026)		Balance at 31 March	(3,172)	(306)	(3,478)

Capital Grants Unapplied

2009/10 £000		2010/11	
		£000	£000
(3,050)	Balance at 1 April		(4,974)
	Plus Grants and Contributions received in year		
(16,390)	- Council Fund	(16,265)	
(2,400)	- HRA	(2,400)	
(2,354)	- Revenue Expenditure funded by Capital Under Statute	(2,825)	
			(21,490)
	Less Grant and Contributions applied in the year	14,969	
16,166	- Grants received in 2010/11	3,200	
761	- Grants received previous years	2,581	
2,293	- Other grants and contributions received		20,750
(4,974)	Balance at 31 March		(5,714)

24. Unusable Reserves

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(129,459)	(173,259)	Revaluation Reserve	(199,801)
(248,140)	(232,249)	Capital Adjustment Account	(227,899)
237	345	Financial Instruments Adjustment Account	339
(39)	(19)	Deferred Capital Receipts Reserve	(14)
117,515	162,180	Pensions Reserve	129,680
2,702	2,184	Accumulated Absences Account	2,313
(257,184)	(240,818)	Total Unusable Reserves	(295,382)

Revaluation Reserve

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

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

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

2009/10 £000		2010/11	
		£000	£000
(129,460)	Balance at 1 April		(173,259)
(50,107)	Upward revaluation of assets	(35,129)	
927	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,931	
(49,180)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(32,198)
4,100	Difference between fair value depreciation & historical cost depreciation	5,089	
302	Impairment Adjustment	6	
979	Accumulated gains on assets sold or scrapped	561	
5,381	Amount written off to the Capital Adjustment Account		5,656
(173,259)	Balance at 31 March		(199,801)

Capital Adjustment Account

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

2009/10 £000		2010/11 £000	2010/11 £000
(248,140)	Balance at 1 April		(232,249)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
41,540	• Charges for depreciation & impairment of non-current assets	24,359	
0	• Revaluation losses on Property, Plant & Equipment	8,365	
6,598	• Revenue expenditure funded from capital under statute	6,329	
1,276	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement		
		1,039	40,092
49,414			
(5,381)	Adjusting amounts written out of the Revaluation Reserve		(5,655)
44,033	Net written out amount of the cost of non-current assets consumed in the year		34,437
	Capital Financing applied in the year:		
(739)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(641)	
(16,166)	• Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(14,969)	
(3,054)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(5,781)	
(7,342)	• Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(7,821)	
(1,306)	• Capital expenditure charged against the Council Fund & HRA balances	(1,392)	(30,604)
(28,607)			
465	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		517
(232,249)	Balance at 31 March		(227,899)

Financial Instruments Adjustment Account

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

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

2009/10 £000		2010/11	
		£000	£000
237	Balance at 1 April		345
119	Premiums incurred in the year & charged to the Comprehensive Income & Expenditure Statement	0	
(11)	Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(6)	
	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(6)
108			
345	Balance at 31 March		339

Pensions Reserve

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

2009/10 £000		2010/11 £000
117,515	Balance at 1 April	162,180
43,375	Actuarial gains or losses on pensions assets & liabilities	(12,673)
15,292	Items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(5,221)
(14,002)	Employer's pension contributions payable in the year	(14,606)
162,180	Balance at 31 March	129,680

Deferred Capital Receipts Reserve

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

2009/10 £000		2010/11 £000
(39)	Balance at 1 April	(19)
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & expenditure Statement	
20	Transfer to the Capital Receipts Reserve upon receipt of cash	5
(19)	Balance at 31 March	(14)

Accumulated Absences Account

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

2009/10 £000		2010/11 £000	2010/11 £000
2,702	Balance at 1 April		2,184
(2,702)	Settlement or cancellation of accrual made at the end of the proceeding year	(2,184)	
2,184	Amounts accrued at the end of the current year	2,313	
(518)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		129
2,184	Balance at 31 March		2,313

25. Cash Flow Statement – Operating Activities

2009/10 £000		2010/11 £000
18,644	Net (surplus) or deficit on the provision of services	(20,694)
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(145)	Inc/(Dec) in Stock	43
309	Inc/(Dec) in Long Term Debtors	(326)
4,944	Inc/(Dec) in Debtors/Payments in Advance	(2,556)
(972)	Inc/(Dec) in Investment interest accrual	120
(3,438)	(Inc)/Dec in Creditors/Receipts in Advance	8,317
14	(Inc)/Dec in Loan Interest accrual	(13)
413	Transfers (to)/from Provisions	(103)
1,096	Bad Debt Provision	(274)
(15,709)	Depreciation	(16,926)
(25,832)	Revaluations Losses on PPE & Impairment	(15,796)
1,277	Capital Receipts Reserve Adjustments	1,088
(1,290)	Pension Fund Adjustments	19,827
15,224	Other	14,613
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.	
(1,291)	Sale of fixed assets	(1,086)
(6,756)	Net cash flows from Operating Activities	(13,766)

26. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
34,039	Purchase of property, plant and equipment, investment property and intangible assets	33,707
170,100	Purchase of short-term and long-term investments.	168,800
611	Other payments for investing activities	427
(1,291)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	(1,086)
(178,100)	Proceeds from short-term and long-term investments	(168,300)
(23,041)	Other receipts from investing activities	(20,729)
2,318	Net cash flows from investing activities	12,819

27. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
(18,500)	Cash receipts of short-term and long-term borrowing.	(10,000)
	Other receipts from financing activities	
342	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	385
18,651	Repayments of short-term and long-term borrowing	7,040
	Other payments for financing activities	
493	Net cash flows from financing activities	(2,575)

28. Amounts Reported for Resource Allocation Decisions

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year³³
- expenditure on some support services is budgeted for centrally and not charged to directorates.

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

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

Directorate Income and Expenditure 2009/10	Lifelong Learning Schools Devolved £000	Other Lifelong Learning £000	Environment £000	Environment Property Maintenance £000	Social Services and Housing £000	County Clerks Resources and Corporate £000	Benefits £000	Total £000
Fees, charges & other service income	(1,149)	(5,823)	(16,302)		(10,244)	(4,753)		(38,271)
Government grants	(7,311)	(1,007)	(4,781)		(11,077)	(1,403)	(34,235)	(59,814)
Total Income	(8,460)	(6,830)	(21,083)	0	(21,321)	(6,156)	(34,235)	(98,085)
Employee expenses	53,750	12,303	19,081		21,127	13,794	63	120,118
Other service expenses	8,870	7,912	33,275	1,038	38,308	8,117	34,139	131,659
Support service recharges			95		37	40		172
Total Expenditure	62,620	20,215	52,451	1,038	59,472	21,951	34,202	251,949
Net Expenditure	54,160	13,385	31,368	1,038	38,151	15,795	(33)	153,864

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

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

	2009/10 £000	2010/11 £000
Net expenditure in the Directorate Analysis	153,864	157,911
Net expenditure of services & support services not included in the Analysis	22,572	(3,467)
HRA	12,378	10,299
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	2,155	(6,781)
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(2,267)	(1,946)
Cost of Services in the Comprehensive Income & Expenditure Statement	188,702	156,016

Reconciliation to Subjective Analysis

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

2010/11	Directorate Analysis £000	Services & Support Services not in Analysis £000	HRA £000	Amounts in the CI&ES But not reported to management in the Analysis £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(40,354)		(10,835)	337	514	(18,335)	(68,673)		(68,673)
Interest & investment income								(501)	(501)
Income from council tax				282			282	(47,340)	(47,058)
Government grants & contributions	(62,486)				1,732		(60,754)	(158,504)	(219,258)
Total Income	(102,840)	0	(10,835)	619	2,246	(18,335)	(129,145)	(206,345)	(335,490)
Employee expenses	125,115	(26,195)	1,553	(5,322)	(53)	10,012	105,110		105,110
Other service expenses	135,493	2,021	5,858	(2,096)	(2,771)	3,570	142,075		142,075
Support Service recharges	143		639			2,900	3,682		3,682
Depreciation, amortisation & impairment		19,339	13,084			1,853	34,276		34,276
Interest payments		1,368		18	(1,368)		18	15,591	15,609
Precepts & Levies								13,541	13,541
Gain or Loss on disposal of Fixed Assets								503	503
Total Expenditure	260,751	(3,467)	21,134	(7,400)	(4,192)	18,335	285,161	29,635	314,796
Surplus or Deficit on the Provision o the Services	157,911	(3,467)	10,299	(6,781)	(1,946)	0	156,016	(176,710)	(20,694)

2009/10	Directorate Analysis £000	Services & Support Services not in Analysis £000	HRA £000s	Amounts in the CI&ES But not reported to management in the Analysis £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(38,271)	(55)	(10,887)	14	525	(16,927)	(65,601)	(525)	(66,126)
Interest & investment income				327			327	(720) (45,989)	(720) (45,662)
Income from council tax									
Government grants & contributions	(59,814)	(2,491)			1,783		(60,522)	(154,569)	(215,091)
Total Income	(98,085)	(2,546)	(10,887)	341	2,308	(16,927)	(125,796)	(201,803)	(327,599)
Employee expenses	120,118	(7,780)	1,352	5,318	(44)		118,964	44	119,008
Other service expenses	131,659	6,543	6,101	(3,530)	(3,179)		137,594	390	137,984
Support Service recharges	172		631			16,927	17,730		17,730
Depreciation, amortisation & impairment		26,355	15,181				41,536		41,536
Interest payments				26	(1,352)		(1,326)	17,729	16,403
Precepts & Levies								13,112	13,112
Gain or Loss on Disposal of Fixed Assets								470	470
Total Expenditure	251,949	25,118	23,265	1,814	(4,575)	16,927	314,498	31,745	346,243
Surplus or Deficit on the Provision of Services	153,864	22,572	12,378	2,155	(2,267)	0	188,702	(170,058)	18,644

29. Trading Operations

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

2009/10			ACTIVITY	2010/11		
Turnover £000	Expenditure £000	(Surplus)/ Deficit £000		Turnover £000	Expenditure £000	(Surplus) /Deficit £000
(1,440)	1,434	(6)	<u>Environmental Services</u>			
			Building Maintenance	(1,339)	1,319	(20)
(2,524)	2,480	(44)	Highways Maintenance	(2,463)	2,449	(14)
(612)	611	(1)	Sign Shop	(672)	662	(10)
(162)	160	(2)	Street Lighting	0	0	0
(1,007)	968	(39)	Building Cleaning	(1,060)	996	(64)
(2,583)	2,617	34	Catering	(2,750)	2,750	0
(8,328)	8,270	(58)	Total Environment Services	(8,284)	8,176	(108)

The Street Lighting function is no longer classified as a trading activity and from 1 April 2010 is included in the revenue accounts of the Authority

2009/10		2010/11				
(Underspend) /Overspend £000	Activity	Turnover £000	Expenditure £000	(Surplus) / Deficit £000	Budget £000	(Underspend) /Overspend £000
	<u>Other Trading Activities</u>					
(9)	Industrial Estates	(745)	418	(327)	(312)	(15)
121	Cefndy Enterprises	(3,426)	3,668	242	199	43
112	Total Other Trading Activities	(4,171)	4,086	(85)	(113)	28

The Schools Standard and Framework Act 1998 set out the framework for further delegation of funds to governing bodies and clearer division of responsibility between local authorities and schools. On this basis there are various packages of services offered to schools that can be commissioned directly from the authority under the Fair Funding arrangements. The services must ensure that their provision provides value for money for schools as those choosing not to buy in are likely to commission the service from an alternative provider. In 2010/11 income of £881k was achieved against a budget of (£763k) resulting in an underspend of £118k (an overspend of £68k was incurred in 2009/10).

Partnership Arrangements

The Welsh Penalty Processing Partnership (WPPP) is managed by the Council and is responsible for the administration of Penalty Charge Notices for Denbighshire, Gwynedd, Anglesey, Wrexham and Pembroke (the latter joined the Partnership on 1 February 2011)

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 2010/11 the Council charged £206k to operate the WPPP Unit. This sum was recharged to the partner authorities as follows: Denbighshire £64.5k, Gwynedd £72.5k, Anglesey £18k Wrexham £36.5k and Pembroke £14.5k.

North Wales Residual Waste Treatment Project (NWRWTP) - 5 local authorities (Anglesey, Conwy, Denbighshire, Flintshire and Gwynedd) have joined together to look to procure solutions for the treatment of residual waste. Flintshire County Council are leading on the project and in 10/11 Denbighshire contributed £173,486 as its share of the procurement costs incurred to 31 March 2011.

North East Wales Food Waste Hub - 3 local authorities (Conwy, Denbighshire and Flintshire) have joined together to look to procure solutions for the treatment of food waste. Denbighshire County Council are leading on the project. The Welsh Government are providing funding towards the project and they have paid all the associated costs incurred up to 31 March 2011 (£435,554).

Emergency Planning Unit - Denbighshire contributes towards the running costs of the Emergency Planning Unit operated by Flintshire County Council. Denbighshire's contribution for the year ended 31 March 2011 was £130,641.

North Wales Procurement Partnership – The North Wales Procurement Partnership consists of Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham Councils. It is hosted by Gwynedd Council and funded by all six North Wales Councils who manage the service through a joint management board. Its aim is to negotiate the best possible deals from suppliers through standardising the purchase of goods and organising procurement on a regional level. Denbighshire's contribution was £44,200 for the year ended 31 March 2011.

30. Agency Services

Highways and Infrastructure undertakes North Wales Trunk Road Agency (NWTRA) work on behalf of the Welsh Government. In 2010/11 the Authority reclaimed £2.450m (£2.370m in 2009/10) for NWTRA work undertaken: of this £0.185m related to the site supervision and administration services provided (£0.181m in 2009/10).

31. Pooled Budgets

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

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

	2010/11		2009/10	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
• Denbighshire County Council	(218)		(211)	
• Betsi Cadwaladr University Health Board	(128)		(127)	
• Other Grants	(174)		(80)	
		(520)		(418)
Expenditure met from the pooled budget				
• Equipment Purchases	182		145	
• Operating Expenditure	270		262	
		452		407
Net Surplus arising on the pooled budget during the year.		(68)		(11)

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

The Council's financial contribution to both partnerships is included in the Adult Social Care Cost of Services in the Comprehensive Income and Expenditure Statement. The gross expenditure on the Mental Health Partnership was £946k in 2010/11 (£741k net).

32. Members' Allowances

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

	2010/11 £000	2009/10 £000
Salaries	612	597
Allowances	225	235
Expenses	34	30
Total	871	862

33. Officers' Remuneration

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

2009/10	Remuneration Band	2010/11			
Total Employees		School Based Staff	Non-School Staff	Total Employees	Left During Year
11	£60,000 - £64,999	7	5	12	2
9	£65,000 - £69,999	6	2	8	1
5	£70,000 - £74,999	2	3	5	0
1	£75,000 - £79,999	2	0	2	0
1	£80,000 - £84,999	1	2	3	3
6	£85,000 - £89,999	0	0	0	0
1	£90,000 - £94,999	1	2	3	0
0	£95,000 - £99,999	0	1	1	0
1	£100,000 - £104,999	0	1	1	1
0	£105,000 - £109,999	1	1	2	2
0	£110,000 - £114,999	0	0	0	0
1	£115,000 - £119,999	0	0	0	0
1	£120,000 - £124,999	0	0	0	0
0	£125,000 - £129,999	0	0	0	0
1	£130,000 - £134,999	0	1	1	0
0	£135,000 - £139,999	0	0	0	0
0	£140,000 - £144,999	0	0	0	0
0	£145,000 - £149,999	0	1	1	1
38	Total	20	19	39	10

It should be noted that this table includes the Senior Officers detailed in the tables below. A number of officers left during the year therefore their remuneration will contain any payments receivable on the termination of their employment.

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year.

2010/11 Post Title	Salary (Including fees & allowances) £	Bonuses, Benefits in kind & Compensation £	Expense Allowances £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	131,667	0	0	131,667	28,747	160,414
Corporate Director – Lifelong Learning	93,051	0	997	94,048	20,285	114,333
Corporate Director – Social Services & Housing	89,178	0	970	90,148	19,441	109,589
Corporate Director – Environment to 31/12/2010	69,725	77,427	708	147,860	13,886	161,746
Corporate Director – Governance and Efficiency	95,845	0	503	96,348	20,894	117,242
Chief Finance Officer to 31/12/2010	51,063	55,898	740	107,701	10,590	118,291
Head of Corporate Governance	64,771	0	968	65,739	14,120	79,859
Chief Financial Officer from 31/12/2010	15,458	0	248	15,706	3,370	19,076
Total	610,758	133,325	5,134	749,217	131,333	880,550

The “Expense allowances” column contains any relocation paid. Car allowances, including the profit element of car allowances as declared to HM Revenue & Customs on form P11D, are also disclosed in this column.

Pensions contributions are based upon actual costs.

The tables include remuneration of £6,865 paid to a senior employee as returning officer.

There are no Senior Officers whose salary is £150,000 or more.

At the end of 2010, a Senior Leadership restructuring exercise was undertaken. The post of Corporate Director – Environment was deleted & the titles of the remaining Corporate Directors were changed. The new structure reflected the Council’s corporate priorities and brought with it a new way of working. However, as the new structure was not fully implemented until April 2011, this disclosure is based on the structure which remained in place during the majority of 2010/11 and best reflects the management arrangements in that financial year.

2009/10 Post Title	Salary (Including fees & allowances) £	Bonuses, Benefits in kind & Compensation £	Expense Allowances £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	108,722	0	8,319	117,041	23,701	140,742
Corporate Director – Lifelong Learning	92,420	0	814	93,234	20,148	113,382
Corporate Director – Social Services & Housing	84,931	0	741	85,672	18,515	104,187
Corporate Director – Environment	84,931	0	646	85,577	18,515	104,092
Corporate Director – Governance and Efficiency	23,961	0	155	24,116	5,224	29,340
Corporate Director – Resources/ Acting Chief Executive (Note 1)	66,791	59,047	499	126,337	12,998	139,335
Head of Corporate Governance	64,771	0	864	65,635	14,120	79,755
Chief Finance Officer / Acting Corporate Director – Resources (Note 2)	67,470	0	764	68,234	14,708	82,942
Total	593,997	59,047	12,802	665,846	127,929	793,775

Note 1: Acting Chief Executive between November 2008 and May 2009

Note 2: Acting Corporate Director between November 2008 and May 2009

34. External Audit Costs

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

	2010/11 £000	2009/10 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	290	169
Fees payable to Wales Audit Office in respect of statutory inspections	0	147
Total Regulatory Fee	290	316
Fees payable to Wales Audit Office for the certification of grant claims & returns for the year	76	83
Fees payable in respect of other services provided by Wales Audit Office during the year	0	5
Total External Audit Costs	366	404

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11

	2010/11 £000	2009/10 £000
Credited to Taxation & Non Specific Grant Income		
Arts Council of Wales	(152)	(948)
Taith	(719)	(706)
Other Grants and Contributions	(1,279)	(1,358)
Welsh Government - Flood Alleviation Grant	(3,348)	(2,203)
Welsh Government - General Capital Grant	(2,110)	(1,961)
Welsh Government - Local Road Maintenance	(475)	(608)
Welsh Government - School Building Improvements	(486)	(1,201)
Welsh Government - Strategic Regeneration Area Grants	(3,070)	(3,569)
Welsh Government - Regional Transport Grant	(417)	0
Welsh Government - Transport Grant	(200)	(2,309)
Welsh Government - Major Repairs Allowance	(2,400)	(2,400)
Welsh Government - Convergence	(2,396)	0
Other Welsh Government Grants	(1,613)	(1,527)
Total	(18,665)	(18,790)
Credited to Services		
Welsh Government E.L.W.A Grant	(4,900)	(5,306)
Other Education Grants from Welsh Government	(7,005)	(5,772)
Welsh Government Supporting People Grant	(5,166)	(5,107)
Other Social Services Grants from Welsh Government	(3,534)	(4,435)
Welsh Government Sustainable Waste Management Grant	(2,549)	(2,065)
Welsh Government PFI Grant	(1,732)	(1,783)
Welsh Government Concessionary Fares Grant	(1,638)	(1,529)
Welsh Government Cymorth Grant	(1,375)	(1,601)
Other Grants	(8,693)	(6,405)
Total	(36,592)	(34,003)

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

	31 March 2011 £000	31 March 2010 £000
Capital Grants Receipts in Advance		
Commuted Sums	(1,513)	(1,833)
Total	(1,513)	(1,833)

36. Related Parties

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

Central Government

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

Elected Members

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

The following material declarations have been made for 2010/11:

- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see also related companies below) which received payments of £28,452
- An elected member declared an interest in both the Friends of the Frith and Prestatyn Walking Festival both of which had received grants from the Authority which totalled £4,080
- Payments of £2,295 were made to companies in which 2 Elected Members had declared an interest
- An elected member is chair of the Prestatyn Youth Arts Festival which received a grant of £5,000
- An elected member declared membership of Llandyrnog Tuesday Club which received a grant of £200 and also an interest in Pwyllgor Neuadd Y Pentre, Llandyrnog which received payments of £3,230 for venue hire
- An elected member declared his position as President of Rhyl Musical Players Company which received payments of £9,843
- An elected member received landlord payments totalling £9,655 in respect of rents for short term tenancies

A list of all elected members interests is maintained by the Head of Corporate Governance and are open to the public inspection. A number of elected members are also appointed

by the Council to serve on other bodies that have a financial relationship with the Council. These are detailed in the Companies section below.

Officers

The Chief Executive, Corporate Directors and Heads of Service were all asked to complete a declaration to disclose any related party transactions they have with the authority. Only 1 disclosure was made:

- An officer declared membership of Ruthin Rotary Club which received a grant payment of £1,100

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 related companies either do not meet the criteria for being a subsidiary or associate company as set out in the Code or where they do meet the criteria, they are not deemed material in relation to the overall scale of the Council's operations and consequently Group Accounts have not been prepared. Due to differences in the financial year end of each of the related companies, the latest audited statements of accounts for all related companies are those for 2009/10.

Details of the related companies are as follows:

Clwydfro Cyfyngedig (trading as Denbighshire Enterprise Agency)

Clwydfro is a company limited by guarantee, having no share capital. The objective of the company is to promote and encourage industrial and commercial activity or enterprise within the county with a view to reducing unemployment. Its payroll and accounting services are provided by the Council. The Clwydfro audited financial statements for 2010/11 show the net assets of the company as at 31 March 2011 were £242,644 and the net profit for the year was £48,791.

The Board of Directors as at 31 March 2011 consists of 9 members in total, of which 7 are Denbighshire County Councillors. The Chair of Denbighshire Enterprise Agency is a Denbighshire County Councillor.

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

The company is deemed a subsidiary company on the basis that Denbighshire holds more than 20% of the voting rights however on the grounds of materiality the exposure to risk is minimal and not likely to impact on the decisions made by the users of the financial statements and the activity is not significant to the overall strategic objectives of the authority. Therefore no group accounts are to be prepared.

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

ECTARC

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

Denbighshire County Council gives an annual grant to the company and during 2010/11 ECTARC received £45,291. In addition Denbighshire County Council allowed ECTARC to lease its premises on Parade Street, Llangollen at a peppercorn rental. The value of this lease has been assessed at £12,500 per annum. The Council also provides its payroll services. The Board of Directors consists of five members in total, including one Denbighshire County Councillor, who is the Chair of the board. The audited Financial Statements for the year ended 31 March 2011 are not available. However, the net assets of the company as at 31 March 2010 were £702,794 and the net surplus achieved was £211,082.

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

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

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

Bodelwyddan Castle Trust and Bodelwyddan Castle Enterprises Ltd.

Bodelwyddan Castle Trust Group is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores, conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2010/11 the Trust received £187,942. The Council provides its payroll services. The Board of Directors consists of eleven members in total, of which two are Denbighshire County Councillors. The Chair of the Trust is a Denbighshire County Councillor.

The audited Financial Statements for the financial year 2010/11 are not yet available. However, the net assets of the Group as at 31 March 2010 were £716,918 and the net deficit achieved by the company was (£18,746).

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

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

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

Clwyd Leisure Ltd.

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The objectives of the company are to provide and operate facilities, attractions, goods and services for recreation and leisure time primarily for the community and visitors to Denbighshire. It is grant aided by Denbighshire County Council and during 2010/11 Clwyd Leisure Ltd. received £295,059. The Council provides both creditor and payroll services: recharges in relation to the provision of these services amounted to £2.2m.

The company's audited financial statements for the 2010/11 year are not yet available. However, the net assets of the company as at 31 March 2010 were £92,401 and the company had made a net profit of £65,047 in 2009/10. The Board of Directors consists of 12 members in total, including two Denbighshire County Councillors. The Chair of Clwyd Leisure Ltd. is also a Denbighshire County Councillor.

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

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

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

Scala Prestatyn Company Ltd.

The Scala is run as a charity and not for profit Company Limited by Guarantee. The objective of the company is to make the Scala Cinema a major cultural and entertainment destination for North Wales. It is grant aided by Denbighshire County Council and during 2010/11 the Scala Prestatyn Company Ltd received £97,470. Additional capital grant of £12,200 was also awarded in respect of a project to enhance lighting and 3D provision at the centre. In addition, Denbighshire County Council allowed the Scala Prestatyn Company Ltd to lease its premises on High Street, Prestatyn at a discounted rental. The value of the lease has been assessed as £20,000 per annum. A loan facility of a maximum of £80,000 has also been agreed, of which £65,000 was drawn down in 2009/10 and £15,000 in 2010/11. The terms of the loan state that it can be for up to ten years, with the commencement of repayments being deferred until 2012/13. The audited Financial Statements for 2010/11 show the net assets of the company as at 31 March 2011 were (£72,297) and the net profit for the year was £8,266.

The Board of Directors consists of five members in total, including 1 Denbighshire County Councillor who is the Chair of the company.

The company is not deemed a subsidiary or associate company of the Authority on the basis that despite being an investor in the company Denbighshire holds less than 20% of the voting rights thus having minority membership. During 2010/11, for the period May 2010 to September 2010, Scala did become a locally influenced company for a short time; however, at 31 March 2011, this was not the case therefore no group accounts are required.

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

Other Public Bodies

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

37. Capital Expenditure and Capital Financing

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

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	161,157	153,248
Capital Investment		
Property, Plant & Equipment	31,395	29,205
Investment Properties	123	713
Intangible Assets		
Revenue Expenditure Funded from Capital Under Statute	6,329	6,598
Sources of Finance		
Capital receipts	(641)	(812)
Government grants & other contributions	(21,828)	(20,069)
Sums set aside from revenue:		
Direct revenue contributions	(314)	(383)
MRP	(7,820)	(7,343)
Closing Capital Financing Requirement	168,401	161,157

Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	4,000	7,541
Increase in underlying need to borrow (unsupported by government financial assistance)	11,349	7,784
MRP	(7,436)	(7,001)
Set aside Capital Receipts	(284)	(73)
Assets acquired under finance leases	(116)	(109)
Assets acquired under PFI contracts	(269)	(233)
Increase/(decrease) in Capital Financing Requirement	7,244	7,909

38. Leases

Introduction

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

Authority as Lessee

Finance Leases

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

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

	31-Mar-10 £000s	31-Mar-11 £000s
Other Land and Buildings	3,628	3,568
Vehicles, Plant, Furniture and Equipment	136	29
	3,764	3,597

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

	31-Mar-10 £000s	31-Mar-11 £000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	116	31
Non-Current	40	9
Finance costs payable in future years	12	3
Minimum lease payments	168	43

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-10 £000s	31-Mar-11 £000s	31-Mar-10 £000s	31-Mar-11 £000s
Not later than 1 year	125	33	116	31
Later than 1 year and not later than 5 years	43	10	40	9
Later than 5 years				
	168	43	156	40

The Council is currently leasing in the following two properties under finance leases:

1. Gwynfryn, Denbigh on a 999 year lease at a peppercorn rent of £1 per annum.
2. Kimmel Park Depot, Bodelwyddan on a 125 year lease at a peppercorn rent of £1 per annum.

As the present values of the minimum lease payments fall below the level of materiality for these leases, no financial liabilities have been calculated.

Operating Leases

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

	31-Mar-10 £000s	31-Mar-11 £000s
Not later than 1 year	335	244
Later than 1 year and not later than 5 years	721	569
Later than 5 years	114	22
	1,170	835

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31-Mar-10 £000s	31-Mar-11 £000s
Minimum lease payments	448	335
	448	335

Authority as Lessor

Finance Leases

The Council currently leases out the following three properties under finance leases:

1. Old Library & Caretaker's House, Denbigh on a 99 year lease at a peppercorn rent.
2. Plas Uchaf, Llangar, Corwen on a 999 year lease at a peppercorn rent.
3. Awelon Site, Ruthin on a 125 year lease at a peppercorn rent

The lease term of the buildings element for the first lease above is for the major part of the economic life and is therefore classified as a finance lease. The buildings element which was valued at £70k in the asset register has been de-recognised and written out of the asset register.

The second lease above is for land only and the lease term of 999 years is for the major part of the economic life and is therefore classified as a finance lease. The property had been shown in the asset register under surplus properties with a valuation of £50. As part of the IFRS restatement work, it was considered that this was too low to be shown on the asset register and was written off.

The third lease above is for land only and the lease term of 125 years is not for the major part of the economic life. However, a premium of £350k was received in advance as a capital receipt and this lease is therefore classified as a finance lease. The land element was shown in the asset register with a valuation of £603k. Part of the land element valued at £350k has been de-recognised and written out of the asset register.

As the present values of the minimum lease payments fall below the level of materiality for these leases, no long term debtors have been set up.

Operating Leases

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

	31-Mar-10 £000s	31-Mar-11 £000s
Not later than 1 year	824	729
Later than 1 year and not later than 5 years	2,463	2,260
Later than 5 years	10,534	10,008
	13,821	12,997

39. Private Finance Initiatives and Similar Contracts

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

Property, Plant and Equipment

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

Finance Lease Liability

At the inception of the lease the fair value of the fixed assets were matched by a finance lease liability. The initial liability was £12.195m, reduced by a capital contribution from Denbighshire County Council of £0.300m. The table below shows the writing down of the lease liability in 2009/10 and 2010/11.

2009/10 £000s		2010/11 £000s
(10,974)	Balance at start of year	(10,741)
233	Repayment of Lease Creditor	269
(10,741)	Closing Finance Lease Liability	(10,472)

Unitary Payments

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

- Fair value of the services received during the year – debited to the relevant service in the Income & Expenditure Account. In 2010/11 this was £0.504m (£0.489m in 2009/10) plus payments for utilities and insurance.
- Finance cost - £1.344m in 2010/11 (£1.374m in 2009/10)
- Contingent rent – increases in the amount to be paid for the property arising during the contract £0.024m in 2010/11 (£0.019m in 2009/10)

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator as shown in the table above.
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet if they have occurred or as a prepayment. No Lifecycle costs were incurred during 2004/05 to 2009/10 therefore there was a balance at the start of the year on the prepayments of £0.111m. In 2010/11 £0.061m was incurred on lifecycle costs. The works included mainly painting and decorating. At the end of 2010/11 the balance on the prepayment in the balance sheet is £0.096m.

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

Payments due to be made under the PFI contract

	Fair Value of Service Charge (including Lifecycle costs) £000	Interest and Contingent Rents £000	Repayment of Liability £000	Total £000
Within one year	609	1,327	271	2,207
Within two to five years	3,272	5,130	896	9,298
Within six to ten years	4,919	5,607	1,801	12,327
Within eleven to fifteen years	5,372	3,989	3,560	12,921
Within sixteen to nineteen years	3,114	777	3,944	7,835
	17,286	16,830	10,472	44,588

Grants and Reserves

The Welsh Government awarded the Council a PFI revenue grant of £19m over 25 years with a pool rate of 6.7% so that £35.549m will be paid to Denbighshire over the 25 years. In 2010/11 a grant of £1.732m was paid (£1.783m in 2009/10).

The weighting of the PFI grant is heavier in earlier years so any surplus in funds have been allocated to a reserve to be used to offset payments in later years. The balance on the reserve at the end of 2010/11 is £3.168m (£2.881m in 2009/10).

40. Impairment Losses

During 2010/11 an Impairment review was carried out by the Valuation and Estates Manager and the following properties were considered impaired and the Asset Register has been amended.

Clwyd Dale, St Asaph and Madryn, St Asaph – Both properties were demolished in October 2010 and the land cleared, levelled and reinstated for car parking and playing fields respectively.

St Winifrides, Brighton Road, Rhyl – was demolished during February and March 2011. The cleared site is now used as a larger staff car park in association with the offices at 64

Brighton Road. The demolition of the building has not impaired the value of the asset as the site's market value has been enhanced as a result of the demolition of the building.

32 – 38A Abbey St. and 1 Aquarium St. Rhyl – The Council has acquired properties in Rhyl to facilitate demolition of dilapidated and dangerous properties using Welsh Government funding whilst retaining the assets in its name. These two properties were demolished in March 2011.

2 – 6 Brighton Road, Rhyl - These properties were acquired with a view to improving the access into the town centre from the Morley Road car park for pedestrians and to demolish dilapidated buildings in a prominent town centre location. These properties were demolished in March 2011

41. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £1.1m (£1.4m in 2009/10). During both 2009/10 and 2010/11 a number of officers' contracts were terminated either as part of service rationalisation or corporate restructures. Note 33 shows any compensation for loss of office paid to senior officers.

42. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2010/11, the county council paid £4.942m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £4.907m and 14.1%. In addition, payments in respect of premature retirements were made to Teachers' Pensions of £0.363m (£0.330m in 2009/10). There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43

43. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current Service Cost	10,222	5,874		
• Past Service Costs/(Gains)	(21,805)	35	(545)	
• Settlements and Curtailments	384	745		
Financing and Investment Income and Expenditure:				
• Interest Cost	20,817	18,982	590	650
• Expected Return on Scheme Assets	(14,884)	(10,994)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(5,266)	14,642	45	650
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
• Actuarial Gains and Losses	(11,677)	41,635	(996)	1,740
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(16,943)	56,277	(951)	2,390
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	5,266	(14,642)	(45)	(650)
Actual amount charged against the Council Fund Balance for pensions in the year:				
• Employer's contributions payable to the scheme	13,783	13,163		
• Retirement benefits payable to pensioners			824	840

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a gain of £12,673.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Opening balance at 1 April	369,756	269,563	11,131	9,581
Current Service Cost	10,222	5,874	590	650
Interest Cost	20,817	18,982		
Contributions by scheme participants	3,562	3,345		
Actuarial gains & losses	(14,680)	84,844	(996)	1,740
Benefits paid	(9,824)	(13,632)	(824)	(840)
Past Service Costs/(Gains)	(21,805)	35	(545)	0
Curtailments	384	745		
Closing balance at 31 March	358,432	369,756	9,356	11,131

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11 £000	2009/10 £000
Opening balance at 1 April	218,707	161,628
Expected rate of return	14,884	10,994
Actuarial gains & losses	(3,003)	43,209
Employer contributions	13,783	13,163
Contributions by scheme participants	3,562	3,345
Benefits paid	(9,824)	(13,632)
Closing balance at 31 March	238,109	218,707

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £15,728k (2009/10: £54,203k).

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(295,814)	(316,065)	(269,562)	(369,756)	(358,433)
Discretionary Benefits	(10,378)	(11,236)	(9,581)	(11,131)	(9,356)
Fair value of assets in the Local Government Pension Scheme	207,031	206,298	161,628	218,707	238,109
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme	(88,783)	(109,767)	(107,934)	(151,049)	(120,324)
Discretionary Benefits	(10,378)	(11,236)	(9,581)	(11,131)	(9,356)
Total Surplus/(Deficit) in the scheme	(99,161)	(121,003)	(117,515)	(162,180)	(129,680)

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £129.680m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £13.576m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The assets of the pension fund include unquoted investments carried at their fair value. Because of the inherent uncertainty associated with the valuation of such investments arising from the absence of a liquid market, the fair value of those investments may differ from their realisable values. The difference could be material.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2010/11	2009/10	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.50%		
Bonds	5.10%	5.20%		
Other	14.50%	14.50%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.8 years	21.2 years	21.8 years	21.2 years
Women	24.3 years	24.1 years	24.3 years	24.1 years
Longevity at 65 for future pensioners				
Men	23.2 years	22.2 years		
Women	25.9 years	25.0 years		
Rate of RPI inflation	3.40%	3.30%	3.30%	3.20%
Rate of CPI inflation	2.90%	2.80%	2.80%	n/a
Rate of increase in salaries	4.40%	4.55%		
Rate of increase in pensions	2.90%	3.30%	2.80%	3.20%
Rate for discounting scheme liabilities	5.50%	5.60%	5.40%	5.50%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%		

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

	31 March 2011 %	31 March 2010 %
Equity investments	58.5	58.5
Debt instruments	11.8	11.8
Other assets	29.7	29.7

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between the expected and actual return on assets	(0.06)	(9.39)	(38.93)	19.76	(1.26)
Experience gains and losses on liabilities	0.00	2.77	0.00	0.00	3.68

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.

The Authority supports several Leisure and Cultural Trusts which operate assets on its behalf. The Council has recently agreed new financial and operational monitoring arrangements for all arms length companies with the aim of helping them to be in a position to be able to continue operating successfully should the subsidy received from the Council reduce. Details of the relationship with these organisations are shown in Note 36.

45. Nature and Extent of Risks Arising from Financial Instruments

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

As part of the adoption of the Treasury Management Code, the Council approved the Treasury Management Strategy for 2010/11 on 23 February 2010. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

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

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

Credit Risk

Investments

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

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

Debtors

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

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

		Long Term Rating when Investment Made	Long Term Rating at 31/03/2011	Balance Invested at 31/03/2011 £000s	Maturity Date			
					1-3 Months £000s	4-6 Months £000s	7-9 Months £000s	10-12 Months £000s
UK Banks	Barclays	AA-	AA-	8,000	8,000			
	NatWest	AA-	AA-	3,000	3,000			
	Lloyds	AA-	AA-	8,000	4,000	4,000		
	RBS	AA-	AA-	3,000	3,000			
				22,000	18,000	4,000		
UK Building Society	Nationwide	AA-	AA-	0	0	0		
	Total			22,000	18,000	4,000		

Definitions	Long Term	AA	Very High Credit Quality
			Expectation of very low default risk
			Very strong capacity for repayment of financial commitments, which is highly unlikely to be adversely affected by foreseeable events.
		A	High Credit Quality
			Expectation of low default risk.
			Strong capacity for repayment of financial commitments, which may be more vulnerable to adverse business or economic condition.

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 31st March 2011 was as follows:

	Years	31-Mar-10 £000s	31-Mar-11 £000s	%
Short Term Borrowing	Less than 1 year	2,040	1,140	0.87
Long Term Borrowing	Over 1 under 6	11,129	12,932	9.85
	Over 6 under 10	8,747	6,898	5.25
	Over 10 under 15	7,813	8,251	6.28
	Over 15 under 20	5,906	5,469	4.17
	Over 20 under 25	3,734	2,641	2.01
	Over 25 under 30	0	0	0
	Over 30 under 35	6,000	6,000	4.57
	Over 35 under 40	0	0	0
	Over 40 under 45	24,250	62,130	47.33
	Over 45 under 50	58,701	25,820	19.67
Total Long Term Borrowing		126,280	130,141	99.13
Total Borrowing at Nominal Amount		128,320	131,281	100
Accrued Interest		1,355	1,368	
Deferred Premium		(1,018)	(1,011)	
Total Borrowing at Amortised Cost		128,657	131,638	

Market Risk

(1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2010 and 31 March 2011, 100% of the debt portfolio was held in fixed rate instruments.

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

(2) Price risk:

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

(3) Foreign exchange risk

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

46. Education Trust Funds

The County Council administered 54 Education Trust Funds during 2010/11. 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 2010/11, Fund income amounted to £2,556.13 (£7,296.51 in 2009/10). No awards were made during the year (£1,975.15 in 2009/10).
- The Council has no outstanding liabilities in respect of the Trust Funds it administers.

The Fund balances as at 31 March 2011 amounted to £280,381 which is not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2011 was £63,180

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

47. Welsh Church Acts Fund

Under the requirements of the Welsh Church Act Funds (Designation and Specification) Order 1996, the former Clwyd County Council fund is administered by Flintshire County Council and income is distributed to successor authorities on a population basis. Denbighshire County Council's distribution was £5,070 in 2010/11.

The County Council's proportion of the Fund is administered by Denbighshire Voluntary Services Council (DVSC). During 2010/11 the DVSC awarded £5,070 in grants on the authority's behalf. The application of this fund covers a wide field ranging from education, social and recreational needs, and the relief of sickness and protection of historical buildings.

The total balance on the fund, held by Flintshire County Council, is £577,867 (£574,794 in 2009/10). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Acts Fund. The balance in the Fund as 31 March 2011 was £8 (£8 as at 31 March 2010).

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 2011:

	Income £000	Expenditure £000	Investments £000
31 March 2011	(22)	23	577
31 March 2010	(13)	23	572

The March 2011 Income figure of £22k includes £9.5k for sale proceeds of Liquidity 1st Stock.

48. Impact of the Adoption of International Financial Reporting Standards

The Statement of Accounts is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE DATE OF TRANSITION TO IFRS (1 APRIL 2009)

	Previous GAAP as at 1 Apr 09 £000	Prior Year Adjustment		Restated GAAP as at 1 Apr 09 £000	Effect of transition to IFRS					IFRS as at 1 Apr 09 £000	
		Scala Cinema & Arts Centre Note 1a £000	Capital Grants Note 1b £000		Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000		
<u>Fixed Assets</u>											
Tangible Fixed Assets											
Operational Assets											
Council Dwellings	236,203			236,203						236,203	Council Dwellings
Other Land & Buildings	192,601			192,601				7,147		199,748	Other Land & Buildings
Vehicles, Plant & Equipment	9,360			9,360			244			9,604	Vehicles, Plant & Equipment
Infrastructure Assets	62,595			62,595						62,595	Infrastructure
Community Assets	2,655			2,655						2,655	Community Assets
Non Operational Assets											
Investment Properties	18,571			18,571			(40)	(9,022)	(9,509)	0	
Assets Under Construction	6,408			6,408						6,408	Assets Under Construction
Surplus Assets Held for Disposal	5,753			5,753				(2,670)		3,083	Surplus Assets not Held for Sale
TOTAL FIXED ASSETS	534,146	0		534,146	0	0	204	(4,545)	(9,509)	520,296	Property, Plant & Equipment
Long Term Investments	6			6					9,509	9,509	Investment Property
Long Term Debtors	1,137			1,137					1	7	Long Term Investments
										1,137	Long Term Debtors
TOTAL LONG TERM ASSETS	535,289	0		535,289	0	0	204	(4,545)	1	530,949	LONG TERM ASSETS

	Previous GAAP as at 1 Apr 09 £000	Prior Year Adjustment		Restated GAAP as at 1 Apr 09 £000	Effect of transition to IFRS					IFRS As at 1 Apr 09 £000	
		Scala Cinema & Arts Centre Note 1a £000	Capital Grants Note 1b £000		Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000		
<u>Current Assets</u>								1,042			
Stock	1,506			1,506						1,042	Assets Held for Sale (<1yr)
Debtors	20,950		(525)	20,425					(1)	1,506	Inventories
Investments	27,571			27,571						20,424	Short Term Debtors
										27,571	Short Term Investments
TOTAL ASSETS	585,316	0	(525)	584,791	0	0	204	(3,503)	0	50,543	CURRENT ASSETS
<u>Current Liabilities</u>											
Short Term Borrowing	(6,171)			(6,171)						(6,171)	Short Term Borrowing
Creditors	(28,014)		525	(27,489)		2,937	(109)			(24,661)	Short Term Creditors
Bank Overdraft	(3,850)			(3,850)		(1,763)				(3,850)	Cash & Cash Equivalents
										(1,763)	Capital Grants Received in Advance
TOTAL ASSETS LESS CURRENT LIABILITIES	547,281	0	0	547,281	0	1,174	95	(3,503)	0	(36,445)	CURRENT LIABILITIES
Long Term Borrowing	(122,644)			(122,644)						(122,644)	Long Term Borrowing
PFI Finance Lease Liability	(10,974)			(10,974)			(155)		(1)	(11,130)	Long Term Creditors
Capital Grants in Advance	(1,972)			(1,972)		1,972				0	Capital Grants Receipts in Advance
Government Grants Deferred	(94,987)	(71)		(95,058)		95,058				0	
Pensions Liability to Defined Benefit Scheme	(117,516)			(117,516)					1	(117,515)	Other Long Term Liabilities
Provisions	(2,942)			(2,942)	(2,702)					(5,644)	Provisions
TOTAL ASSETS LESS LIABILITIES	196,246	(71)	0	196,175	(2,702)	98,204	(60)	(3,503)	0	(256,933)	LONG TERM LIABILITIES
										288,114	NET ASSETS

	Previous GAAP as at 1 Apr 09 £000	Prior Year Adjustment		Restated GAAP as at 1 Apr 09 £000	Effect of transition to IFRS					IFRS as at 1 Apr 09 £000	
		Scala Cinema & Arts Centre Note 1a £000	Capital Grants Note 1b £000		Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000		
Reserves											
Deferred Capital Receipts	(39)			(39)					39	0	
Capital Adjustment Account	(153,576)	7		(153,569)		(95,058)	60	427	248,140	0	
Usable Capital Receipts Reserve	(2,541)			(2,541)						(2,541)	Capital Receipts Reserve
Pension Reserve Account	117,516			117,516					(117,516)	0	
Revaluation Reserve	(132,535)			(132,535)				3,076	129,459	0	
Housing Revenue Account Balance	(1,022)			(1,022)						(1,022)	Housing Revenue Account
Balances – Council Fund	(8,616)	64		(8,552)					1,498	(7,054)	Council Fund
Financial Instrument Adjustment Account	237			237					(237)	0	
Earmarked Reserves	(15,670)			(15,670)		(96)			(1,497)	(17,263)	Earmarked Reserves
						(3,050)				(3,050)	Capital Grants Unapplied
										(30,930)	Usable Reserves
									(129,459)	(129,459)	Revaluation Reserve
									117,515	117,515	Pensions Reserve
									(248,140)	(248,140)	Capital Adjustment Account
									(39)	(39)	Deferred Capital Receipts
									237	237	Financial Instruments Adjustment Account
					2,702					2,702	Short Term Accumulating Compensated Absences Account
										(257,184)	Unusable Reserves
TOTAL NET WORTH	(196,246)	71	0	(196,175)	2,702	(98,204)	60	3,503	0	(288,114)	TOTAL RESERVES

RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE END OF 2009/10

	Previous GAAP 2009/10 £000	Prior Year Adjustment Scala Cinema & Arts Centre Note 1a £000	Restated GAAP 2009/10 £000	Effect of transition to IFRS					IFRS 2009/10 £000	
				Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000		
<u>Fixed Assets</u>										
Tangible Fixed Assets										
Operational Assets										
Council Dwellings	265,974		265,974					(1)	265,973	Council Dwellings
Other Land & Buildings	188,950		188,950				6,986		195,936	Other Land & Buildings
Vehicles, Plant & Equipment	9,422		9,422			136			9,558	Vehicles, Plant & Equipment
Infrastructure Assets	70,957		70,957					1	70,958	Infrastructure
Community Assets	3,136		3,136						3,136	Community Assets
Non Operational Assets										
Investment Properties	18,806		18,806			(40)	(8,361)	(10,405)	0	
Assets Under Construction	7,547		7,547						7,547	Assets Under Construction
Surplus Assets Held for Disposal	5,753		5,753				(2,678)		3,075	Surplus Assets not Held for Sale
TOTAL FIXED ASSETS	570,545	0	570,545	0	0	96	(4,053)	(10,405)	556,183	Property, Plant & Equipment
								10,405	10,405	Investment Property
Long Term Investments	6		6					1	7	Long Term Investments
Long Term Debtors	1,447		1,447					(1)	1,446	Long Term Debtors
TOTAL LONG TERM ASSETS	571,998	0	571,998	0	0	96	(4,053)	0	568,041	LONG TERM ASSETS

	Previous GAAP 2009/10 £000	Prior Year Adjustment Scala Cinema & Arts Centre Note1a £000	Restated GAAP 2009/10 £000	Effect of transition to IFRS					IFRS 2009/10 £000	
				Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000		
<u>Current Assets</u>							76		76	Assets Held for Sale (<1yr)
Stock	1,361		1,361						1,361	Inventories
Debtors	27,951		27,951		(1,581)			(1)	26,369	Short Term Debtors
Investments	22,299		22,299					(3,700)	18,599	Short Term Investments
								95	95	Cash & Cash Equivalents
TOTAL ASSETS	623,609	0	623,609	0	(1,581)	96	(3,977)	(3,606)	46,500	CURRENT ASSETS
<u>Current Liabilities</u>										
Short Term Borrowing	(3,395)		(3,395)						(3,395)	Short Term Borrowing
Creditors	(36,976)		(36,976)		6,508	(115)			(30,583)	Short Term Creditors
Bank Overdraft	(3,606)		(3,606)		(1,833)			3,606	0	Cash & Cash Equivalents
									(1,833)	Capital Grants Received in Advance
TOTAL ASSETS LESS CURRENT LIABILITIES	579,632	0	579,632	0	3,094	(19)	(3,977)	0	(35,811)	CURRENT LIABILITIES
Long Term Borrowing	(125,262)		(125,262)						(125,262)	Long Term Borrowing
PFI Finance Lease Liability	(10,741)		(10,741)			(40)			(10,781)	Long Term Creditors
Capital Grants in Advance	(2,115)		(2,115)		2,115				0	Capital Grants Receipts in Advance
Government Grants Deferred	(107,032)	(86)	(107,118)		107,118				0	
Pensions Liability to Defined Benefit Scheme	(162,180)		(162,180)						(162,180)	Other Long Term Liabilities
Provisions	(3,047)		(3,047)	(2,184)					(5,231)	Provisions
TOTAL ASSETS LESS LIABILITIES	169,255	(86)	169,169	(2,184)	112,327	(59)	(3,977)	0	(303,454)	LONG TERM LIABILITIES
									275,276	NET ASSETS

	Previous GAAP 2009/10 £000	Prior Year Adjustment Scala Cinema & Arts Centre Note 1a £000	Restated GAAP 2009/10 £000	Effect of transition to IFRS					IFRS 2009/10 £000	
				Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000		
Reserves										
Deferred Capital Receipts	(19)		(19)					19	0	
Capital Adjustment Account	(125,197)	22	(125,175)		(107,118)	59	(14)	232,248	0	
Usable Capital Receipts Reserve	(3,026)		(3,026)						(3,026)	Capital Receipts Reserve
Pension Reserve Account	162,180		162,180					(162,180)	0	
Revaluation Reserve	(177,250)		(177,250)				3,991	173,259	0	
Housing Revenue Account Balance	(1,544)		(1,544)						(1,544)	Housing Revenue Account
Balances – Council Fund	(7,898)	64	(7,834)					938	(6,896)	Council Fund
Financial Instrument Adjustment Account	344		344					(344)	0	
Earmarked Reserves	(16,845)		(16,845)		(235)			(938)	(18,018)	Earmarked Reserves
					(4,974)				(4,974)	Capital Grants Unapplied
									(34,458)	Usable Reserves
								(173,259)	(173,259)	Revaluation Reserve
								162,180	162,180	Pension Reserve
								(232,249)	(232,249)	Capital Adjustment Account
								(19)	(19)	Deferred Capital receipts
								345	345	Financial Instruments
				2,184					2,184	Adjustment Account
										Short Term Accumulating
										Compensated Absences
										Account
									(240,818)	Unusable Reserves
TOTAL NET WORTH	(169,255)	86	(169,169)	2,184	(112,327)	59	3,977	0	(275,276)	TOTAL RESERVES

RECONCILIATION TO TOTAL COMPREHENSIVE INCOME AND EXPENDITURE UNDER IFRS FOR THE YEAR ENDED
31 MARCH 2010

Previous GAAP 2009/10 Income & Expenditure Account	2009/10 Gross Expenditure	2009/10 Income	2009/10 Net Expenditure	Prior Year Adjustment Scala Cinema & Arts Centre Note 1a	Employee Benefits Note 2	Grants Note 3	Leases Note 4	PPE Note 5	Other Note 6	IFRS 2009/10 Comprehensive Income and Expenditure Statement £000	
	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Central Services to the Public	10,992	(9,391)	1,601		(18)	(33)			224	1,774	Central Services to the Public
Courts Services	486	(262)	224						(224)	0	
Cultural, Environmental, Regulatory & Planning	57,649	(27,026)	30,623		66	2,196		(411)	91	32,565	Cultural, Environmental, Regulatory & Planning
Education & Children's Services	114,341	(21,703)	92,638		(449)	1,035		(160)	(1)	93,063	Education & Children's Services
Highways & Transport Services	21,856	(10,828)	11,028		(21)	780			1	11,788	Highways & Transport Services
Other Housing Services	33,175	(30,748)	2,427			264				2,691	Other Housing Services
Adult Social Care	49,289	(17,027)	32,262		(94)	(2)	(1)	(35)		32,130	Adult Social Care
Corporate & Democratic Core	6,221	(5,023)	1,198					9	326	1,533	Corporate & Democratic Core
Non Distributed Costs	780		780							780	Non Distributed Costs
Local Authority Housing (HRA)	23,313	(11,021)	12,292			400		(314)		12,378	Local Authority Housing (HRA)
Net Cost of Services	318,102	(133,029)	185,073		(516)	4,640	(1)	(911)	417	188,702	Cost of Services

Previous GAAP 2009/10 Income & Expenditure Account	2009/10 Gross Expenditure	2009/10 Income	2009/10 Net Expenditure	Prior Year Adjustment Scala Cinema & Arts Centre Note 1a £000	Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000	IFRS 2009/10 Comprehensive Income and Expenditure Statement £000	
Gain or loss on disposal of fixed assets			0							0	
Precepts and Contributions											
Police Authority			7,353							7,353	
Fire & Rescue			4,476							4,476	
Community Councils			1,282							1,282	
								471		471	Gains/losses on the disposal of non current assets
										13,582	Other Operating Expenditure

Previous GAAP 2009/10 Income & Expenditure Account	2009/10 Gross Expenditure	2009/10 Income	2009/10 Net Expenditure	Prior Year Adjustment Scala Cinema & Arts Centre Note 1a £000	Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000	IFRS 2009/10 Comprehensive Income and Expenditure Statement £000	
Interest Payable and similar charges			9,091							9,091	
(Surplus) / deficit on trading undertaking			(58)							(58)	
Interest and investment income			(704)	42						(662)	
Pensions interest and expected return on pension assets			8,638						(91)	8,638 (91)	<i>Income & Expenditure in relation to Investment Properties & changes in their fair value</i>
										16,918	Financing & Investment Income & Expenditure
Net Operating Expenditure			215,151								

Previous GAAP 2009/10 Income & Expenditure Account	2009/10 Gross Expenditure	2009/10 Income	2009/10 Net Expenditure	Prior Year Adjustment Scala Cinema & Arts Centre Note 1a £000	Employee Benefits Note 2 £000	Grants Note 3 £000	Leases Note 4 £000	PPE Note 5 £000	Other Note 6 £000	IFRS 2009/10 Comprehensive Income and Expenditure Statement £000	
Financed by: General Government Grants			(109,081)			(326)				(109,407)	
Share of National Non- domestic Rates Pool			(26,372)							(26,372)	
Council Tax			(45,989)			(18,790)				(45,989)	
										(18,790)	Capital grants and contributions
										(200,558)	Taxation & Non- specific Grant Income
Total Sources of Financing			(181,442)								
(Surplus) / deficit for year			33,709							18,644	(Surplus) or Deficit on the Provision of Services

Note 1a Prior Year adjustment relating to the Scala Cinema & Arts Centre

A review was undertaken of the accounting treatment of the amount owed by Prestatyn Town Council regarding the development and regeneration of the Scala Cinema & Arts Centre and the entries were amended.

Note 1b Prior Year adjustment relating to Capital Grants

In order to re- state the Authority's accounts according to IFRS, an analysis of capital grants had to be undertaken. This analysis demonstrated that, further to information received in later years, monies had been incorrectly allocated between accounts 2008/09.

Note 2 Employee Benefits

Employees receive benefits as part of their contract of employment: entitlement to these benefits is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

As a consequence of adopting the accounting policy required by the Code, a Provision for Accumulated Absences Account has been created, funded by a Short Term Accumulated Absences Account within the Unusable Reserves section of the Balance Sheet.

Note 3 Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

- Portions of Government Grants Deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Any grants received in 2009/10 but not used were previously shown in the Capital Grants in Advance Account within the Liabilities section of the Balance Sheet. Following the move to IFRS, these grants have now been recognised in full in the Comprehensive Income and Expenditure Statement, and transferred to the Capital Grants Unapplied Account within the Usable Reserves section of the Balance Sheet.
- There has been no change to the Council Fund Balance as a result of this change in treatment of capital grants, as such income is transferred out of the Council Fund under both the previous and current accounting policies.

Note 4 Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or building element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the Council Fund (where the Council is lessee) will be unchanged. Where the Council is lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

In cases where the Council is acting as a lessee, eight vehicle leases and three equipment leases have been re-classified as finance leases. As a consequence, the accounting treatment has changed and the financial statements have been amended as follows:

- The Council has recognised the assets and associated finance lease liabilities.
- The Council has written down the finance lease liabilities over the lease terms and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account).
- The depreciation has been charged to the General Fund and transferred to the Capital Adjustment Account.

- These transfers are also reflected in the Balance Sheets and Movement in Reserves statements.

Two property leases were also re-classified as finance leases but these were already included on the asset register so the assets had already been recognised. As the present values of the minimum lease payments fall below the level of materiality for these leases, no financial liabilities have been calculated.

In cases where the Council is acting as a lessor, three property leases were re-classified as finance leases. These assets have been de-recognised and written out of the asset register but no long term debtors have been set up as the present values of the minimum lease payments fall below the level of materiality for these leases.

Note 5 Property, Plant & Equipment (PPE)

The Council's non current assets have been reclassified as Property, Plant and Equipment and Assets held for sale. Previously surplus assets would have been valued at the lower of the net current replacement cost or net realisable value where as Assets Held for Sale are now valued at the lower of the carrying amount and its fair value.

Note 6 Other

There are other minor adjustments that are included to provide a complete analysis of the transition including the following:

- Investment Properties, previously included within Fixed Assets, now do not form part of the total of Property, Plant & Equipment. This account can be found within the Long Term Assets section of the Balance Sheet.
- Reserves have been separated into two groups: Usable and Unusable Reserves
- Schools balances, previously included within the Council Fund Balance, are now within the Earmarked Reserves Account

**SECTION 4:
SUPPLEMENTARY
STATEMENTS**

AND

**NOTES TO THE
SUPPLEMENTARY
STATEMENTS**

**Housing Revenue Account Income and Expenditure Statement
for the period 31 March 2011**

2009/10 £000		Note	2010/11 £000
	INCOME		
(10,474)	Dwelling Rents (Gross)		(10,685)
(140)	Non-Dwelling Rents (Gross)		(150)
(10,614)	Total Income		(10,835)
	EXPENDITURE		
2,070	Supervision & Management		2,150
2,631	Repairs & Maintenance		2,795
13	Rents, Rates, Taxes & Other Charges		17
3,044	Negative housing revenue account subsidy payable		3,016
15,181	Depreciation and Impairment of Fixed Assets	5	13,084
15	Debt Management costs		14
(7)	Increase in bad debt provision		8
22,947	Total Expenditure		21,084
12,333	Net Cost of Services per Authority Income and Expenditure Account		10,249
45	HRA Share of Corporate & Democratic Core		46
12,378	Net Cost of HRA Services		10,295
1,212	Interest payable and similar charges		1,266
131	Pension Interest Costs & Expected Return on Pension Assets	6	95
(5)	Interest and Investment Income		(5)
(2,400)	Capital Grants and Contributions Receivable		(2,400)
11,316	(Surplus) or deficit for the year on HRA services		9,251

Statement of Movement in the HRA Balance

2009/10 £000		2010/11 £000	
11,316	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		9,251
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
0	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with the statutory HRA requirements (if any)	18	
11	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statute	0	
(15,181)	Depreciation and impairment of fixed assets	(13,084)	
2,400	Major Repairs Allowance Grant Reversal	2,400	
0	Gain or loss on sale of HRA fixed assets	0	
(221)	Net charges made for retirement benefits in accordance with FRS17	(244)	
(12,991)			(10,910)
	Items not included in the HRA Income and Expenditure Account but included in the movement in HRA Balance for the year		
175	Employers contribution payable to Clwyd Pension Fund & retirement benefits payable direct to pensioners	180	
975	HRA Revenue Provision	1,037	
0	Capital Expenditure funded by HRA	0	
1,150			1,217
	Transfers to or from the HRA balance that are required to be taken into account when determining the HRA balance for the year		
3	Net transfers to / from earmarked reserves		(23)
(11,838)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(9,716)
(522)	(Increase) or decrease in the Housing Revenue Account Balance		(465)
(1,022)	Housing Revenue Account surplus brought forward		(1,544)
(1,544)	Housing Revenue Account surplus carried forward		(2,009)

1. Housing Stock

The Council's total housing stock was as follows:

2009/10 No. of Properties		2010/11 No. of Properties
1,877	Houses	1,872
971	Flats	970
621	Bungalows	621
3,469	Total	3,463

During the year, six properties were sold under the Right to Buy Scheme.

2. Rent Arrears

At the 31st March 2011, tenants' net rent arrears were £0.202m, (£0.258m as at 31st March 2010) which represented 1.80% of the net rent income due in the year. Arrears totalling £0.044m were written off during the year. The Provision for Bad and Doubtful Debts has been increased by £0.008m, to give a balance at year end of £0.159m.

3. Capital Receipts

HRA capital receipts for 2010/11 are summarised below:

2009/10 £000	Housing Receipts	2010/11 £000
72	Sales	370
5	Repaid Discounts	4
20	Mortgages	5
97	Total Receipts	379

4. Analysis of Housing Revenue Account Capital Expenditure

During 2010/11, capital expenditure of £6.563m was incurred on improvements to the Council's housing stock. Total capital expenditure has been financed by three sources: the Major Repairs Allowance (a government grant), capital receipts (from the 'Right to Buy' scheme) and unsupported borrowing as detailed in the table below.

2009/10 £000	Housing Capital Expenditure	2010/11 £000
3,945	Improvement Works	6,563
96	System Replacement	0
4,041	In-year Expenditure	6,563
	<i>Financed by:</i>	
2,400	Major Repairs Allowance (Grant)	2,400
24	Useable Capital Receipts	95
1,617	Prudential Borrowing	4,068
4,041	Total	6,563

5. Depreciation & Impairment of Fixed Assets

In line with the Resource Accounting framework, depreciation charges impairment and revaluation losses are included in the HRA Net Cost of Services. The depreciation charge is based on the Balance Sheet value of dwellings and other assets and reflects the assets held and consumed in the delivery of the service, rather than simply the cash spent on them each year. The impairment and revaluation losses arise as a result of the revaluation process and previous general HRA capital expenditure that could not be allocated to individual properties being written off. The depreciation charge, impairment and revaluation losses are reversed out of the Net Cost of Services via the Movement on the HRA Statement. The reversal brings the net capital charge to the HRA back to the statutory charge, which is calculated in line with Item 8 (Wales) General Determination 2010/11. The depreciation charge and impairment losses have no effect on HRA balances.

The total depreciation charges and impairment and revaluation losses for 2010/11 are shown below:

2009/10 £000	HRA Depreciation Charges & Impairment Losses	2010/11 £000
5,613	Operational Assets – Dwellings	6,197
21	Operational Assets - Garages	21
7	Operational Assets – Communication Systems	20
5,641	Total Depreciation	6,238
9,854	Impairment and Revaluation Losses	6,846
15,495	Total HRA Depreciation & Impairment Losses	13,084

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 Movements on the HRA Statement.

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

2009/10 £000	Comprehensive Income and Expenditure Statement	2010/11 £000
	<u>Net cost of services:</u>	
90	Current Service Cost	149
	<u>Net Operating Expenditure</u>	
299	Interest cost on gross pension liability	312
(168)	Expected return on gross pension assets	(217)
221	Net charge to the Comprehensive Income & Expenditure Statement	244
	Movements on the HRA statement	
(221)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(244)
175	Employer's contribution payable to the Clwyd Pension Fund Scheme	180

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

I have audited the accounting statements and related notes of:

- Denbighshire County Council

for the year ended 31 March 2011 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 15 to 16, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Denbighshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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



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

30 September 2011

SECTION 6: ANNUAL GOVERNANCE STATEMENT 2010-11

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1. Scope of Responsibility

- 1.1. Denbighshire County Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that it safeguards and properly accounts for public money, using it economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which we operate, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, operating effectively and managing risk.
- 1.3. We have a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This Annual Governance Statement explains how we have complied with the Code during 2010/11 and how we meet the requirements of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1. Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. It comprises the Council's systems, processes, cultures and values, through which we account to, engage with and, where appropriate, lead our communities. It enables us to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2. The system of internal control is a significant part of that framework, designed to manage risk to a reasonable level. It is an ongoing process to identify and prioritise the risks to the Council's achievement of its policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. However, the system of internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3. The Council's governance framework has been in place for the year ended 31 March 2011 and up to date of approval of the Statement of Accounts.

3. Key Elements of Our Governance Framework

- 3.1. Our Code of Corporate Governance has six key principles, each with a definition of what this means in the Council. This Annual Governance Statement explains how we have delivered against these principles during 2010/11.

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

Denbighshire County Council in 2012 will be an excellent Council providing high quality and efficient services to all its citizens and communities, which complements our long-term county vision

- We have developed and promoted 'A Vision for Denbighshire 2025', focused on community and people needs. Our Improvement Plan 2008-11 and Corporate Plan 2009-12 show how we will deliver and are performing against our Vision.
- There are business planning, performance and reporting arrangements in place to help fulfil the Vision, communicate our activities and achievements, financial position and performance.
- We consult key stakeholders when developing our key strategies and plans.
- The Wales Audit Office (WAO) 'Preliminary Corporate Assessment – July 2010' stated that "Good leadership is driving change, making Denbighshire County Council well placed to deliver better outcomes despite current weaknesses in some arrangements". We have made significant progress in addressing the issues raised in the report.
- The WAO's 'Annual Improvement Report' in January 2011 stated that the "Council has a clear set of priorities and plans to achieve its overall aim to become 'A High Performing Council Closer to the Community'. These meet the requirements of the Assembly Government".
- Our Service Performance Review process results in a Service Position Statement for all services. These Statements feed into the business planning process to ensure that services identify and act on areas for improvement.
- We have developed a Medium Term Financial Plan as part of the business planning process. This provides a review of the Council's overall financial prospects to 2012/13.

Principle 2 - Having clear responsibilities and arrangements for accountability

Everyone involved in running the Council understands each other's roles and responsibilities and together, they will deliver Denbighshire's medium and long-term vision.

- Our Constitution sets out a clear statement of the respective roles and responsibilities of the Cabinet and its members, other elected members and of senior officers, including where they fit into the organisational structure. It also provides a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decision of the County Council, taking account of relevant legislation.
- Other arrangements in place include a member/officer protocol, organisation structure and defined roles for the Chief Executive, Section 151 Officer and Monitoring Officer.
- County Council has approved new scrutiny arrangements for implementation from May 2011 to ensure that the political structure supports achievement of the Vision. These arrangements include a Partnership Scrutiny Committee, which will help to improve governance arrangements.

Principle 3 - Good conduct and behaviour

A team has been created that can do the job well and whose behaviours are rooted in our core values of Pride, Unity, Respect and Integrity

- Our Member and Officer Codes of Conduct and our Core Values promote openness, support and respect through the promotion of high ethical standards.
- We have processes in place to ensure that prejudice, bias and other conflicts of interest do not influence elected members and officers in dealing with different stakeholders.
- The Standards Committee meets regularly, with a key role of promoting and maintaining high standards of conduct by elected members, co-opted members and church and parent governor representatives.
- We receive and report on the annual report of the Ombudsman to the Corporate Governance Committee. The Ombudsman's Annual Summary of Performance for 2009/10 showed a reduction in the number of complaints investigated and highlighted no areas of concern for this Annual Governance Statement.

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

Governance and scrutiny functions have been developed as part of our Strong Governance & Leadership Improvement theme

- County Council, Cabinet, scrutiny and regulatory committees advertise meetings publicly and meetings are open to the public unless information is exempt under legislative provisions. Meetings are formally recorded and minutes made publicly available.
- We have recognised the need to improve our scrutiny arrangements to ensure that they support our ambition to be a 'high-performing Council, closer to the community' and to drive our Improvement Themes. County Council has approved new scrutiny arrangements for implementation from May 2011.
- We have processes in place to safeguard elected members and officers against conflicts of interest.
- The Corporate Governance Committee is effective and operates independently of Cabinet and scrutiny functions.
- We have effective, transparent and accessible arrangements in place for dealing with customer complaints against services, officers and elected members through 'Your Voice', the Constitution, Standards Committee and disciplinary procedures.
- Arrangements are in place to ensure that County Council, Cabinet and committees receive appropriate professional advice and information on which to base their decisions.
- Risk management arrangements are in place and are part of the decision-making process. We are currently reviewing our risk management arrangements having recognised the need to improve the embedding of risk management within the Council and within partnerships.
- We have whistleblowing and anti-fraud and corruption policies in place that we have recently revised. We will be launching the new policies in 2011/12 to ensure that elected members, officers and all those contracting with the Council are aware of and have access to the policies.
- We have an effective, independent and objective internal audit service that has open access to the Chief Executive Officer and Corporate Governance Committee.

Principle 5 – Developing skills and capacity

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

- We have a framework for workforce development through appraisals, training and development of officers. Work is ongoing to develop new service workforce development plans and to develop a new training programme for elected members. We have provided extensive leadership training to several tiers of management and are working on a process to identify emerging talent.
- Cabinet produces an update bulletin to all elected members on a regular basis to inform them of Lead Members' performance.
- We are an outward looking organisation that actively seeks contributions from other public sector agencies and the private, voluntary and community groups to assist the county and the Council. For example, we have developed a collaboration protocol, hold Town and Community Council cluster meetings and are working on a Community Engagement Plan.
- Officers and elected members have the opportunity to feed ideas back to the Council through Your Voice and the Bright Ideas suggestion scheme.

Principle 6 - A high-performing Council, closer to the community

Local people and other stakeholders will be engaged to ensure robust public accountability

- Scrutinising arrangements are in place to engage with local people and associated stakeholders to assist in the scrutiny process.
- New scrutiny arrangements developed during the year for implementation from May 2011 will help to improve governance arrangements of partnerships.
- Senior management and elected members receive and consider internal audit and external regulator reports. Arrangements are in place to follow up issues raised in these reports to ensure improvement.
- We hold Council, Cabinet and committee meetings in public unless there are good reasons for confidentiality.
- We publish an annual performance report and Statement of Accounts, making our final accounts available to the public in accordance with legislation.
- During the year, we have developed 'Progress Through People', a framework to encourage and promote a culture of engagement and recognition amongst our employees. There are six key strands of 'Communication', 'Good Employer', 'Recognition', 'Healthy Workforce', 'Workforce Planning' and 'Workforce Development'.

4. Review of Effectiveness

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit & Risk Management's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. We have maintained, reviewed and improved the effectiveness of the governance framework by:

- the Monitoring Officer and Corporate Governance Committee regularly reviewing the Constitution;
- the Head of Finance & Assets regular reviewing financial controls;
- formal risk management and regular ongoing review of the processes involved;
- a risk-based internal audit service, resulting in an Annual Report that provides an overall assessment on the adequacy of the Council's internal control environment;
- acting on external audit and other review agencies reports, including an annual assessment of the Council's internal audit arrangements by the WAO;
- the work of the Council's Scrutiny and other Committees, including its Corporate Governance and Standards Committees, including consideration of the Corporate Risk Register and internal and external regulator reports;
- regular monitoring of performance against the Corporate Plan and service plans and of key targets, and reporting of this to senior management and members; and
- introduction of the Risk & Performance Group to inform the risk management, business planning, performance and service review processes by identifying areas where any of the following are giving cause for concern.

4.3. We are aware of the implications of the results of the review of effectiveness of the governance framework plan to address weaknesses to ensure that a continuous improvement of the system is in place. The Head of Internal Audit & Risk Management has developed an action plan that the Corporate Governance Committee will monitor during 2011/12.

5. Significant Governance Issues

5.1. The action plan mentioned in paragraph 4.3 will include the significant governance issues outlined below as well as any less significant issues identified during the review of the governance framework.

Issue	Action	Responsibility & Timescale
Partnership Governance There is currently no Partnership Governance Framework in place to ensure that risks arising from partnership working are effectively managed.	• The development of a Partnership Governance Framework has been extended to take into account sub-regional developments that will have a direct impact. These include the merger of Denbighshire and Conwy Local Service Boards (LSBs), with the first joint meeting expected to take place in September 2011. • Denbighshire HSCWB and CYPP Boards will be reviewing their individual partnership structures to deliver on The Big Plan and we are awaiting proposed recommendations from the Change Management and Implementation Board appointed by the LSB. • Additionally, further work is taking place with Conwy CBC in relationship to develop a joint performance management framework, and we will also undertake a benefits and implementation assessment.	Partnerships & Communities Manager April 2012
Information Governance Reports by the WAO and Internal Audit have both raised serious concerns about information management within the Council, in particularly highlighting that there is a lack of corporate lead to drive information governance forward.	• Information Management project brief developed and agreed by Business Transformation Board 11 May 2011. Project will cover Governance & Strategy, Information as an Asset, Records Management & Archives and Regulatory Response.	Head of Customer Services 31 March 2012
Elected Member Performance & Development There is currently no assessment of elected member training needs and no training plan to develop members. The Leader has developed an appraisal process for Cabinet Members, although Cabinet has not formally approved this process. Cabinet performance is communicated to all elected members by newsletter but it is not made clear to them that they can request that the newsletter be discussed at Council.	• Head of Modernising Education leading on project 'Preparing for the 2012 Council' • Project brief developed to be presented to and monitored by the Business Transformation Board. Project will cover pre-election, post-election and modernisation. It will include a training needs assessment and training plan development for elected members. • Formalise the elected member appraisal process and gain Cabinet approval • When issuing the Cabinet performance newsletter to all elected members, remind them that they can request of the Council Chairperson that the newsletter be placed on the Council agenda for discussion.	Head of Modernising Education 30 June 2012 Leader 30 September 2011

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

Signed: Angela M Evans (Leader) 28/09/ 2011

Signed: M McL (Chief Executive) 28/09/ 2011

SECTION 7: GLOSSARY

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

AGENCY ARRANGEMENTS

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

AMORTISATION

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent review of the Authority's financial affairs.

BALANCE SHEET

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CASH

Comprises cash on hand & demand deposits

CASH EQUIVALENTS

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

CASH FLOWS

Inflows & outflows of cash & cash equivalents.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COMMUNITY ASSETS

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATED REPLACEMENT COST (DRC)

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EFFECTIVE INTEREST RATE

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

EMPLOYEE BENEFITS

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXCEPTIONAL ITEMS

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

EXISTING USE VALUE (EUV)

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

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

FINANCE LEASE

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

FINANCIAL INSTRUMENT

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

FINANCING ACTIVITIES

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INCOME

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

INCOME AND EXPENDITURE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVENTORIES

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

INVESTING ACTIVITIES

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

INVESTMENT PROPERTY

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

INVESTMENTS (PENSION FUND)

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

LEASE

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

LIABILITY

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

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NEGATIVE SUBSIDY

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

NET BOOK VALUE

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

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

OPERATING ACTIVITIES

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

OPERATING LEASE

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PROJECTED UNIT METHOD

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

PROVISION

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

PUBLIC PRIVATE PARTNERSHIPS (PPP)

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

PUBLIC WORKS LOAN BOARD (PWLb)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT

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

SERVICE CONCESSION ARRANGEMENT

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

SOFT LOAN

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS

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