

# **STATEMENT OF ACCOUNTS 2018/19**

**Denbighshire County Council****Statement of Accounts****2018/19**

<b>Introduction</b>	<b>1</b>
<b>Section 1: Narrative Report</b>	<b>4</b>
<b>Section 2: Statement of Responsibilities</b>	<b>11</b>
<b>Section 3: Financial Statements &amp; Notes to the Accounts</b>	<b>12</b>
Expenditure and Funding Analysis	13
Comprehensive Income and Expenditure Statement	17
Movement in Reserves Statement	19
Balance Sheet	21
Cash Flow Statement	23
Notes to the Accounts	24
<b>Section 4: Supplementary Statements</b>	<b>94</b>
<b>Section 5: The independent auditor's report of the Auditor General for Wales to the members of Denbighshire County Council</b>	<b>99</b>
<b>Section 6: Annual Governance Statement</b>	<b>102</b>
<b>Section 7: Glossary</b>	<b>108</b>

**Introduction**

Denbighshire County Council is a Welsh unitary authority with a population of around 96,000. The County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle, and the tiny cathedral city of St. Asaph. There are 47 councillors elected to represent the various wards of the county. The Council employs around 4,300 staff.

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

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

Should you have any queries on the accounts please contact the Chief Financial Officer, Denbighshire County Council, PO Box 62, Ruthin, LL15 9AZ. 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 on Denbighshire County Council's website and in Reception at County Hall, Ruthin.

**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.

Following the "Telling the Story" review of the presentation of local authority financial statements the CIPFA Code of Practice on Local Authority Accounting 2016/17 (the Code) changed the segmental reporting arrangements for the Comprehensive Income & Expenditure Statement (CI&ES) and introduced the Expenditure and Funding Analysis. Both the CI&ES and the Expenditure and Funding Analysis include a segmental analysis based on how the Council is structured, operates, monitors and manages financial performance. Previously the Council reported the cost of individual services in the CI&ES in accordance with the format specified in the Service Reporting Code of Practice (SeRCOP).

The Statement of Accounts contains the following sections:

**Section 1 - Narrative Report**

The Narrative Report by the Chief Financial Officer provides a summary of the financial activities of the Council during the year and at year-end.

**Section 2 - Statement of Responsibilities**

This outlines the duties of the Chief Financial Officer in preparing the accounts, and the Council's responsibilities to adhere to the relevant requirements.

**Section 3 - Main Financial Statements and Notes to the Accounts**

The 2018 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

**Expenditure and Funding Analysis**

This shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

**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.

**Movement in Reserves Statement**

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

**Balance Sheet**

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2019. It sets out the value of 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.

**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 Statement and a Statement of Movement on the HRA balance. This account shows where money is spent in maintaining and managing council houses 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 - Independent Auditor's Report**

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

**Section 6 - Annual Governance Statement**

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

**Section 7 - Glossary**

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

**Section 1 - Narrative Report****1.1 Review of the Year - Revenue Expenditure**

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 & Business Rate payers. For 2018/19, this gross expenditure budget was £305.8m. After budgeted use of Reserves, savings of £4.6m were required and successfully identified to achieve a balanced budget. All savings identified were achieved during 2018/19. The Council has identified budget savings of £5.7m for the 2019/20 financial year and projections for future years, although uncertain, show a need to continue to identify significant annual savings.

By the end of the year, the Council had spent £0.5m less than it budgeted for on services and corporate budgets. Although it remains a difficult financial period for schools, investment in school budgets in 2018/19, which more than funded inflationary pressures, and the close working relationship between the Council and schools in producing robust 3 year financial plans, has resulted in an improved financial position for schools (schools reported an in-year underspend of £0.173m).

Service requests to carry forward underspends amounting to £0.308m were approved by Cabinet in June. The funds will be used to help mitigate against known pressures and provide funds for service investment.

**Balances, Provisions and Reserves**

The net contribution to earmarked reserves within the accounts is £1.1m (see Note 20 for details). The movement includes the net reduction of schools' deficit balances and the budgeted and planned use of reserves for purposes such as funding the Capital Plan, the new Corporate Plan and budget reductions in future years.

The Council's general balances now stand at £7.1m. 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.

**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 following table 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.

Further details on services' financial performance can be found in the Final Outturn Report which was Item 10 presented to Cabinet on the 25th June 2019.

<https://moderngov.denbighshire.gov.uk/ieListDocuments.aspx?CId=281&MId=5821&LLL=0>

The table below shows the final revenue position which will be presented at this meeting:

	<b>Final Revenue Outturn Report £000</b>
<b>Service and Corporate Budgets</b>	
Business Improvement & Modernisation	4,521
Legal, HR & Democratic Services	2,584
Facilities, Assets & Housing	7,328
Highways & Environmental Services	19,556
Planning & Public Protection	2,983
Community Support Services	35,111
Finance	3,138
Education & Children's Service	15,277
Customers, Communication & Marketing	2,964
Schools	68,405
Corporate	15,061
<b>Total Service and Corporate Budgets</b>	<b>176,928</b>
<b>Other</b>	
Capital Finance / Investment Interest	11,427
Levies	4,569
<b>Total Expenditure (excludes HRA)</b>	<b>192,924</b>
Less funding	(192,625)
Budgeted contribution from Earmarked Reserve	(780)
<b>Final Outturn</b>	<b>(481)</b>
<b>Allocated as follows:</b>	
Earmarked Balances - Services	(308)
School Balances	(173)
<b>Total</b>	<b>(481)</b>

## **1.2 Review of the Year - Capital Expenditure**

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.

The following table shows how much the Council spent on its assets per service block in 2018/19 and how the expenditure was funded:

<b>Expenditure</b>	<b>£000</b>
Legal, HR & Democratic Services	67
Facilities, Assets & Housing	18,347
Highways & Environmental Services	8,419
Planning & Public Protection	3,319
Community Support Services	635
Customers, Communication & Marketing	222
Business Improvement & Modernisation	313
Education & Children's Services	21,994
Housing Revenue Account	8,631
<b>Total</b>	<b>61,947</b>
<b>Funding</b>	
Grants	24,257
Supported Borrowing	2,218
Prudential Borrowing	26,941
Capital Receipts	1,462
Capital Expenditure charged against the Council Fund	7,069
<b>Total</b>	<b>61,947</b>



Expenditure on major projects undertaken during the year includes:

Project	Description	2018/19 £000
Rhyl	East Rhyl Coastal Defence Works	865
A548/Tynewydd Road, Rhyl	Cycleway and Signal Replacement Scheme	248
A543/A5 - EVO Triangle	Installation of Average Speed Cameras	393
Rhyl	Waterfront Development	2,444
Rhyl	Construction of Waterpark (SC2)	9,002
Rhyl	Queens Buildings Redevelopment	3,023
Rhyl	Contribution to Redevelopment of 45-47 Water Street	493
Rhyl Leisure Centre	New fitness facilities	662
Ruthin Leisure Centre	Changing Room Refurbishment	691
Prestatyn Leisure Centre	Changing Room Refurbishment	225
Llanfair Dyffryn Clwyd	21 <sup>st</sup> Century Schools - New School Building	3,199
Ysgol Carreg Emlyn, Clocaenog	21 <sup>st</sup> Century Schools - New School Building	2,448
Ysgol Glan Clwyd, St Asaph	21 <sup>st</sup> Century Schools - Extension, Remodel and Refurbishment Works	246
Rhyl	21 <sup>st</sup> Century Schools - New 3-16 Catholic School, Christ the Word	12,812
Rhos Street and Ysgol Penbarras, Ruthin	21 <sup>st</sup> Century Schools - New Schools	890
Ruthin	Contribution to Llys Awelon Extra Care Facility Ph 2	265
Waste Collection	New Waste and Recycling Service	925
Council Housing	Major Improvements/Acquisitions	5,945
Council Housing	Disabled Adaptations	526

### 1.3 Other Issues

#### **Pensions**

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

International accounting standards require that councils account for the cost of pension entitlements earned in the year, rather than the cost of the contributions paid to the pension fund. The pension fund 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. Returns on investments are impacted by the wider national and international economic environment and taken with 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 Pension Fund is subject to a triennial valuation and the estimates contained in the accounts are based on the latest full valuation of the scheme as at 31 March 2019. The notes in the accounts show further details.

### **Housing Stock Business Plan**

The Council owns 3,378 council dwellings - known as the housing stock. Since 2005 the Council has invested significantly in improving its housing stock and achieved the Welsh Housing Quality Standard in 2014. Part of this investment has been funded through borrowing and the Council has a detailed 30-year Housing Stock Business Plan, which helps to ensure that the investment in the Council's houses remains affordable and sustainable in the long term. The Housing Stock Business Plan is regularly reviewed and formally approved by the Council's Cabinet every year and it remains financially strong. The latest Housing Stock Business Plan allows for investment of £25m in new stock and £23m in planned improvements over the next four years.

### **Borrowing & Investments**

The Council's strategy in 2018/19 has continued to be one of keeping borrowing and investment balances as low as possible through use of temporary cash surpluses ensuring a sufficient level of cash is maintained. Investment balances are continually monitored with the aim of maintaining sufficient levels to meet the Council's cash flow requirements. The Council's treasury position is reported to the Corporate Governance Committee throughout the year. The Council's outstanding debt at 31 March 2019 was £228.1m, investment balances were £4.4m and a further £5.3m was held in an instantly accessible bank account.

### **Accounting Policies & International Financial Reporting Standards (IFRS)**

The Accounting Policies are detailed fully in Note 1 to the accounts. This is the ninth year that the Council's accounts have been produced to comply with international standards and the Code of Practice on Local Authority Accounting. There have been significant changes to the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the code) following the adoption of International Financial Reporting Standard (IFRS) 9 - Financial Instruments from 1 April 2018. The Code specifies how the Council should classify and measure financial assets and financial liabilities. The changes have resulted in the creation of a new earmarked reserve for Modified Loans. The reserve will be used to neutralise the impact of higher effective interest charges to the Comprehensive Income & Expenditure Statement over the remaining life of the loan.

A further change to the Code is the adoption of IFRS 15 - Revenue from Contracts with Customers. When applying IFRS 15, the Council recognises revenue to reflect the transfer of promised goods and services to a service recipient in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods and services. This change has had no material impact on the Council.

### **Statutory Functions**

There were no significant changes to the Council's statutory functions during 2018/19.

**The Corporate Plan**

During 2018/19 the Council continued its commitment to delivering the 2012-2017 Corporate Plan which aimed to deliver significant investment in schools, social care facilities and roads. Expenditure on Corporate Plan projects included £12.8m on the new Christ the Word Catholic School in Rhyl and £5.6m on new schools in Llanfair Dyffryn Clwyd and Clocaenog. While the previous five-year Plan ended in 2017/18, it was always envisaged that some of the major investment projects within it would be delivered over a longer timeframe. The majority of the projects have been delivered but there will be some further spend in 2019/20, including on the major schools' projects and social care facilities.

The current Corporate Plan 2017-22: 'Working Together for the Future of Denbighshire', builds on this track record of delivery. The overall ambition of this Plan is to ensure that Denbighshire is a place where residents and businesses are well connected and resilient; where young people have opportunities for affordable housing and acquire skills and jobs to lead successful and fulfilling lives, and where we can all enjoy an attractive and protected environment. Like the last plan, this Corporate Plan contains specific actions that will be delivered over five years. Perhaps even more importantly though, these actions are designed to have an impact beyond the next five years with future generations in mind.

This Corporate Plan sets out our ambitious but deliverable priorities for the five year period 2017-22. Some of these priorities will require significant capital investment, others revenue funding, and some may be delivered at no additional cost. We think we need to invest somewhere in the region of an additional £135m in our corporate priorities over the five years if we are to achieve all that we'd like.

To pay for the capital investment identified, we will need to commit revenue budget and cash to the priorities. During 2017/18 we identified £0.5m of our revenue budget for 2018/19 and £1m cash to support the new corporate priorities. A further revenue contribution of £0.5m was secured through the 2019/20 budget process. Further annual budget allocations will be required but it is recognised that this will be difficult to achieve as the Council's total budget reduces.

Although £135m is a large sum, the Council would not have to provide all of this money itself. We expect that grants from the Welsh Government will be available to help fund the planned work to improve our schools and flood defences. We also plan to use income from housing rent to help fund the new council housing. In reality, we think that the Council may have to contribute around £71m of the £135m.

With these levels of additional investment, we must deliver drastic improvements. If we are successful - and we believe we will be - Denbighshire will be fit for the future and continue to be one of the best places in the UK to live, learn, work and visit.

**Looking Ahead**

It is likely that local government funding settlements will reduce further in the coming three to five years at the same time as demand for services and costs are rising so the amount the Council spends each year will have to reduce accordingly. Whilst there is uncertainty about the precise levels of reduction each year, it is inevitable that some hard decisions will have to be taken to ensure the Council lives within its means and continues to deliver its priorities. However, the Council's record of delivery in identifying and achieving savings while managing reserves and balances carefully results in a high degree of confidence that the Council will

continue to deliver effective services while providing some investment in the new Corporate Plan during this challenging period.

Reform of local government in Wales remains on the national agenda but proposals are not yet finalised. The integration of some social care and health provision across the region will continue to progress during 2019/20 and is likely to develop further in future years.

Full details of the Council's budget for 2019/20, including details of service budgets, the Housing Revenue Account and Capital budgets can be found in the Budget Summary document which will be presented to Cabinet in June 2019 as part of the Finance Report.

There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time it is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. The assumption made will need to be reviewed regularly.

**Steve Gadd**

**Chief Financial Officer (Section 151 Officer)**

**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

11/9/19

**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 proper practices 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 of fraud and other irregularities.

**Certificate: Chief Financial Officer**

I certify that the accounts presented give a true and fair view of the financial position of Denbighshire County Council at the reporting date and its income and expenditure for the year ended 31 March 2019.

Signed



Date

11/9/19

**Steve Gadd**

**Chief Financial Officer (Section 151 Officer)**

**Section 3: Financial Statements and Notes to the Accounts****Contents**

Expenditure and Funding Analysis	13
Comprehensive Income and Expenditure Statement	17
Movement in Reserves Statement	19
Balance Sheet	21
Cash Flow Statement	23
<u>Notes to the Accounts</u>	24
1. Accounting Policies	24
2. Accounting Standards That Have Been Issued but Not Yet Adopted	41
3. Critical Judgements in Applying Accounting Policies	42
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	42
5. Events After the Balance Sheet Date	44
6. Expenditure and Income Analysed by Nature	44
7. Adjustments Between Accounting Basis and Funding Basis Under Regulation	45
8. Other Operating Expenditure	48
9. Financing and Investment Income and Expenditure	48
10. Taxation and Non-Specific Grant Income	48
11. Council Tax	48
12. National Non-Domestic Rates (NNDR)	49
13. Property, Plant and Equipment	50
14. Investment Properties	54
15. Debtors	54
16. Debtors for Council Tax	54
17. Financial Instruments	55
18. Assets Held for Sale	58
19. Creditors	58
20. Movements in Earmarked Reserves	59
21. Usable Reserves	63
22. Unusable Reserves	65
23. Cash Flow Statement - Operating Activities	67
24. Cash Flow Statement - Investing Activities	67
25. Cash Flow Statement - Financing Activities	68
26. Reconciliation of Liabilities Arising from Financing Activities	68
27. Members' Allowances	68
28. Officers' Remuneration	69
29. External Audit Costs	73
30. Grant Income	74
31. Related Parties	75
32. Capital Expenditure and Capital Financing	77
33. Leases	79
34. Pension Schemes Accounted for as Defined Contribution Schemes	80
35. Defined Benefit Pension Schemes	80
36. Nature and Extent of Risk Arising From Financial Instruments	87
37. Heritage Assets	91

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### **Note 1 Adjustments for Capital Purposes**

This column adds in depreciation, impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in year.

### **Note 2 Net Change for the Pensions Adjustment**

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employee contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and Investment Income and Expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

**Note 3 Other Differences**

This column includes other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- **For Financing and Investment Income and Expenditure** this recognises adjustments to the Council Fund for the timing differences for premiums and discounts.



2018/19	Final Outturn Report (Management Accounts)	Technical adjustments to Management Accounts	Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between Funding & Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)		
	£000	£000	£000	£000	£000	£000	£000	£000
Customers, Communication & Marketing	2,964	290	3,254	339	85	0	424	3,678
Education & Children's Services	15,277	(200)	15,077	81	365	(115)	331	15,408
Schools	68,405	(117)	68,288	12,320	(150)	464	12,634	80,922
Business Improvement & Modernisation	4,521	152	4,673	461	31	(5)	487	5,160
Legal, HR & Democratic Services	2,584	63	2,647	29	75	14	118	2,765
Corporate & Miscellaneous	15,061	(2,890)	12,171	6	6,887	(2)	6,891	19,062
Facilities, Assets & Housing	7,328	(516)	6,812	3,414	375	36	3,825	10,637
Finance	3,138	(83)	3,055	0	72	4	76	3,131
Highways & Environment	19,556	141	19,697	6,986	335	25	7,346	27,043
Planning & Public Protection	2,983	(98)	2,885	1,751	140	(7)	1,884	4,769
Community Support Services	35,111	1,089	36,200	306	465	(98)	673	36,873
Local Authority Housing (HRA)	0	(5,339)	(5,339)	6,485	97	2	6,584	1,245
<b>Net Cost of Services</b>	<b>176,928</b>	<b>(7,508)</b>	<b>169,420</b>	<b>32,178</b>	<b>8,777</b>	<b>318</b>	<b>41,273</b>	<b>210,693</b>
Other Income and Expenditure	0	(165,215)	(165,215)	(34,392)	6,863	(18)	(27,547)	(192,762)
<b>(Surplus) or Deficit</b>	<b>176,928</b>	<b>(172,723)</b>	<b>4,205</b>	<b>(2,214)</b>	<b>15,640</b>	<b>300</b>	<b>13,726</b>	<b>17,931</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(39,203)</b>					
<b>IFRS 9 Adjustment</b>			<b>(4,733)</b>					
<b>Council Fund &amp; HRA balance at 1.4.18</b>			<b>(43,936)</b>					
<b>Less/Plus (Surplus) or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>4,205</b>					
<b>Closing Council Fund &amp; HRA Balance at 31 March*</b>			<b>(39,731)</b>					

\* For a split of this balance between the Council Fund and the HRA see the Movement in Reserves Statement

2017/18	Final Outturn Report (Management Accounts)	Technical adjustments to Management Accounts	Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between Funding & Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)		
	£000	£000	£000	£000	£000	£000	£000	£000
Customers, Communication & Marketing	3,004	(218)	2,786	287	113	(10)	390	3,176
Education & Children's Services	13,415	749	14,164	79	444	54	577	14,741
Schools	66,229	(254)	65,975	9,965	61	(763)	9,263	75,238
Business Improvement & Modernisation	4,556	715	5,271	538	159	2	699	5,970
Legal, HR & Democratic Services	2,590	(16)	2,574	12	162	(5)	169	2,743
Corporate & Miscellaneous	18,021	(4,819)	13,202	2,409	(986)	(6)	1,417	14,619
Facilities, Assets & Housing	6,668	(474)	6,194	4,325	537	(75)	4,787	10,981
Finance	2,914	217	3,131	0	106	(3)	103	3,234
Highways & Environment	17,765	(856)	16,909	7,047	453	(57)	7,443	24,352
Planning & Public Protection	3,001	111	3,112	3,194	216	(14)	3,396	6,508
Community Support Services	32,356	(242)	32,114	364	736	26	1,126	33,240
Local Authority Housing (HRA)	0	(5,666)	(5,666)	7,063	139	15	7,217	1,551
<b>Net Cost of Services</b>	<b>170,519</b>	<b>(10,753)</b>	<b>159,766</b>	<b>35,283</b>	<b>2,140</b>	<b>(836)</b>	<b>36,587</b>	<b>196,353</b>
Other Income and Expenditure	0	(159,663)	(159,663)	(31,265)	7,209	(6)	(24,062)	(183,725)
<b>(Surplus) or Deficit</b>	<b>170,519</b>	<b>(170,416)</b>	<b>103</b>	<b>4,018</b>	<b>9,349</b>	<b>(842)</b>	<b>12,525</b>	<b>12,628</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(39,306)</b>					
<b>Less/Plus (Surplus) or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>103</b>					
<b>Closing Council Fund &amp; HRA Balance at 31 March*</b>			<b>(39,203)</b>					

## 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 or rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18				2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,353	(177)	3,176	Customers, Communication & Marketing	4,289	(611)	3,678
27,395	(12,654)	14,741	Education & Children's Services	29,066	(13,658)	15,408
84,652	(9,414)	75,238	Schools	89,418	(8,496)	80,922
6,179	(209)	5,970	Business Improvement & Modernisation	5,266	(106)	5,160
3,513	(770)	2,743	Legal, HR & Democratic Services	3,550	(785)	2,765
49,172	(34,553)	14,619	Corporate & Miscellaneous	51,348	(32,286)	19,062
21,784	(10,803)	10,981	Facilities, Assets & Housing	22,917	(12,280)	10,637
4,903	(1,669)	3,234	Finance	4,459	(1,328)	3,131
35,768	(11,416)	24,352	Highways & Environment	36,683	(9,640)	27,043
9,987	(3,479)	6,508	Planning & Public Protection	9,408	(4,639)	4,769
55,914	(22,674)	33,240	Community Support Services	62,027	(25,154)	36,873
15,881	(14,330)	1,551	Local Authority Housing	16,604	(15,359)	1,245
<b>318,501</b>	<b>(122,148)</b>	<b>196,353</b>	<b>Cost of Services</b>	<b>335,035</b>	<b>(124,342)</b>	<b>210,693</b>

2017/18				2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
19,080	(1,397)	17,683	Other Operating Expenditure (Note 8)	18,687		18,687
16,087	(963)	15,124	Financing & Investment Income & Expenditure (Note 9)	16,267	(551)	15,716
	(216,532)	(216,532)	Taxation & Non-Specific Grant Income (Note 10)		(227,165)	(227,165)
<b>353,668</b>	<b>(341,040)</b>	<b>12,628</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>369,989</b>	<b>(352,058)</b>	<b>17,931</b>
		(17,559)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			(9,501)
		4,730	Impairment Losses on Non-current Assets Charged to Revaluation Reserve			1,599
		(33,746)	Remeasurement of the Net Defined Benefit Liability/(Asset)			27,682
		<b>(46,575)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>19,780</b>
		<b>(33,947)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>37,711</b>

## Movement in Reserves Statement

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 & 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.

2018/19	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Balance at 31 March 2018</b>		(7,541)	(29,459)	(2,203)	(5,374)	(3,150)	(47,727)	(5,737)	(53,464)
<b>* Technical adjustments</b>			(4,733)				(4,733)	580	(4,153)
<b>Balance at 1 April 2018</b>		(7,541)	(34,192)	(2,203)	(5,374)	(3,150)	(52,460)	(5,157)	(57,617)
<b>Movement in reserves during 2018/19</b>									
(Surplus) or Deficit on the Provision of Services	CI&ES	16,945		986			17,931		17,931
Other Comprehensive Income & Expenditure	CI&ES							19,780	19,780
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>16,945</b>		<b>986</b>			<b>17,931</b>	<b>19,780</b>	<b>37,711</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulation	7	(13,299)		(427)	(1,060)	(1,445)	(16,231)	16,231	
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>3,646</b>		<b>559</b>	<b>(1,060)</b>	<b>(1,445)</b>	<b>1,700</b>	<b>36,011</b>	<b>37,711</b>
Transfers to/from Earmarked Reserves	20	(3,579)	3,619	(40)			0		
<b>(Increase)/Decrease in 2018/19</b>		<b>67</b>	<b>3,619</b>	<b>519</b>	<b>(1,060)</b>	<b>(1,445)</b>	<b>1,700</b>	<b>36,011</b>	<b>37,711</b>
<b>Balance at 31 March 2019</b>		<b>(7,474)</b>	<b>(30,573)</b>	<b>(1,684)</b>	<b>(6,434)</b>	<b>(4,595)</b>	<b>(50,760)</b>	<b>30,854</b>	<b>(19,906)</b>

\* Refer Note 17 Financial Instruments for the IFRS 9 adjustment of (£4,609k). A further adjustment has been made as £456k was treated as capital grant in 2017/18 instead of prudential borrowing.

2017/18	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		Council Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied			
		£000	£000	£000	£000	£000			
<b>Balance at 31 March 2017</b>		(7,549)	(29,210)	(2,547)	(4,846)	(3,807)	(47,959)	28,442	(19,517)
<b>Movement in reserves during 2017/18</b>									
(Surplus) or Deficit on the Provision of Services	CI&ES	9,994		2,634			12,628		12,628
Other Comprehensive Income & Expenditure	CI&ES							(46,575)	(46,575)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>9,994</b>		<b>2,634</b>			<b>12,628</b>	<b>(46,575)</b>	<b>(33,947)</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulation	7	(10,172)		(2,353)	(528)	657	(12,396)	12,396	
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(178)</b>		<b>281</b>	<b>(528)</b>	<b>657</b>	<b>232</b>	<b>(34,179)</b>	<b>(33,947)</b>
Transfers to/from Earmarked Reserves	20	186	(249)	63			0		
<b>(Increase)/Decrease in 2017/18</b>		<b>8</b>	<b>(249)</b>	<b>344</b>	<b>(528)</b>	<b>657</b>	<b>232</b>	<b>(34,179)</b>	<b>(33,947)</b>
<b>Balance at 31 March 2018</b>		<b>(7,541)</b>	<b>(29,459)</b>	<b>(2,203)</b>	<b>(5,374)</b>	<b>(3,150)</b>	<b>(47,727)</b>	<b>(5,737)</b>	<b>(53,464)</b>

## 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 i.e. 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 includes reserves 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 Regulation'.

31 March 2018 £000		Note	31 March 2019 £000	31 March 2019 £000
100,841	<i>Council Dwellings</i>		98,942	
232,385	<i>Other Land &amp; Buildings</i>		230,454	
8,546	<i>Vehicles, Plant, Furniture &amp; Equipment</i>		10,527	
120,165	<i>Infrastructure</i>		122,102	
2,466	<i>Community Assets</i>		2,466	
18,779	<i>Assets Under Construction</i>		41,114	
4,258	<i>Surplus Assets not Held for Sale</i>		5,666	
487,440	Property, Plant & Equipment	13	511,271	
8,495	Heritage Assets	37	15,145	
8,623	Investment Property	14	8,581	
1	Long Term Investments	17	1	
661	Long Term Debtors	17	2,276	
<b>505,220</b>	<b>Long Term Assets</b>			<b>537,274</b>
7,400	Short Term Investments	17	4,400	
4,946	Assets Held for Sale (<1yr)	18	2,898	
1,127	Inventories		1,238	
23,204	Short Term Debtors	15	29,338	
4,027	Cash & Cash Equivalents	CFS	4,177	
<b>40,704</b>	<b>Current Assets</b>			<b>42,051</b>
(31,935)	Short Term Borrowing	17	(26,502)	
(25,950)	Short Term Creditors	19	(30,168)	
(641)	Provisions		(350)	
(2,298)	Provision for Accumulated Absences		(2,617)	
(1,042)	Revenue Grants Receipts in Advance		(2,191)	
(2,082)	Capital Grants Receipts in Advance		(2,332)	
<b>(63,948)</b>	<b>Current Liabilities</b>			<b>(64,160)</b>
(3,340)	Long Term Creditors	17	(3,775)	
(347)	Provisions		(162)	
(175,364)	Long Term Borrowing	17	(198,539)	
(249,461)	Other Long Term Liabilities	22	(292,783)	
<b>(428,512)</b>	<b>Long Term Liabilities</b>			<b>(495,259)</b>
<b>53,464</b>	<b>Net Assets</b>			<b>19,906</b>

31 March 2018 £000		Note	31 March 2019 £000	31 March 2019 £000
(7,541)	Council Fund	21	(7,474)	
(29,459)	Earmarked Reserves	20	(30,573)	
(2,203)	Housing Revenue Account	21	(1,684)	
(5,374)	Capital Receipts Reserve	21	(6,434)	
(3,150)	Capital Grants Unapplied	21	(4,595)	
<b>(47,727)</b>	<b>Usable Reserves</b>			<b>(50,760)</b>
(100,153)	Revaluation Reserve		(103,017)	
249,461	Pensions Reserve		292,783	
(205)	Deferred Capital Receipts Reserve		(205)	
(157,489)	Capital Adjustment Account		(161,780)	
	Financial Instruments Adjustment			
351	Account		456	
	Short Term Accumulating Compensated			
2,298	Absences Account		2,617	
<b>(5,737)</b>	<b>Unusable Reserves</b>	22		<b>30,854</b>
<b>(53,464)</b>	<b>Total Reserves</b>			<b>(19,906)</b>



**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 towards 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 (i.e. borrowing) to the Council.

<b>2017/18 £000</b>		<b>Note</b>	<b>2018/19 £000</b>
12,628	Net (Surplus) or Deficit on the Provision of Services		17,931
(27,053)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		(32,603)
2,220	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are investing and financing activities		2,738
<b>(12,205)</b>	<b>Net cash flows from Operating Activities</b>	<b>23</b>	<b>(11,934)</b>
29,087	Investing Activities	24	35,623
(20,070)	Financing Activities	25	(23,839)
<b>(3,188)</b>	<b>Net (increase) or decrease in Cash &amp; Cash Equivalents</b>		<b>(150)</b>
839	Cash & Cash Equivalents at the beginning of the period		4,027
3,188	Increase/(Decrease) in Cash		150
<b>4,027</b>	<b>Cash &amp; Cash Equivalents at the end of the reporting period</b>		<b>4,177</b>

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

326	Cash held by the Council	346
(1,499)	Bank current accounts	(1,469)
5,200	Cash held in instant call account	5,300
<b>4,027</b>	<b>Cash &amp; Cash Equivalents at the end of the reporting period</b>	<b>4,177</b>

**Notes to the Accounts****1. Accounting Policies****i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year position at the year-end of 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales)(Amendment) Regulations 2018. Those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2018/19' (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's presentation of the accounts complies with the adoption of International Financial Reporting Standards (IFRS). The Main Statements comprise:

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

**ii. Accounting for Local Authority Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of schools identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

**iii. 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 and 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 borrowing 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.

**iv. Cash and Cash Equivalents**

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

**v. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 amortisation. 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 amortisation are therefore replaced by the contribution in the Council Fund Balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**vi. Employee Benefits****Benefits Payable During Employment**

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the Comprehensive Income & Expenditure Statement.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income & Expenditure Statement, at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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 Pension 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 Schools and Education & Children's Services lines in the Comprehensive Income & Expenditure Statement are charged with the employer's contributions payable to Teachers' Pensions in the year.

### **The Local Government Pension Scheme**

The Local Government Pension 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 based on the market value yields at the reporting date on high quality corporate bonds.
- 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 the following components:  
Service cost comprising:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income & 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 & Expenditure Statement as part of Corporate & Miscellaneous.
  - net interest on the net defined benefit liability, i.e. net interest expense for the authority - the change during the period in the net defined benefit liability that arises from the passage of time, Charged to the financing & Investment Income &

Expenditure line of the Comprehensive Income & Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Remeasurements comprising:

- the return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
- 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 - charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.

Contributions paid to the Clwyd Pension Fund - cash paid as employer's contributions to the pension fund.

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

### **Discretionary Benefits**

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

### **vii. Events After the Reporting Period**

Events After the Reporting Period 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 authorisation for issue are not reflected in the Statement of Accounts.

**viii. Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

**ix. Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a. In the principal market for the asset or liability, or
- b. In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

**x. 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 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 borrowing 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 & 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 modified loan and the write-down to the Comprehensive Income & Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. However in 2018/19 with the introduction of IFRS 9, the Council has had to recalculate the carrying amount of the modified loan as at 1 April 2018 using the original effective interest rate. The change has resulted in a credit to the CI&ES and a new reserve being set up. The increase in interest charges over the remainder of the loan period will mean that the reserve will be used to fund this increase.

Where premiums and discounts have been charged to the Comprehensive Income & 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 & 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 in 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 most of the assets held by the authority (such as short and long term investments), 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 & 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 & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

**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 or where the fair value adjustment is not material.

**xi. 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 & 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 the conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation & Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & 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.

## **xii. Heritage Assets**

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

The Council's Heritage Assets are held at a number of sites, including Rhyl Museum (within Rhyl Library). Nantclwyd-y-Dre, Ruthin Gaol and Plas Newydd have permanent collections and the buildings themselves are also treated as Heritage Assets. All sites (except Nantclwyd-y-Dre) are accredited under the Arts Council of England Museums Accreditation scheme.

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant & Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as the Council considers that obtaining valuations for the collections would involve a disproportionate cost in comparison to the benefits provided to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The collections are monitored in accordance with a Collections Development Policy approved under Museums Accreditation and items are only added infrequently according to set procedure.

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

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

## **xiii. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. 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 & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

A de-minimis expenditure level of £30k has been set for Investment Properties, below which expenditure will not be subject to capital accounting requirements. Where an asset is revalued below £30k, any associated expenditure and depreciation will normally be written out and the asset removed from the Fixed Asset Register.

Rentals received in relation to Investment Properties are credited to the Financing & Investment Income 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 £10k) the Capital Receipts Reserve.

#### **xiv. 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 & Investment Income and Expenditure line in the Comprehensive Income & 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 & Expenditure Statement as an expense of the services benefitting 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 & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income & 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 & 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 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 & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement).

The gain credited to the Comprehensive Income & Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be

treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### Operating Leases

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

## **xv. 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.

#### **xvi. 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.

#### **xvii. 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 & Equipment.

##### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant & 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.

A de-minimis expenditure level of £30k has been set for Property, Plant & Equipment, below which expenditure will not be subject to capital accounting requirements. Where an asset is revalued below £30k, any associated expenditure and depreciation will normally be written out and the asset removed from the Fixed Asset Register.

**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
- an 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 carried in the Balance Sheet using the following measurement bases:

- infrastructure - depreciated historic cost
- community assets and assets under construction - historical cost
- dwellings - current value, determined using the basis of EUV-SH (existing use value for social housing).
- all other assets - current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current 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. 100% of the Council dwellings were revalued during 2016/17. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income & Expenditure Statement where they arise from a 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 on the Revaluation Reserve or an insufficient balance, the

carrying amount of the assets is written down against the relevant service line(s) in the Comprehensive Income & 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, 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 & Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & 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 & Equipment assets in the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable 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 using 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

Depreciation is not charged in the year of acquisition or disposal.

### **Componentisation**

It is Council policy that where a material item of property, plant and equipment has major components, whose cost is significant in relation to the total costs of the item, the components are depreciated separately. The requirements are applicable to enhancement expenditure incurred, acquisition expenditure incurred and revaluations carried out. A

de-minimis materiality level of £2.5m of the value of the asset has been set, below which individual items of property, plant and equipment will not be considered for componentisation. Significant components will be deemed as those whose current cost is 20% or more of the total current cost of the asset and categorised as follows based on significance, useful life and depreciation method:

- superstructure and substructure
- internal finishes and fittings
- services

Land is identified as a separate component in its own right.

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 & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the 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 & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income & 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 & 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 £10k 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 non-current 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.

**xviii. 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 & 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.

**xix. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

**xx. 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.

**xxi. 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.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

**IFRS 16 Leases**

This will require a local authority which is a lessee to recognise most leases on the Balance Sheet as right-of-use assets with corresponding lease liabilities (there is a recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020.

**IAS 40 Investment Property: Transfers of Investment Property**

This provides further explanation of the instances in which a property can be reclassified as an investment property. It is not expected to have any impact on the Council.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

This clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

**IFRIC 23 Uncertainty over Income Tax Treatments**

This provides additional guidance on income tax treatment when there is uncertainty. This is not expected to have an impact on the accounts.

**IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation**

This amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans within the scope of this amendment.

### 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.

- **Future Levels of Government Funding** - There is a high degree of uncertainty around the future levels of funding for local authorities. The Council has set aside amounts in provisions, balances and reserves which it believes are appropriate to manage the Council's finances over the medium term. The Council has also determined that its strong track record in financial and budgetary management means that there is as yet insufficient reason to change the assumption that the assets of the Council will not be significantly impaired as a result of the need to close facilities and/or significantly reduce levels of service provision. This judgement is kept under regular review.
- **Economic Uncertainty** - While assessing the appropriate levels of provisions, balances and reserves, the wider economic picture has also been taken into account.

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

The Statement of Accounts contains some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates. It is likely that the use of estimates when, for example, calculating accruals and service recharges will increase over the coming years due to the need to comply with the Welsh Government's proposals to bring forward the timetable for publishing the statements of accounts of local authorities, to bring them into line with other parts of the public sector. There has not, however, been a need for any significant increase in use of estimates in the current Statement of Accounts.

The items in the Balance Sheet at 31 March 2019 for which there is some risk of adjustment in the forthcoming financial year are as follows:

#### Property, Plant & Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to some of the assets. If the useful life of the asset is reduced, depreciation increases and the carrying amount of the asset falls. Property, Plant & Equipment are revalued 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 PP&E assets will be over or under-stated. This would be adjusted when the assets were next revalued.

The value of Property, Plant & Equipment disclosed on the Balance Sheet is £511,271k and further information is contained within Note 13.

**Minimum Revenue Provision (MRP)**

The Council amended its MRP policy for 2017/18 in relation to supported borrowing. For supported borrowing, the policy was changed to calculate MRP based on 50 years for Council Fund debt on capital expenditure incurred prior to 1 April 2017, and based on expected useful life for capital expenditure incurred after 1 April 2017. The total MRP paid in 2018/19 was £9,297k as per Note 7.

**Pension Liability**

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

The value of the pension liability and corresponding pension reserve disclosed on the Balance Sheet is £292,783k. Detailed information is contained within Notes 22, 34 and 35.

**Employee Benefit Accrual**

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31 March 2019 was £2,617k and is detailed in Note 22.

**Arrears**

A review of outstanding debt has been made and an allowance made for doubtful debts. Any allowance made for doubtful future debts has to be based on an estimate. The allowance made is prudent but any changes such as economic climate and further changes to the welfare system mean that the allowances may need to be reviewed next year.

At 31 March 2019 the Council had a sundry debtor balance of £7,488k. A review of this balance suggested a specific bad debts provision of £943k and a general bad debts provision of £884k was appropriate. The Council Tax arrears were £2,691k with a bad debts provision of £1,650k. National Non-Domestic Rates arrears were £507k with a bad debts provision of £196k. Housing Benefit Overpayments had arrears of £1,679k with a bad debts provision of £840k. The figures for Housing Rents are shown in Housing Revenue Account Note 2.

## 5. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 11 September 2019. 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 2019, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

## 6. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2017/18 £000		2018/19 £000
	<b>Expenditure</b>	
132,806	Employee benefits expenses	145,785
4,944	Employee expenses of V A schools	4,973
147,668	Other services expenses	151,394
33,768	Depreciation, impairment & revaluation losses	33,692
16,087	Interest payments	16,267
16,147	Precepts and levies	16,734
2,248	Loss on the disposal of assets	1,144
<b>353,668</b>	<b>Total Expenditure</b>	<b>369,989</b>
	<b>Income</b>	
(56,471)	Fees, charges and other service income	(60,951)
(963)	Interest and investment income	(551)
(89,376)	Income from council tax and non-domestic rates	(92,200)
(193,575)	Government grants and contributions	(197,741)
(335)	Non-government grants and contributions	(615)
(320)	Gain on the disposal of assets	0
<b>(341,040)</b>	<b>Total income</b>	<b>(352,058)</b>
<b>12,628</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>17,931</b>

**7. Adjustments between Accounting Basis and Funding Basis Under Regulation**

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

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

**Council Fund Balance**

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

**Housing Revenue Account Balance**

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

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The presentation of the following tables has been simplified in order to aid the reader in understanding the impact on Unusable Reserves.

Adjustments Between Accounting Basis and Funding Basis Under Regulation		Usable Reserves					
2018/19	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000	Relevant Unusable Reserve	
Adjustments to the Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year in accordance with statutory requirements:							
• Pension Costs	(15,303)	(337)			15,640	Pensions Reserve	
• Financial Instruments	16	3			(19)	Financial Instruments Adjustment Account	
• Holiday Pay	(317)	(2)			319	Accumulated Absences Account	
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(11,216)	(5,674)		(2,795)	19,685	Capital Adjustment Account	
Total Adjustments to Revenue Resources	(26,820)	(6,010)	0	(2,795)			
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	2,450	288	(2,738)		0	Deferred Capital Receipts Reserve	
Statutory provision for the repayment of debt	6,444	2,853			(16,366)	Capital Adjustment Account	
Capital expenditure financed from revenue balances	4,627	2,442					
Total Adjustments between Revenue and Capital Resources	13,521	5,583	(2,738)	0			
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure			1,678		(3,028)	Capital Adjustment Account	
Application of capital grants to finance capital expenditure				1,350			
Total Adjustments to Capital Resources	0	0	1,678	1,350			
Total Adjustments	(13,299)	(427)	(1,060)	(1,445)	16,231		



Adjustments Between Accounting Basis and Funding Basis Under Regulation		Usable Reserves				Unusable Reserves £000	Relevant Unusable Reserve
2017/18	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Adjustments to the Revenue Resources</b>							
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year in accordance with statutory requirements:							
• Pension Costs	(8,960)	(388)			9,348	Pensions Reserve	
• Financial Instruments	6	0			(6)	Financial Instruments Adjustment Account	
• Holiday Pay	850	(14)			(836)	Accumulated Absences Account	
Reversal of entries included in the Surplus or • Deficit on the Provision of Services in relation to capital expenditure	(16,041)	(6,629)		(1,499)	24,169	Capital Adjustment Account	
<b>Total Adjustments to Revenue Resources</b>	<b>(24,145)</b>	<b>(7,031)</b>	<b>0</b>	<b>(1,499)</b>			
<b>Adjustments between Revenue and Capital Resources</b>							
Transfer of non-current asset sales proceeds from revenue to the Capital Receipts Reserve	2,097	328	(2,220)		(205)	Deferred Capital Receipts Reserve	
Statutory provision for the repayment of debt	6,163	2,703			(8,866)	Capital Adjustment Account	
Capital expenditure financed from revenue balances	5,713	1,647			(7,360)		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>13,973</b>	<b>4,678</b>	<b>(2,220)</b>	<b>0</b>			
<b>Adjustments to Capital Resources</b>							
Use of the Capital Receipts Reserve to finance capital expenditure			1,692		(1,692)	Capital Adjustment Account	
Application of capital grants to finance capital expenditure				2,156	(2,156)		
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,692</b>	<b>2,156</b>			
<b>Total Adjustments</b>	<b>(10,172)</b>	<b>(2,353)</b>	<b>(528)</b>	<b>657</b>	<b>12,396</b>		

**8. Other Operating Expenditure**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
9,788	Police Precept	10,210
4,525	Fire Authority Levy	4,569
1,834	Community Council Precepts	1,955
851	(Gains)/Losses on Held for Sale Assets and the disposal of non-current assets	1,224
685	Pension Administration Costs	729
<b>17,683</b>	<b>Total</b>	<b>18,687</b>

**9. Financing and Investment Income and Expenditure**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
9,147	Interest payable and similar charges	9,450
6,524	Net interest on the net defined benefit liability (asset)	6,134
(44)	Interest receivable and similar income	(106)
(503)	Income & expenditure in relation to Investment Properties & changes in their fair value	238
<b>15,124</b>	<b>Total</b>	<b>15,716</b>

**10. Taxation and Non-specific Grant Income**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
(58,762)	Council Tax income	(61,942)
(30,614)	Non-domestic rates	(30,258)
(109,860)	Non-ring fenced government grants	(112,860)
(17,296)	Capital grants and contributions	(22,105)
<b>(216,532)</b>	<b>Total</b>	<b>(227,165)</b>

**11. 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 Office of the Police And Crime Commissioner, North Wales 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 was 39,555 in 2018/19 (39,275 in 2017/18).

The basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,555.39 (£1,487.18 in 2017/18) 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 in Council Tax Systems at 31 March 2019	3,965	7,204	14,390	7,767	5,395	3,687	1,999	313	169

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

2017/18 £000		2018/19 £000
58,762	Council Tax collectible	61,942
(9,788)	Amount payable to Office of the Police & Crime Commissioner, North Wales	(10,210)
(240)	Provision for non-payment of Council Tax	(257)
<b>48,734</b>	<b>Net proceeds from Council Tax</b>	<b>51,475</b>
46,872	Denbighshire County Council split:	49,481
1,834	Denbighshire County Council	1,955
28	Community Councils	
	Discretionary Non-domestic Rate Relief	39
<b>48,734</b>	<b>Total</b>	<b>51,475</b>

## 12. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 51.4p in 2018/19 (49.9p in 2017/18) 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 £27,905k for 2018/19 (£24,102k for 2017/18) was based on an aggregate rateable value of £67,798k at year-end.

## 13. Property, Plant and Equipment

	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
<b>2018/19</b>								
Gross cost 31 March 2018	115,944	272,813	19,164	163,346	2,546	7,456	18,779	600,048
less: Depreciation and Impairment	(15,103)	(40,428)	(10,618)	(43,181)	(80)	(3,198)	0	(112,608)
<b>Net Book value 31 March 2018</b>	<b>100,841</b>	<b>232,385</b>	<b>8,546</b>	<b>120,165</b>	<b>2,466</b>	<b>4,258</b>	<b>18,779</b>	<b>487,440</b>
Additions	5,347	5,888	4,574	7,451	0	2,247	32,765	58,272
Revaluations	(479)	(5,960)	0	0	0	(1,218)	0	(7,657)
Depreciation - charge for year	(2,085)	(6,730)	(2,523)	(4,041)	0	0	0	(15,379)
Depreciation - other movements	5	2,523	5,259	28	0	36	0	7,851
Impairment - charge for year	(4,876)	(5,889)	(63)	(1,473)	0	(1,191)	0	(13,492)
Impairment - other movements	10,933	3,171	36	1,686	0	3,162	0	18,988
Derecognitions and disposal	(11,222)	(3,150)	(5,302)	(1,714)	0	(2,427)	0	(23,815)
Transfers and Reclassifications	478	8,216	0	0		799	(10,430)	(937)
<b>Net Book Value 31 March 2019</b>	<b>98,942</b>	<b>230,454</b>	<b>10,527</b>	<b>122,102</b>	<b>2,466</b>	<b>5,666</b>	<b>41,114</b>	<b>511,271</b>
Gross Cost 31 March 2019	110,068	277,807	18,436	169,083	2,546	6,857	41,114	625,911
less: Depreciation and Impairment	(11,126)	(47,353)	(7,909)	(46,981)	(80)	(1,191)	0	(114,640)
<b>Net Book Value 31 March 2019</b>	<b>98,942</b>	<b>230,454</b>	<b>10,527</b>	<b>122,102</b>	<b>2,466</b>	<b>5,666</b>	<b>41,114</b>	<b>511,271</b>
<b>NBV of impairments</b>								
Net impairment to Surplus or								
Deficit on the provision of Services	(4,876)	(4,325)	(63)	(1,473)	0	(1,156)	0	(11,893)
Net impairment to Revaluation Reserve	0	(1,564)	0	0	0	(35)	0	(1,599)
<b>Total</b>	<b>(4,876)</b>	<b>(5,889)</b>	<b>(63)</b>	<b>(1,473)</b>	<b>0</b>	<b>(1,191)</b>	<b>0</b>	<b>(13,492)</b>

The presentation of this note has been simplified for the 2018/19 Statement of Accounts.

	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
<b>2017/18</b>								
Gross cost 31 March 2017	112,070	265,192	17,935	156,748	2,564	6,015	5,621	566,145
less: Depreciation and Impairment	(8,451)	(38,444)	(10,126)	(38,396)	(75)	(466)		(95,958)
<b>Net Book value 31 March 2017</b>	<b>103,619</b>	<b>226,748</b>	<b>7,809</b>	<b>118,352</b>	<b>2,489</b>	<b>5,549</b>	<b>5,621</b>	<b>470,187</b>
Additions	4,996	9,805	3,281	7,044	5	2,580	15,701	43,412
Revaluations	87	6,184	0	0	0	(870)	0	5,401
Depreciation - charge for year	(2,089)	(6,590)	(2,510)	(3,898)	0	(22)	0	(15,109)
Depreciation - other movements	18	6,849	2,047	73	0	(14)	0	8,973
Impairment - charge for year	(4,581)	(9,805)	(35)	(1,333)	(5)	(2,969)	0	(18,728)
Impairment - other movements	0	7,562	6	373	0	273	0	8,214
Derecognitions and disposal	(328)	(9,790)	(2,075)	(446)	0	0	0	(12,639)
Transfers and Reclassifications	(881)	1,422	23	0	(23)	(269)	(2,543)	(2,271)
<b>Net Book Value 31 March 2018</b>	<b>100,841</b>	<b>232,385</b>	<b>8,546</b>	<b>120,165</b>	<b>2,466</b>	<b>4,258</b>	<b>18,779</b>	<b>487,440</b>

Gross Cost 31 March 2018	115,944	272,813	19,164	163,346	2,546	7,456	18,779	600,048
less: Depreciation and Impairment	(15,103)	(40,428)	(10,618)	(43,181)	(80)	(3,198)	0	(112,608)
<b>Net Book Value 31 March 2018</b>	<b>100,841</b>	<b>232,385</b>	<b>8,546</b>	<b>120,165</b>	<b>2,466</b>	<b>4,258</b>	<b>18,779</b>	<b>487,440</b>

<b>NBV of impairments</b>								
Net impairment to Surplus or Deficit on the provision of Services	(2,581)	(7,111)	(35)	(1,333)	(5)	(2,933)	0	(13,998)
Net impairment to Revaluation Reserve	(2,000)	(2,694)	0	0	0	(36)	0	(4,730)
<b>Total</b>	<b>(4,581)</b>	<b>(9,805)</b>	<b>(35)</b>	<b>(1,333)</b>	<b>(5)</b>	<b>(2,969)</b>	<b>0</b>	<b>(18,728)</b>

The presentation of this note has been simplified for the 2018/19 Statement of Accounts.

## Depreciation

All Property, Plant & Equipment has been depreciated using the straight line method over the following periods:

- Council Dwellings - 15-75 years
- Other Land & Buildings (including Heritage Assets) - 1-194 years
- Vehicles, Plant, Furniture & Equipment - 3-10 years
- Infrastructure - 40 years
- Surplus Assets - 5-40 years

## Voluntary Aided and Voluntary Controlled Schools

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

## Asset Register Review

Each year net book values in the asset registers are reviewed and any assets being held at £0 net book value are derecognised, where appropriate. As a result of this derecognition, the gross book value has been reduced with an equivalent reduction in accumulated depreciation and impairment.

From 1 April 2015 a de-minimis valuation level of £30k has been set.

## Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment in 2019/20 and future years. The budgeted cost of major commitments is £9,694k as below. Similar commitments at 31 March 2018 were £12,878k.

Project	Contract Estimate £000	Expenditure incurred up to 31 March 2019 £000	Total Future Contract Payments £000
Rhyl, Christ the Word School - New school	21,198	13,713	7,485
Ysgol Carreg Emlyn - New School	2,686	2,408	278
Ysgol Llanfair - New School	3,269	2,397	872
Housing - Internal Refurbishments	897	45	852
Central Rhyl, Coastal Defence - Design	350	143	207
<b>Total</b>	<b>28,400</b>	<b>18,706</b>	<b>9,694</b>

**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 as at 1 April 2018 by Mrs C Jones Black BSc (Hons) MRICS, on the under-mentioned bases in accordance with the Statements of Asset Valuation and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation. Inspections were carried out between August 2018 and May 2019.

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 & Equipment, Infrastructure and Community Assets were held at historic cost. Council dwellings are valued at current value in use as social housing.

**New Construction**

In April 2018, the new Ruthin Schools, Ysgol Pen Barras and Rhos Street opened on the Glasdir site. The total cost of the construction was £11.4m. The new schools have been valued at £5.338m based on pupil roll numbers as per BB98 guidelines. The revised valuation has resulted in a loss of £5.0m of which £4.8m has been charged to the Comprehensive Income and Expenditure Statement and the remainder to the Revaluation Reserve.

**Impairment Losses**

During the revaluations exercise the valuer found no other fundamental trends that would affect the remaining assets not revalued during 2018/19. However it is recognised that there are major project in the pipeline that have a potential to affect future valuations but these projects are currently in their early stages.

In Year:

Following evidence from an independent valuation of a similar property 35-39 Abbey Street has been impaired. The valuation has reduced from £0.075m to £0.040m and the impairment of £0.035m has been charged to the Revaluation Reserve.

**14. Investment Properties**

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:

<b>2017/18 £000</b>		<b>2018/19 £000</b>
7,360	Balance at start of the year	8,623
0	Additions	96
0	Disposals	0
481	Net gains/(losses) from fair value adjustments	(268)
	Transfers:	
0	• (to)/from Inventories	0
782	• (to)/from Property, Plant & Equipment	130
<b>8,623</b>	<b>Balance at end of the year</b>	<b>8,581</b>

**15. Debtors**

<b>31 March 2018 Re-stated £000</b>		<b>31 March 2019 £000</b>
7,739	Trade receivables	8,853
1,275	Prepayments	1,913
14,190	Other receivable amounts	18,572
<b>23,204</b>	<b>Total</b>	<b>29,338</b>

The 2017/18 figures in the above note have been re-stated as the 2018/19 Code has removed the requirement to disclose the analysis of debtors across public sector bodies.

**16. Debtors for Council Tax**

The past due but not impaired amount for Council Tax can be analysed as follows:

	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
Due within one year	1,212	1,222
More than one year	1,550	1,672
	<b>2,762</b>	<b>2,894</b>



## 17. Financial Instruments

The Council has adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main change to the Council is the remeasurement of modified loan liabilities. As at 31 March 2018 the council's borrowing included a loan which had been modified following previous restructuring of the debt and was measured using the new effective interest rate. The new requirement of the Code has meant that the Council has had to recalculate the carrying amount of the loan as at 1 April 2018 using the original effective interest rate. The change in the measurement of these loans has resulted in a credit to the Comprehensive Income & Expenditure Statement of £4.7m. The Code states that any difference between the previous carrying amount and the carrying amount at the beginning of the financial year should be recognised as an opening adjustment to reserves and that preceding year information should not be restated. The opening adjustment is presented in the Movement in Reserves Statement. As the gain will effectively be eroded by subsequent increases in interest charges over the remainder of the loan period the credit has been transferred to the Modified Loan Earmarked Reserve as at 1 April 2018 (see Note 20).

### Categories of Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet:

31 March 2018		IFRS 9 adjustment		01 April 2018			31 March 2019	
Long Term £000	Current £000	Long Term £000	Current £000	Long Term £000	Current £000		Long Term £000	Current £000
1	7,400			1	7,400	<b>Investments</b>		
						Loans & receivables	1	4,400
661	14,631			661	14,631	<b>Debtors</b>		
						Loans & receivables	2,276	15,520
(175,364)	(31,935)	5,551		(169,813)	(31,935)	<b>Borrowings</b>		
						Financial liabilities at amortised cost	(198,539)	(26,502)
(3,340)	(23,178)			(3,340)	(23,178)	<b>Creditors</b>		
						Financial liabilities at amortised cost	(3,775)	(27,088)

The debtors and creditors figures in the table above exclude any amounts which are not classed as financial instruments such as payments in advance, receipts in advance and any statutory items

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and the Carbon Trust to provide interest free loans. The Council received loans to the value of £860k during previous years and £218k during 2018/19. The balance on this loan as at 31 March 2019 is £721k.

The Council does not account for these loans as soft loans because the fair value adjustment is not material.

### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income & Expenditure Statement in relation to Financial Instruments consists of the following items:

2017/18			2018/19		
Financial Liabilities £000	Financial Assets £000		Financial Liabilities £000	Financial Assets £000	Total £000
9,147		Interest Expense Losses on de-recognition	9,450		9,450 0
9,147		<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>9,450</b>		<b>9,450</b>
	(44)	Interest Income Gains on de-recognition		(106)	(106) 0
	(44)	<b>Total Income in Surplus or Deficit on the Provision of Services</b>		<b>(106)</b>	<b>(106)</b>

## Fair Values of Assets and Liabilities

The Council's financial assets and liabilities are carried in the Balance Sheet at amortised cost. IFRS 7 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 2018 and 31 March 2019 consisted entirely of loans from the Public Works Loan Board (PWLB), other local authorities & public bodies and the Salix Energy Efficiency Scheme. The Council's treasury management advisers, Arlingclose Ltd has provided the Council with Fair Value amounts in relation to debt portfolio. Arlingclose Ltd has estimated the Fair Values by calculating the net present value of the remaining contractual cash flows at 31 March 2019.

In the case of the Council's investments, these included deposits with Banks and the Debt Management Office. 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. The 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:

31 March 2018			31 March 2019	
Carrying Amount £000	Fair Values £000		Carrying Amount £000	Fair Values £000
(207,299)	(293,640)	Financial Liabilities	(225,041)	(314,658)
(3,340)	(3,340)	Long Term Creditors	(3,775)	(3,775)
<b>(210,639)</b>	<b>(296,980)</b>	<b>Total Financial Liabilities</b>	<b>(228,816)</b>	<b>(318,433)</b>
7,401	7,401	Loans & Receivables	4,401	4,401
661	661	Long Term Debtors	2,276	2,276
<b>8,062</b>	<b>8,062</b>	<b>Total Financial Assets</b>	<b>6,677</b>	<b>6,677</b>

**18. Assets Held for Sale**

	Current	
	2017/18 £000	2018/19 £000
Balance outstanding at start of year	3,305	4,946
<b>Assets newly classified as Held for Sale:</b>		
from Property, Plant & Equipment	1,864	1,045
Revaluation losses	(401)	(315)
Revaluation gains	1,478	235
<b>Assets declassified as Held for Sale:</b>		
to Property, Plant & Equipment	(400)	(395)
Assets sold	(900)	(2,618)
<b>Balance outstanding at year end</b>	<b>4,946</b>	<b>2,898</b>

**19. Creditors**

31 March 2018 Re-stated £000		31 March 2019 £000
(14,968)	Trade payables	(17,951)
(10,982)	Other payables	(12,217)
<b>(25,950)</b>	<b>Total</b>	<b>(30,168)</b>

The 2017/18 figures in the above note have been re-stated as the 2018/19 Code has removed the requirement to disclose the analysis of creditors across public sector bodies.

## 20. Movements in 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 2018/19.

	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	IFRS 9 Adjustment £000	Balance at 01 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Balances held by schools under a scheme of delegation (i)	1,056	730	(1,442)	344		344	1,179	(1,352)	171
<u>Reserves held as part of the 2012 Council Corporate Plan (v)</u>									
Strategic Investment 21st Century Schools	(2,375)	3,478	(1,864)	(761)		(761)	2,330	(1,569)	0
Strategic Investment Extra Care Housing	(2,141)	0	(400)	(2,541)		(2,541)	2,941	(400)	0
Town Plans/Economic Development	(191)	193	(2)	0		0	0	0	0
<u>Specific Grants Reserves</u>									
Revenue Grants Unapplied	(460)	173	(173)	(460)		(460)	173	(203)	(490)
Sustainable Waste Management (iv)	(3,347)	0	0	(3,347)		(3,347)	1,087	0	(2,260)
<u>Reserves held for Legal Cases</u>									
Town & Country Planning Act (s.106) Requirements	(1,174)	13	(4)	(1,165)		(1,165)	8	0	(1,157)
Single Status	(294)	0	0	(294)		(294)	294	0	0
<u>Other Major Reserves</u>									
Budget Mitigation (ii)	(2,511)	2,122	(3,182)	(3,571)		(3,571)	780	(294)	(3,085)
2017 Corporate Priorities	0	0	(1,000)	(1,000)		(1,000)	333	(243)	(910)
Adult Social Care (iii)	(2,118)	546	0	(1,572)		(1,572)	1,162	(411)	(821)
Capital Schemes (v)	(5,463)	5,503	(4,789)	(4,749)		(4,749)	4,555	(6,067)	(6,261)
Specialist Placements	(522)	522	0	0		0	0	0	0
Superannuation Recovery	(1,932)	1	(699)	(2,630)		(2,630)	0	0	(2,630)

	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	IFRS 9 Adjustment £000	Balance at 01 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Insurance Fund	(834)	18	(123)	(939)		(939)	0	(280)	(1,219)
Risk Management Fund	(331)	0	(57)	(388)		(388)	0	(54)	(442)
Delivering Change	(625)	679	(305)	(251)		(251)	251	0	0
Modified Loan Reserve (vi)	0	0	0	0	(4,733)	(4,733)	57	0	(4,676)
<u>Preparing for Major Events</u>									
Urdd	(67)	0	(21)	(88)		(88)	1	(22)	(109)
Elections	(123)	65	0	(58)		(58)	0	(27)	(85)
LDP	(107)	0	(20)	(127)		(127)	0	(20)	(147)
Severe Weather (incorporating Winter Maintenance)	(565)	127	0	(438)		(438)	0	0	(438)
<u>Service Reserves</u>									
Leisure Strategy	(373)	0	0	(373)		(373)	0	0	(373)
Major Highways Projects	(159)	0	0	(159)		(159)	159	0	0
IT Networks Development	(567)	330	(42)	(279)		(279)	50	0	(229)
Cefndy Enterprises	(141)	0	(35)	(176)		(176)	168	0	(8)
Environmental Services	(189)	6	0	(183)		(183)	2	0	(181)
Design & Development	(120)	0	0	(120)		(120)	0	0	(120)
External Funding Administration	(116)	0	0	(116)		(116)	0	0	(116)
Finance & Legal	(84)	0	(19)	(103)		(103)	0	(81)	(184)
Revenues & Benefits	(402)	214	(248)	(436)		(436)	0	(16)	(452)
Out of County/Recoupment	(226)	226	0	0		0	0	0	0
Coroner	(239)	0	(43)	(282)		(282)	0	0	(282)
ALN Reforms	(112)	27	(179)	(264)		(264)	0	(106)	(370)
Schools IT Network Development	(60)	34	0	(26)		(26)	11	0	(15)
N. Wales Schools Framework	(12)	12	(54)	(54)		(54)	54	(52)	(52)
<u>Other</u>									
Schools Financial Resilience	(200)	109	(174)	(265)		(265)	0	0	(265)
Modernising Education	(181)	88	0	(93)		(93)	0	0	(93)

	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	IFRS 9 Adjustment £000	Balance at 01 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
IT Systems Development (EDRMS)	(54)	0	(35)	(89)		(89)	20	0	(69)
ECA Board	(156)	33	(14)	(137)		(137)	0	(65)	(202)
S.117 Mental Health Act	(52)	0	0	(52)		(52)	52	0	0
Area Member Reserve	(15)	0	0	(15)		(15)	0	0	(15)
CESI Pooled Budget	(38)	18	0	(20)		(20)	0	(13)	(33)
Planning Delivery for Wales	(164)	8	(39)	(195)		(195)	0	0	(195)
Training Collaboration	(30)	0	0	(30)		(30)	0	0	(30)
Signing Schemes	(86)	0	(13)	(99)		(99)	64	0	(35)
Care Home Fees	(358)	0	0	(358)		(358)	358	0	0
Social Care Amenity Fund	(14)	0	0	(14)		(14)	0	0	(14)
Resident Survey	(37)	0	0	(37)		(37)	3	0	(34)
Channel Shift	(77)	36	0	(41)		(41)	41	0	0
Modernising Social Care	(212)	0	0	(212)		(212)	0	0	(212)
Children with Disabilities	(79)	57	(9)	(31)		(31)	0	0	(31)
Health & Social Care Support Workers	(47)	0	0	(47)		(47)	0	0	(47)
Facilities	(184)	0	0	(184)		(184)	0	0	(184)
Picturesque Project	(152)	0	0	(152)		(152)	0	0	(152)
Rhyl Waterfront	(150)	150	0	0		0	0	(21)	(21)
Social Care in Partnership	0	0	(17)	(17)		(17)	0	0	(17)
Social Service Improvement Agency	0	0	(116)	(116)		(116)	0	0	(116)
Safeguarding Business Unit	0	0	(340)	(340)		(340)	0	(8)	(348)
Delivering Transformation	0	0	(234)	(234)		(234)	0	(176)	(410)
Regional Commissioning Team	0	0	(41)	(41)		(41)	0	(4)	(45)
Family Information Service Training	0	0	(34)	(34)		(34)	0	(7)	(41)
School Closure Costs	0	0	0	0		0	0	(818)	(818)
Growth Bid	0	0	0	0		0	0	(50)	(50)
Leadership Development	0	0	0	0		0	0	(5)	(5)
Free School Meals	0	0	0	0		0	0	(150)	(150)
<b>TOTAL</b>	<b>(29,210)</b>	<b>15,518</b>	<b>(15,767)</b>	<b>(29,459)</b>	<b>(4,733)</b>	<b>(34,192)</b>	<b>16,133</b>	<b>(12,514)</b>	<b>(30,573)</b>

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 School Standards Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) Budget Mitigation: this has been set up to mitigate the effects of future reductions in funding received from the Welsh Government and forms part of the budget strategy for 2019/20 and beyond.
- (iii) Adult Social Care: this reserve has been established and maintained to help provide the service with financial resilience to cope with in-year budgetary pressures.
- (iv) Sustainable Waste Management: this has been set up to mitigate the impact of future grant funding reductions and for use on specific waste management projects.
- (v) 21st Century Schools and Extra Care Housing: as part of the 2012 Corporate Plan, the Council embarked on an ambitious scheme of capital investment in schools, highways, extra care and regeneration. These reserves have been established to set aside the cash needed to fund the various projects. The remaining funding has been transferred to the Capital Schemes Reserve to fund future capital investment in these areas.
- (vi) Modified loan reserve: the reserve has been created as a consequence of a temporary gain recognised in the Comprehensive Income & Expenditure Statement following a change in the calculation of the carrying amount of the Council's modified loans as at 1 April 2018 as required by IFRS 9. The reserve will be used to neutralise the impact of higher effective interest charges to the Comprehensive Income & Expenditure Statement over the remaining life of the loans. For further detail refer Note 17 - Financial Instruments.



## 21. Usable Reserves

31 March 2018 £000		31 March 2019 £000
(7,541)	Council Fund	(7,474)
(29,459)	Earmarked Reserves (Note 20)	(30,573)
(2,203)	Housing Revenue Account	(1,684)
(5,374)	Capital Receipts Reserve	(6,434)
(3,150)	Capital Grants Unapplied	(4,595)
<b>(47,727)</b>	<b>Total Usable Reserves</b>	<b>(50,760)</b>

## Revenue Balances

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

31 March 2018 £000		Transfers (In)/Out £000	31 March 2019 £000
	<u>Council Fund Revenue Balances</u>		
(7,135)	General Balances		(7,135)
(406)	Earmarked Balances	67	(339)
<b>(7,541)</b>	<b>Total Council Fund Balances</b>	<b>67</b>	<b>(7,474)</b>
	<u>Housing Revenue Account</u>		
<b>(2,203)</b>	<b>Balances</b>	519	<b>(1,684)</b>

**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.

2017/18			2018/19		
Total £000			Council Fund £000	Housing Revenue Account £000	Total £000
<b>(4,846)</b>		<b>Balance at 1 April</b>	<b>(5,218)</b>	<b>(156)</b>	<b>(5,374)</b>
(2,158)	Plus	Receipts - Asset Sales	(2,407)	(288)	(2,695)
(62)		Receipts - Grants Repaid	(43)	0	(43)
<b>(7,066)</b>			<b>(7,668)</b>	<b>(444)</b>	<b>(8,112)</b>
	Less	Applied during year:			
1,446		Finance Capital Expenditure - Other	1,390	72	1,462
246		Debt Redemption	0	216	216
<b>(5,374)</b>		<b>Balance at 31 March</b>	<b>(6,278)</b>	<b>(156)</b>	<b>(6,434)</b>

**Capital Grants Unapplied**

2017/18 £000		2018/19	
		£000	£000
<b>(3,807)</b>	<b>Balance at 1 April</b>		<b>(3,150)</b>
	Plus Grants & Contributions received in-year		
(14,887)	- Council Fund	(18,564)	
(2,409)	- HRA	(3,540)	
(728)	- Revenue Expenditure Funded by Capital Under Statute	(2,465)	(24,569)
	Less Grants & Contributions applied in-year		
16,525	- Grants received in-year	21,774	
2,156	- Grants received previous years	1,350	23,124
<b>(3,150)</b>	<b>Balance at 31 March</b>		<b>(4,595)</b>

**22. Unusable Reserves**

The Authority holds the following Unusable Reserves:

Revaluation Reserve: this contains the gains made by the Council arising from increases in the value of its non-current assets.

Capital Adjustment Account: this 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.

Pensions Reserve: this absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

Financial Instruments Adjustment Account: this 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 benefitting from gains per statutory provisions.

Deferred Capital Receipts Reserve: this records timing differences between gains recognised on the disposal of non-current assets and cash receipts.

Accumulated Absences Account: this absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

2018/19					Adjustments between Accounting & Funding Basis (Note 8)				
Unusable Reserves	Opening Balance £000	IFRS 9 Adjustment £000	Balance at 1.4.2018 £000	Other Comprehensive Income & Expenditure (CI&ES) £000	Adjustments to Revenue Resources £000	Adjustments between Revenue & Capital Resources £000	Adjustments to Capital Resources £000	Other Movements * £000	Closing Balance £000
Revaluation Reserve	(100,153)		(100,153)	(7,902)				5,038	(103,017)
Capital Adjustment Account	(157,489)		(157,489)		19,685	(16,366)	(3,028)	(4,582)	(161,780)
Pensions Reserve	249,461		249,461	27,682	15,640				292,783
Financial Instruments Adjustment Account	351	124	475		(19)				456
Deferred Capital Receipts Reserve	(205)		(205)						(205)
Accumulated Absences Account	2,298		2,298		319				2,617
<b>Total Unusable Reserves</b>	<b>(5,737)</b>	<b>124</b>	<b>(5,613)</b>	<b>19,780</b>	<b>35,625</b>	<b>(16,366)</b>	<b>(3,028)</b>	<b>456</b>	<b>30,854</b>

\* Other Movements = the transfer for historical cost v current value depreciation plus an adjustment to funding relating to 2017/18

2017/18			Adjustments between Accounting & Funding Basis (Note 8)				
<b>Unusable Reserves</b>	Opening Balance £000	Other Comprehensive Income & Expenditure (CI&ES) £000	Adjustments to Revenue Resources £000	Adjustments between Revenue & Capital Resources £000	Adjustments to Capital Resources £000	Other Movements £000	Closing Balance £000
Revaluation Reserve	(92,672)	(12,829)				5,348	(100,153)
Capital Adjustment Account	(156,236)		24,169	(16,226)	(3,848)	(5,348)	(157,489)
Pensions Reserve	273,859	(33,746)	9,348				249,461
Financial Instruments Adjustment Account	357		(6)				351
Deferred Capital Receipts Reserve	0				(205)		(205)
Accumulated Absences Account	3,134		(836)				2,298
<b>Total Unusable Reserves</b>	<b>28,442</b>	<b>(46,575)</b>	<b>32,675</b>	<b>(16,226)</b>	<b>(4,053)</b>	<b>0</b>	<b>(5,737)</b>

The presentation of this note has been simplified for the 2018/19 Statement of Accounts therefore the 2017/18 comparator figures have been restated.

**23. Cash Flow Statement - Operating Activities**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
<b>12,628</b>	<b>Net (Surplus) or Deficit on the Provision of Services</b>	<b>17,931</b>
	<b>Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements</b>	
(9)	Increase/(Decrease) in Inventories	111
(60)	Increase/(Decrease) in Long Term Debtors	1,731
5,719	Increase/(Decrease) in Debtors/Payments in Advance	(677)
0	Increase/(Decrease) in Investment Interest Accrual	0
(466)	(Increase)/Decrease in Creditors/Receipts in Advance	(2,181)
(3)	(Increase)/Decrease in Loan Interest Accrual	(223)
438	Transfers (to)/from Provisions	157
(645)	Bad Debt Provision	(69)
(29,163)	Depreciation & Impairment	(27,344)
(3,529)	Revaluation Losses on Property, Plant & Equipment	(6,428)
481	Movements in Market Value of Investment Property	(268)
(9,348)	Pension Fund Adjustments	(15,640)
0	IFRS 9 Adjustments	(4,609)
9,532	Other	22,837
	<b>Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing &amp; Financing Activities</b>	
2,220	Sale of Property, Plant & Equipment	2,738
<b>(12,205)</b>	<b>Net cash flows from Operating Activities</b>	<b>(11,934)</b>

The cash flows for Operating Activities include the following items:

<b>2017/18 £000</b>		<b>2018/19 £000</b>
(44)	Interest received	(106)
9,134	Interest paid	9,169

**24. Cash Flow Statement - Investing Activities**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
45,120	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	60,095
109,100	Purchase of short-term & long-term investments	220,900
150	Other payments for Investing Activities	68
(2,220)	Proceeds from the sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(2,738)
(101,700)	Proceeds from short-term & long-term investments	(223,900)
(21,363)	Other receipts from Investing Activities	(18,802)
<b>29,087</b>	<b>Net cash flows from Investing Activities</b>	<b>35,623</b>

**25. Cash Flow Statement - Financing Activities**

<b>2017/18 £000</b>		<b>2018/19 £000</b>
(83,217)	Cash receipts of short-term & long-term borrowing	(63,218)
1,540	Other receipts from Financing Activities	(1,768)
61,607	Repayments of short-term & long-term borrowing	41,147
<b>(20,070)</b>	<b>Net cash flows from Financing Activities</b>	<b>(23,839)</b>

**26. Reconciliation of Liabilities Arising from Financing Activities**

	<b>2018/19 1 April</b>	<b>Financing Cash Flows</b>	<b>Non-cash changes</b>		<b>2018/19 31 March</b>
	<b>£000</b>	<b>£000</b>	<b>Acquisition £000</b>	<b>Other Non-cash changes £000</b>	<b>£000</b>
Long-term borrowings	(176,305)	(27,727)			(204,032)
Short-term borrowings	(30,481)	5,656			(24,825)
<b>Total liabilities from Financing Activities</b>	<b>(206,786)</b>	<b>(22,071)</b>	<b>0</b>	<b>0</b>	<b>(228,857)</b>

**27. Members' Allowances**

All members are paid a basic salary per annum. Some Members also undertake senior roles and therefore receive a senior salary. All salary levels are set by a national body called the Independent Remuneration Panel. The Council paid the following amounts to members of the Council during the year:

<b>2017/18 £000</b>		<b>2018/19 £000</b>
802	Salaries	832
14	Expenses	17
<b>816</b>	<b>Total</b>	<b>849</b>

**28. Officers' Remuneration**

- a) Number of employees whose remuneration, excluding pension contributions, was £60,000 or more

2017/18 Re-stated	Remuneration Band	2018/19			
		School Based Staff	Non- School Staff	Total Employees	Left During Year
16	£60,000 - £64,999	14	4	18	0
6	£65,000 - £69,999	2	1	3	1
5	£70,000 - £74,999	2	4	6	1
0	£75,000 - £79,999	3	0	3	0
6	£80,000 - £84,999	1	1	2	0
0	£85,000 - £89,999	0	5	5	0
3	£90,000 - £94,999	2	1	3	0
1	£95,000 - £99,999	1	0	1	0
1	£100,000 - £104,999	0	1	1	0
1	£105,000 - £109,999	0	1	1	0
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	1	0	1	0
0	£120,000 - £124,999	0	1	1	0
0	£125,000 - £129,999	0	0	0	0
0	£130,000 - £134,999	0	0	0	0
0	£135,000 - £139,999	0	0	0	0
0	£140,000 - £144,999	0	0	0	0
1	£145,000 - £149,999	0	0	0	0
<b>40</b>	<b>Total</b>	<b>26</b>	<b>19</b>	<b>45</b>	<b>2</b>

The 2017/18 figures have been restated to exclude salary sacrifice deductions.

It should be noted that this table includes the Senior Officers detailed in the following table.

A number of officers left during the year, therefore their remuneration will contain any payments receivable on the termination of their employment.

- b) The following tables set out the remuneration disclosures for Senior officers whose salary is less than £150,000 but equal to or more than £60,000 per year. There are no Senior Officers whose salary is £150,000 or more.

Post title	Year	Salary, fees, allowances & performance related pay £	Compensation for Loss of Office £	Total excluding pension contributions £	Employer's pension contributions £	Total remuneration £
Chief Executive to 30/04/18 Note 1	2018/19	14,318		14,318	3,420	17,738
	2017/18	149,092		149,092	44,188	193,280
Chief Executive from 16/04/18	2018/19	120,932		120,932	34,708	155,640
	2017/18	0		0	0	0
Corporate Director: Economy & Public Realm from 23/10/2017 restated Note 2	2018/19	102,451		102,451	29,403	131,854
	2017/18	44,281		44,281	12,709	56,990
Corporate Director: Communities	2018/19	105,596		105,596	30,306	135,902
	2017/18	101,973		101,973	29,266	131,239
Head of Community Support Services	2018/19	86,589		86,589	24,851	111,440
	2017/18	83,617		83,617	23,998	107,615
Head of Facilities, Assets & Housing	2018/19	86,589		86,589	24,851	111,440
	2017/18	83,617		83,617	23,998	107,615
Head of Education & Children's Services	2018/19	86,589		86,589	24,851	111,440
	2017/18	83,617		83,617	23,998	107,615
Head of Legal, HR & Democratic Services	2018/19	86,589		86,589	24,851	111,440
	2017/18	83,617		83,617	23,998	107,615
Head of Business Improvement & Modernisation	2018/19	86,589		86,589	24,851	111,440
	2017/18	83,617		83,617	23,998	107,615
Head of Highways & Environmental Services restated Notes 3 & 4	2018/19	94,018		94,018	26,983	121,001
	2017/18	68,052		68,052	19,531	87,583
Head of Planning & Public Protection to 22/10/2017 restated Note 2	2018/19	0		0	0	0
	2017/18	46,754		46,754	13,418	60,172
Head of Planning & Public Protection from 18/12/2017	2018/19	84,009		84,009	24,111	108,120
	2017/18	59,861		59,861	17,180	77,041



Post title	Year	Salary, fees, allowances & performance related pay £	Compensation for Loss of Office £	Total excluding pension contributions £	Employer's pension contributions £	Total remuneration £
Head of Finance	2018/19	71,002		71,002	20,378	91,380
	2017/18	68,566		68,566	19,679	88,245
Head of Customers, Communications & Marketing	2018/19	70,469		70,469	18,423	88,892
restated Note 3	2017/18	68,052		68,052	17,621	85,673

**Note 1**

The former Chief Executive was entitled to Performance Related Pay (PRP). This was considered by a remuneration panel consisting of councillors and an external advisor. The PRP awarded was paid in arrears and was accounted for in the year following consideration by the remuneration panel, usually because of the timing of the process being after the closure of the accounts. In 2017/18 the Chief Executive was awarded £9,848 which related to performance in 2016/17. However, the remuneration panel considered performance for 2017/18 in March 2018 and therefore accounting convention required that two years' PRP are disclosed in the table above. The amount awarded for 2017/18 was £12,708. The amount awarded in relation to 2018/19 was £1,076. No other officer is entitled to PRP.

**Note 2**

In 2017/18 the Head of Planning & Public Protection post holder was appointed to the post of Corporate Director: Economy & Public Realm. The remuneration for the two roles have been split in the table above.

**Note 3**

The 2017/18 figures for these posts have been restated to exclude salary sacrifice deductions.

**Note 4**

The remuneration for this post was increased in 2018/19 as agreed by County Council on 28 March 2019. The 2018/19 figures include £23,548 gross pay and £6,758 pension contributions back dated pay arrears from 1 August 2017.

**Note 5**

The Chief Executive and Head of Legal, HR & Democratic Services receive remuneration for their roles as Returning Officer and Deputy Returning Officer respectively for local and national elections (with costs reimbursed for all with exception of County Council elections). In 2018/19, for the Chief Executive, this amounted to £675, plus superannuation costs of £194: reimbursement was received in full. The figures for 2017/18 were £12,982 plus £3,726, with reimbursement of (£10,736). In 2018/19 the Head of Legal, HR & Democratic Services received £160 with full reimbursement: the figures for 2017/18 were £4,060 with reimbursement of (£2,300). These payments are not included in the analysis presented.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	13	15	32	31	45	46	£343,768	£266,520
£20,001 - £60,000	2	9	11	4	13	13	£371,893	£472,126
<b>Total</b>	<b>15</b>	<b>24</b>	<b>43</b>	<b>35</b>	<b>58</b>	<b>59</b>	<b>£715,661</b>	<b>£738,646</b>

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

- d) Reporting bodies are required to disclose a remuneration ratio between the median remuneration of all the authority's employees during the year and that of the authority's Chief Executive. The remuneration of the Chief Executive in 2018/19 was £135,250. The median remuneration of the workforce was £22,401. The ratio was therefore 6.04:1 (6.79:1 in 2017/18). In 2018/19, remuneration for staff ranged from £7,138 to £105,596. The remuneration includes salary and performance related pay and does not include severance payments or employer pension contributions.

**29. 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 performance audit work provided by the authority's external auditors:

<b>2017/18 £000</b>		<b>2018/19 £000</b>
272	Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	272
72	Fees payable to the Auditor General for Wales for the certification of grant claims & returns	56
0	Fees payable in respect of any other services provided by the appointed auditor over & above the duties described above	0
<b>344</b>	<b>Total External Audit Costs</b>	<b>328</b>

**30. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2018/19:

<b>2017/18 £000</b>		<b>2018/19 £000</b>
	<b>Credited to Taxation &amp; Non-specific Grant Income</b>	
(461)	Other grants & contributions	(108)
(150)	Rhyl Town Council - Contribution to the Waterpark	(1,850)
(1,020)	Welsh Government - Flood alleviation and Coastal Defence Grants	(1,304)
(1,840)	Welsh Government - General Capital Grant	(2,950)
0	Welsh Government - Targeted Regeneration Investment (TRI) Programme	(678)
(2,409)	Welsh Government - Major Repairs Allowance and IHP Grants	(2,847)
(9,460)	Welsh Government - 21st Century Schools	(4,902)
0	Welsh Government - Building for the Future Programme Grant	(2,500)
0	Welsh Government - Tourism Investment Support Scheme Grant	(720)
0	Welsh Government - Collaborative Change Programme Grant	(900)
0	Welsh Government - Public Highways Refurbishment Grant	(795)
(1,204)	Welsh Government - Local Authority Roads Refurbishment Grant 2017-18	0
0	Welsh Government - Schools Maintenance Grant	(1,388)
(752)	Other Welsh Government grants	(1,163)
<b>(17,296)</b>	<b>Total Grants Credited to Taxation &amp; Non-specific Grant Income</b>	<b>(22,105)</b>
	<b>Credited to Services</b>	
(3,958)	Welsh Government Sixth Forms Grant	(3,439)
(1,887)	Welsh Government Flying Start Grant	(2,018)
(1,151)	Welsh Government Families First Grant	(1,097)
(801)	Other Education grants from Welsh Government	(1,484)
(5,490)	Welsh Government Supporting People Grant	(5,526)
(1,313)	Welsh Government Sustainable Social Services Grant	(464)
(1,092)	Other Social Services grants from Welsh Government	(94)
(2,153)	Welsh Government Environmental & Sustainable Development Grants	(792)
(1,626)	Welsh Government Concessionary Fares Grant	(1,689)
(564)	WEFO West Wales ESF	(799)
(1,484)	Other Welsh Government grants	(2,017)
(21,519)	Total Welsh Government grants	(19,419)
(3,116)	Pupil Development Grant	(3,139)
(3,975)	Education Improvement Grant	(4,132)
(24,562)	DWP Rent Allowances Subsidy	(22,426)
(8,418)	DWP Rent Rebates Subsidy	(8,734)
(384)	DWP Housing Benefit/Council Tax Benefit Admin Grant	(354)
(1,701)	Various grants received from Betsi Cadwaladr University Health Board	(1,942)
(2,744)	Other Government grants	(2,630)
(66,419)	Total Government grants	(62,776)
(335)	Other non-government grants	(615)
<b>(66,754)</b>	<b>Total Grants Credited to Services</b>	<b>(63,391)</b>

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 were (£2,332k) Capital Grants and (£2,191k) Revenue Grants. The corresponding balances at the end of the previous year were (£2,082k) and (£1,042k).

### **31. Related Parties**

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

#### **Central Government**

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 30.

#### **Elected Members**

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

The following material declarations have been made for 2018/19:

- An elected member declared a relationship to an individual who owned a Day Nursery which received payments from the Council amounting to £5k up to the date that the ownership ended during the year.
- An elected member declared ownership of a Day Nursery which received payments from the Council amounting to £17k.
- An elected member declared a relationship to a contractor to whom the Council paid £21k relating to 2018/19.
- An elected member declared a relationship to an individual who provided professional services to the Council and to whom the Council paid £13k relating to 2018/19.
- An elected member declared the purchase of a parcel of land to the value of £456k. The sale followed a tender process.

A list of Elected Members' interests is maintained by the Head of Legal, HR & Democratic Services and is open for 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.

**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. There were no material declarations made for 2018/19.

**Other Public Bodies****Teachers' Pension Agency**

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teachers' pension details are set out in Note 34.

**Clwyd Pension Fund**

Denbighshire County Council is an admitted body of the Clwyd Pension Fund. Details of transactions undertaken with the Clwyd Pension Fund are included within Note 35.

**Community, Town & City Councils**

Total precepts paid to the 37 community, town and city councils are included in Note 8 and amounted to £1,955k (£1,834k in 2017/18).

**North Wales Police & Crime Commissioner and North Wales Fire Authority**

Police & Crime Commissioners and Fire & Rescue Authorities set their own charges to council tax payers, which are then included on the council tax bill - these charges are known as the precept. Total precepts and levies paid to the North Wales Police & Crime Commissioner and the North Wales Fire Authority amounted to £14,779k (£14,313k in 2017/18). A breakdown is provided in Note 8.

**Betsi Cadwaladr University Health Board**

The authority has two pooled budget arrangements with Betsi Cadwaladr University Health Board: one for the provision of a Community Equipment Store; and the second was set up with the aim of ensuring integrated service provision of Health and Social Care support workers, who support service users in the community. Denbighshire County Council's contribution to the Community Equipment Store was £219k (£219k in 2017/18) and the authority contributed £50k to the Health and Social Care Support Workers Service (£50k in 2017/18).

**Local Government Association (LGA)/ Welsh Local Government Association (WLGA)**

The Council is a member of the LGA/WLGA to which payments of £78k were made in 2018/19 (£78k in 2017/18). The Council received £185k from LGA/WLGA in 2018/19 (of which £44k was due at year end) and no income in 2017/18.

**Welsh Joint Education Committee (WJEC)**

The WJEC is an examination board, providing qualifications and exam assessment to Denbighshire schools. One of the Executive Directors of its Board is an Elected Member of Denbighshire County Council. In 2018/19 Denbighshire County Council made payments of £666k and owed £107k at year-end to the WJEC (£747k was paid in 2017/18 and £5k owed).

**Local Government Data Unit - Wales**

An Elected Member is a current Director at the Local Government Data Unit - Wales. Within 2018/19 expenditure of £29k was undertaken with Denbighshire County Council.

**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. There are currently no related companies however details of Bodelwyddan Castle Trust are included below as it was deemed a related company last year.

**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.

In previous years Denbighshire County Council gave an annual grant to Bodelwyddan Castle Trust (£145k in 2017/18) however this arrangement ceased in 2017/18 and therefore no payment was made in 2018/19. The Council also ceased to provide its payroll services from March 2018. The Council has no representation on the Board of Directors. The company is not deemed a related party for the purposes of the 2018/19 accounts.

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

**32. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), 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.

2017/18 £000		2018/19 £000
<b>241,564</b>	<b>Opening Capital Financing Requirement</b>	<b>252,520</b>
	<b>Capital Investment</b>	
43,412	Property, Plant & Equipment	58,272
0	Investment Properties	96
4,192	Revenue Expenditure Funded from Capital Under Statute	3,579
	<b>Sources of Finance</b>	
(1,692)	Capital Receipts	(1,678)
(18,681)	Government grants & other contributions	(23,124)
0	Adjustment to funding relating to 2017/18	456
	Sums set aside from revenue:	
(7,359)	Direct revenue contributions	(7,069)
(8,916)	MRP & Long-term Debtors	(7,564)
<b>252,520</b>	<b>Closing Capital Financing Requirement</b>	<b>275,488</b>

2017/18 £000		2018/19 £000
	<b>Explanation of movements in year</b>	
2,679	Increase in underlying need to borrow (supported by government financial assistance)	2,218
17,439	Increase in underlying need to borrow (unsupported by government financial assistance)	28,074
(8,916)	MRP & Long-term Debtors	(7,564)
(246)	Set aside Capital Receipts	(216)
0	Adjustment to funding relating to 2017/18	456
<b>10,956</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>22,968</b>



**33. Leases**

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.

**Rhyl Travelodge Leases**

The Council sold a car park to a developer in Rhyl to construct a Travelodge hotel as part of the strategic objective to regenerate the Rhyl Waterfront. This development was completed by January 2019 and the developer leased the structure back to the Council over a 25 year period for an annual rental payment of £274k. The Council sub-leased the property to Travelodge for an annual rental payment of £305k. Both leases commenced on 18th January 2019 and the rental payments will begin on 19th July 2019 following a six month rent free period. The Council agreed to act as a guarantor between the funder and the hotel operator to secure this development by entering into these back-to-back lease agreements through the receipt of an annual profit rent of £31k. This profit will be placed into a reserve which will accrue funds to be used to mitigate the Council's future financial risk.

**Authority as Lessee**Finance Leases

The Council has some properties under finance leases.

The assets acquired under these leases are carried as Property, Plant & Equipment in the Balance Sheet at the following net amounts:

<b>31 March 2018</b> <b>£000</b>		<b>31 March 2019</b> <b>£000</b>
4,407	Other Land & Buildings	4,305

**Authority as Lessor**Operating Leases

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

<b>31 March 2018</b> <b>£000</b>		<b>31 March 2019</b> <b>£000</b>
1,159	Not later than 1 year	945
2,781	Later than 1 year and not later than 5 years	2,041
13,287	Later than 5 years	13,307
<b>17,227</b>		<b>16,293</b>

**34. Pension 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 2018/19, the County Council paid £5,499k to Teachers' Pensions in respect of teachers retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £5,454k and 16.48%. In addition, payments in respect of premature retirements were made of £343k (£379k in 2017/18). There were no contributions remaining payable at year end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 35.

**35. 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme - this is a funded defined benefit pension scheme arrangement, 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.

The Clwyd Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees.

Management of the Fund is vested in Flintshire County Council as Administering Authority of the Fund. The Council has established a Pension Fund Committee comprising of five Councillors of Flintshire County Council and four co-opted members.

The Committee, assisted by the Fund's professional advisors, carries out roles such as determining policies on investment strategy, governance administration, communications,

funding strategy and risk management provisions.

For further details regarding the governance and investment principles of the Clwyd Pension Fund please refer to <https://mss.clwydpensionfund.org.uk/> or contact the Clwyd Pension Fund at:

Clwyd Pension Fund  
County Hall  
Mold  
Flintshire  
CH7 6NA

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the Council Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **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 and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and Council Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	20,335	20,082		
• † Past Service Costs/(Gains)	117	7,961		
• (Gain)/Loss from Settlements	0	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	685	729		
<i>Financing &amp; Investment Income and Expenditure</i>				
• Net Interest Expense	6,322	5,942	202	192
<i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	27,459	34,714	202	192
<i>Other Post Employment Benefits Charged to the Comprehensive Income &amp; Expenditure Statement:</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• * Return on Plan Assets (excluding the amount included in the Net Interest Expense) [A]	(6,936)	(9,931)		
• * Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions [B]	0	0		
• * Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions [C]	(26,689)	37,386	(121)	227
• * Other [D]	0			
<i>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>	<b>(6,166)</b>	<b>62,169</b>	<b>81</b>	<b>419</b>
<b>Movement in Reserves Statement</b>				
• Reversal of net charges made to the Surplus of Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(27,459)	(34,714)	(202)	(192)
<i>Actual amount charged against the Council Fund Balance for pensions in the year</i>				
• Employer's contributions payable to the scheme	17,537	18,517		
• Retirement benefits payable to pensioners			777	749

\* A + B + C + D = Remeasurement of the Net Defined Benefit Liability/(Asset) as quoted in the Comprehensive Income & Expenditure Statement £26,255k 2018/19; (£33,746k) 2017/18

† The December 2018 McCloud legal judgement about age discrimination could result in more public sector pension scheme members having increased levels of transitional protection following the change from final salary to career average schemes. The Government sought leave to appeal against this but on 27 June 2019 the Supreme Court upheld last years's ruling. The Government Actuary's Department (GAD) is currently assessing the impact of the judgement but it

is understood that it estimates it could be around 3.2% of a pension scheme's active liabilities based on a salary growth assumption of CPI plus 1.5%.

The potential impact on the Council has been estimated as £7,649k. This is shown in the previous table and in the Comprehensive Income & Expenditure Statement as a past service cost and increases the Council's pension liability by the same amount. As the Council's liabilities are assumed to increase then the cost implication of the case will result in higher future employer contributions. Timescales for the resolution of this matter could be lengthy.

### **Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	649,677	717,246	7,774	7,444
Fair value of plan assets	(407,992)	(431,909)		
Sub-total	241,685	285,337	7,774	7,444
Other movements in the liability (asset)				
<b>Net liability arising from defined benefit obligation</b>	<b>241,685</b>	<b>285,337</b>	<b>7,774</b>	<b>7,444</b>

### **Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

	Local Government Pension Scheme	
	2017/18 £000	2018/19 £000
Opening fair value of scheme assets	389,051	407,992
Interest income	9,855	10,760
Administration expenses	(685)	(729)
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	6,936	9,931
• Other		
The effect of changes in foreign exchange rates		
Contributions from employer	17,537	18,517
Contributions from employees into the scheme	3,723	3,946
Benefits paid	(18,425)	(18,508)
Other		
<b>Closing value of scheme assets</b>	<b>407,992</b>	<b>431,909</b>

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 April	654,439	649,677	8,470	7,774
Current service cost	20,335	20,082		
Interest cost	16,177	16,702	202	192
Contributions from scheme participants	3,723	3,946		
Remeasurement (gains) and losses:				
• Actuarial (gains) and losses arising on changes in demographic assumptions				
• Actuarial (gains) and losses arising on changes in financial assumptions	(26,689)	37,386	(121)	227
• Other				
Past service cost	19	7,674		
Losses/(gains) on curtailment	98	287		
Liabilities assumed on entity combinations				
Benefits paid	(18,425)	(18,508)	(777)	(749)
Liabilities extinguished on settlement				
<b>Closing balance at 31 March</b>	<b>649,677</b>	<b>717,246</b>	<b>7,774</b>	<b>7,444</b>

## Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2017/18 £000	2018/19 £000
<b>Cash &amp; cash equivalents</b>	<b>4,896</b>	<b>864</b>
<b>Equities</b>		
• UK quoted	0	0
• Global quoted	33,455	34,553
• Global unquoted	0	0
• US	0	0
• Japan	0	0
• Europe	0	0
• Emerging markets	28,559	26,778
• Frontier	0	0
• Far East	0	0
<b>Sub-total Equity</b>	<b>62,014</b>	<b>61,331</b>
<b>Bonds</b>		
• Overseas other bonds	46,511	47,942
• LDI	92,206	98,475
<b>Sub-total Bonds</b>	<b>138,717</b>	<b>146,417</b>
<b>Property</b>		
• UK	20,808	23,755
• Overseas	5,304	4,751
<b>Sub-total Property</b>	<b>26,112</b>	<b>28,506</b>
<b>Alternatives</b>		
• Hedge Funds	34,271	32,393
• Private equity	42,023	49,670
• Infrastructure	9,384	15,549
• Timber & Agriculture	5,712	5,183
• Private credit	3,264	7,342
• DGF	81,599	84,654
<b>Sub-total Alternatives</b>	<b>176,253</b>	<b>194,791</b>
<b>Total Assets</b>	<b>407,992</b>	<b>431,909</b>

## 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 estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions				
Longevity at 65 for current pensioners:				
• Men	23.1 years	23.2 years	23.1 years	23.2 years
• Women	25.6 years	25.7 years	25.6 years	25.7 years
Longevity at 65 for future pensioners:				
• Men	25.7 years	25.9 years		
• Women	28.3 years	28.4 years		
Rate of inflation	2.10%	2.20%	2.10%	2.30%
Rate of increase in salaries	3.35%	3.45%		
Rate of increase in pensions	2.20%	2.30%	2.20%	2.40%
Rate of discounting scheme liabilities	2.60%	2.40%	2.60%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes, for each change, that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analyses have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analyses below did not change from those used in the previous period.

Change in assumptions at 31 March 2019	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000
Longevity (increase in 1 year)	14,330
Rate of inflation (increase by 0.1%)	13,237
Rate of increase in salaries (increase by 0.1%)	1,913
Rate for discounting scheme liabilities (increase by 0.1%)	(12,997)

### Risks and Investment Strategy

The Fund maintains positions in a variety of financial instruments and is therefore exposed to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Investment Strategy Statement and corresponding Funding Strategy Statement, which set out the Pension Fund's policy on matters such as the type of investments to be held, balance



between types of investments, investment restrictions and the way risk is managed.

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £17,551k expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2018/19 (18 years 2017/18).

## **36. 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 2018/19 on 20 February 2018. 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 other parties might fail to pay amounts due to the Council.

Liquidity Risk: The possibility that the Council might not have funds available to meet its commitments to make payments.

Market Risk: The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

**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 £5,000k is placed on the amount of money that can be invested with a single counterparty. No more than £10,000k 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 following table 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 31/03/2019	Balance Invested at 31/03/2019 £000	Maturity Date			
				0-3 Months £000	4-6 Months £000	7-9 Months £000	10-12 Months £000
UK Banks	A+	A+	5,000	5,000			
Bank of Scotland	A+	A+	300	300			
NatWest	AA	AA	4,400	4,400			
UK Government Debt							
Management Office							
<b>Total</b>			<b>9,700</b>	<b>9,700</b>			

<b>Definitions</b> Long-term Ratings	AA	<b>Very high credit quality</b> Expectation of very low credit risk. Very strong capacity for payment of financial commitments, which is not significantly vulnerable to foreseeable events.
	A	<b>High credit quality</b> Expectation of low credit risk. Strong capacity for payment of financial commitments, which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

### Liquidity Risk

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

The maturity analysis of the Council's PWLB and temporary debt at 31 March 2019 was as follows:

	Years	31 March 2018 £000	31 March 2019 £000	%
<b>Short-term Borrowing</b>	Less than 1 year	<b>(30,390)</b>	<b>(24,705)</b>	<b>10.83</b>
<b>Long-term Borrowing</b>	Over 1 under 6	(19,830)	(30,215)	13.24
	Over 6 under 10	(9,800)	(18,134)	7.95
	Over 10 under 15	(10,049)	(21,059)	9.23
	Over 15 under 20	(35,803)	(40,072)	17.57
	Over 20 under 25	(12,370)	(6,000)	2.63
	Over 25 under 30	0	0	0.00
	Over 30 under 35	(11,053)	(19,126)	8.38
	Over 35 under 40	(71,897)	(63,825)	27.98
	Over 40 under 45	(5,000)	(5,000)	2.19
<b>Total Long-term Borrowing</b>		<b>(175,802)</b>	<b>(203,431)</b>	<b>89.17</b>
<b>Total Borrowing at Nominal Amount</b>		<b>(206,192)</b>	<b>(228,136)</b>	<b>100.00</b>
Accrued Interest		(1,454)	(1,677)	
Deferred Premium		941		
IFRS 9 Adjustment			5,493	
<b>Total Borrowing at Amortised Cost</b>		<b>(206,705)</b>	<b>(224,320)</b>	
<b>Balance as at 31 March 2018</b>		<b>(206,705)</b>		
IFRS 9 Adjustment		5,551		
<b>Balance as at 1 April 2018</b>		<b>(201,154)</b>		

## Market Risk

### (1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 2018 and 31 March 2019, 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.

**37. Heritage Assets**

Reconciliations of the carrying value of Heritage Assets held by the authority:

<b>2018/19</b>	<b>Scheduled Ancient Monument £000</b>	<b>Plas Newydd £000</b>	<b>Ruthin Gaol £000</b>	<b>Nantclwyd y Dre £000</b>	<b>Total Heritage Assets £000</b>
Cost or Valuation 01 April 2018	0	1,114	4,427	2,954	8,495
Additions	0	0	0	0	0
Revaluation Gains	0	811	3,009	2,976	6,796
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	0	0	(75)	0	(75)
Depreciation	0	(10)	(31)	(30)	(71)
<b>31 March 2019</b>	<b>0</b>	<b>1,915</b>	<b>7,330</b>	<b>5,900</b>	<b>15,145</b>

<b>2017/18</b>	<b>Scheduled Ancient Monument £000</b>	<b>Plas Newydd £000</b>	<b>Ruthin Gaol £000</b>	<b>Nantclwyd y Dre £000</b>	<b>Total Heritage Assets £000</b>
Cost or Valuation 01 April 2017	361	1,122	4,460	2,969	8,912
Additions	0	0	0	0	0
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	(361)	0	0	0	(361)
Depreciation	0	(8)	(33)	(15)	(56)
<b>31 March 2018</b>	<b>0</b>	<b>1,114</b>	<b>4,427</b>	<b>2,954</b>	<b>8,495</b>

The Heritage Assets were revalued in 2018/19 and it has resulted in a net gain of £6.721m. This is due to the fact the valuers have had independent advice on rebuild costs and these are considerably higher than previously estimated.

**Scheduled Ancient Monuments**

The Council has a number of scheduled ancient monuments and listed buildings classified by CADW as Heritage Assets but these have no valuations attached. Included in these is Castell Dinas Bran, which is a medieval castle standing high on a hill above the town of Llangollen and is the site of an Iron Age hill fort. Others include Jubilee Tower, Moel Fenlli, Moel y Gaer Llanbedr, Caer Drewyn and Prestatyn Roman Bath House. Further information is available from CADW or Clwyd Powys Archaeological Trust.

## **Civic Regalia**

Most of the Civic Regalia is still in the ownership of each Town Council, with a very small number of objects being cared for by the Heritage Service, due to them requiring professional care and storage or due to their historical value. However, Civic Regalia has not been included on the Balance Sheet as further information and consolidation of the collections held is required.

## **Heritage Buildings**

Denbighshire has the following Heritage Buildings. The buildings were revalued in 2018/19 as part of the five-yearly revaluation programme. At the moment there is no valuation for the artefacts included in the buildings. Most artefacts are 'gifted' at no cost and the word 'value' in museums does not often refer to a financial value.

### *Plas Newydd - Grade 2\* Building and Listed Landscape*

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

### *Ruthin Gaol - Grade 2\* Victorian Prison*

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

### *Nantclwyd y Dre - Grade 1\* Building and Listed Gardens*

The premises were purchased by Clwyd County Council in 1984. They were derelict but had a programme to renew and safeguard the external parts, which was completed in the mid 1990's. The premises were fully restored and opened to the public in June 2007 as a museum due to its historic merit.

The property comprises a circa 14th century house extended substantially. The property is a grade 1 listed structure with a registered historical garden, a grade 1 listed gazebo and listed garden walls. The majority of items on display are either replica or purchased from an unknown source outside Denbighshire. However, any objects directly related to the history of the house, which have since come to light and been 'gifted' have been accessioned into the Denbighshire Heritage Service.

## **Denbighshire Heritage Service Collections**

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

**Museums**

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

**Intangible Heritage Assets**

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

**Other**

It has been identified that a Denbighshire High School has a painting by the Welsh landscape painter, Sir John "Kyffin" Williams. It is estimated to be worth between £14,000 - £20,000.

**Collections Management and Valuations**

The management of collections is guided by the Museums Accreditation Scheme and the Welsh Government's 'A Museum Strategy for Wales'. The County's portable heritage collections are housed in the County Store in Ruthin. These include archaeological collections (such as Roman finds from Prestatyn Bath House and medieval collections from Rhuddlan Castle), collections associated with the Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. In August 2017, a professionally qualified Museum Curator was recruited to take responsibility for the care of the collections in Denbighshire, replacing the previous SLA arrangement with Bodellwyddan Castle Trust. The Curator's work to date has involved the submission for Museum Accreditation at Plas Newydd, Ruthin Gaol and Rhyl Museum, which was successful for all sites and awarded in September 2018. A full object audit has taken place at Plas Newydd, Ruthin Gaol, Rhyl Museum and Denbigh Volunteer Museum (who currently have the Denbigh Museum and Hospital County Collections on long-term loan). Work continues at the Museum Store to condition check, re-label, photograph and physically move each object, as part of a larger project to improve object care and storage capacity. In line with the object audits has been the implementation of the new object Management Database which will hold all object information. The Curator post fully satisfies the requirements of Museum Accreditation.

**Loans**

A number of objects are loaned to and from the Heritage Service. Plas Newydd has furniture on loan from the National Museum of Wales and this is covered by Denbighshire's insurance policy. There are also items on long-term loan from the Galleries of Justice in Nottingham in Ruthin Gaol. A loans register is kept in the main museum office.

**Acquisitions and Disposals**

The Heritage Service has a "Museum Documentation and Procedural Manual" as well as the other policies listed in the Heritage Service Forward Plan. The Museum Documentation and Procedural Manual documents the procedures for acquisition and disposal of all items. Each item should have a unique number, details of ownership and type of deposit. Once an item is accessed against the Collection Policy, a decision is made to formally accept it into the museum collection or return to the owner.

**Section 4: Supplementary Statements and Notes to the Supplementary Statements****Housing Revenue Account Income and Expenditure Statement**

<b>2017/18 £000</b>		<b>Note</b>	<b>2018/19 £000</b>
	<b>Expenditure</b>		
4,442	Repairs & maintenance		4,871
2,523	Supervision & management		2,556
13	Rents, rates, taxes & other charges		18
8,710	Depreciation & impairment of non-current assets	5	8,926
39	Debt management costs		38
96	Movement in bad debt provision		137
<b>15,823</b>	<b>Total Expenditure</b>		<b>16,546</b>
	<b>Income</b>		
(14,158)	Dwelling rents (gross)		(15,181)
(172)	Non-dwelling rents (gross)		(178)
<b>(14,330)</b>	<b>Total Income</b>		<b>(15,359)</b>
	<b>Net Expenditure of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>		
<b>1,493</b>			<b>1,187</b>
58	HRA share of Corporate Expenditure		58
<b>1,551</b>	<b>Net Expenditure of HRA Services</b>		<b>1,245</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement</b>		
24	Pension administration costs	6	25
3,253	Interest payable & similar charges		3,055
(10)	Interest & investment income		(13)
225	Net interest on the net defined benefit liability/(asset)	6	214
(2,409)	Capital grants & contributions receivable		(3,540)
<b>2,634</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>986</b>



## Movement on the HRA Statement

2017/18 £000		2018/19 £000	
(2,547)	<b>Balance on the HRA at 1 April</b>		<b>(2,203)</b>
2,634	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	986	
(2,353)	Adjustments between accounting basis & funding basis under statute (see below)	(427)	
281	Net (increase) or decrease before transfers to or from reserves		559
63	Transfers to or (from) reserves		(40)
344	(Increase) or decrease in year on the HRA		519
<b>(2,203)</b>	<b>Balance on the HRA at 31 March</b>		<b>(1,684)</b>

	<b><u>Adjustments between accounting basis &amp; funding basis under statute:</u></b>		
	<b>Adjustments primarily involving the Capital Adjustment Account</b>		
	<u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
(8,710)	Charges for depreciation & impairment of non-current assets	(8,926)	
2,409	Capital grants & contributions applied	3,540	
0	Revenue Expenditure Funded from Capital Under Statute	0	
(328)	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	(288)	(5,674)
	<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
2,703	Statutory provision for the financing of capital investment	2,853	
1,647	Capital expenditure charged against HRA balances	2,442	
	<b>Adjustments involving the Capital Receipts Reserve</b>		
328	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement	288	
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>		
0	Amount by which finance costs charged to the HRA Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3	
	<b>Adjustments primarily involving the Pensions Reserve</b>		
(967)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement	(945)	
579	Employer's pension contributions payable in the year	608	
	<b>Adjustments involving the Accumulated Absences Account</b>		
(14)	Amount by which officer remuneration charged to the HRA Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	5,247
<b>(2,353)</b>	<b>Total Adjustments</b>		<b>(427)</b>

**Notes to the Supplementary Statements****1. Housing Stock**

The Council's total housing stock was as follows:

<b>2017/18</b>		<b>2018/19</b>
<b>No. of Properties</b>		<b>No. of Properties</b>
1,810	Houses	1,804
954	Flats	957
616	Bungalows	617
<b>3,380</b>	<b>Total</b>	<b>3,378</b>

During the year three properties were sold under the Right to Buy Scheme and five were purchased in the year and four removed from the housing stock.

**2. Rent Arrears**

At the 31 March 2019, tenants' rent arrears were £647k, (£427k as at 31 March 2018), which represented 4.26% of the net rent income due in the year. No arrears were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £137k was made during the year and the balance at year end was £467k.

**3. Capital Receipts**

There have been three Right to Buy (RtB) sales in 2018/19 plus one purchase of land. Whilst the RtB has been suspended, pre-suspension applications have been completed. Capital receipts of £288k were received from sales in 2018/19, £328k in 2017/18.

**4. Analysis of Housing Revenue Account Capital Expenditure**

During 2018/19 capital expenditure of £8,632k was incurred on improvements to the Council's housing assets. This includes improvements to existing stock and investment in sites to facilitate the development of additional housing stock. It also includes the acquisition of former housing stock. Total capital expenditure has been financed by five sources: the Major Repairs Allowance (a government grant), capital receipts (from the Right to Buy scheme), Direct HRA revenue contributions, Prudential Borrowing and other grants as detailed in the following table.

2017/18 £000	<b>Housing Capital Expenditure</b>	2018/19 £000
87	Quality Performance Management - IT Project	190
3,007	Acquisitions	2,715
5,906	Improvement/Planned Works	5,727
<b>9,000</b>	<b>Total In-year Expenditure</b>	<b>8,632</b>
	<i>Financed by:</i>	
2,409	Major Repairs Allowance (Grant)	2,412
82	Usable Capital Receipts	72
1,647	Direct HRA Revenue Contributions	2,458
4,862	Prudential Borrowing	2,577
0	Other grants	1,113
<b>9,000</b>	<b>Total Financing</b>	<b>8,632</b>

## 5. Depreciation, Impairment and Revaluation Losses of Non-current Assets

In line with the resource accounting framework, depreciation charges, impairment and revaluation losses are included in the HRA Net Cost of Services. The depreciation charge is based on the Balance Sheet value of dwellings and other assets and reflects the assets held and consumed in the delivery of the service rather than simply the cash spent on them each year. The impairment and revaluation losses arise as a result of the revaluation process. 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 The General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015. The depreciation charge, impairment and revaluation losses have no effect on HRA balances.

The total depreciation charges and impairment & revaluation losses for 2018/19 are shown below:

2017/18 £000		2018/19 £000
2,111	Operational Assets - Dwellings	2,085
63	Operational Assets - Equipment & Infrastructure	52
<b>2,174</b>	<b>Total Depreciation</b>	<b>2,137</b>
<b>6,536</b>	<b>Impairment &amp; Revaluation Losses</b>	<b>6,789</b>
<b>8,710</b>	<b>Total HRA Depreciation, Impairment &amp; Revaluation Losses</b>	<b>8,926</b>

## 6. Transactions Relating to Retirement Benefits

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

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

2017/18 £000	<u>Comprehensive Income &amp; Expenditure Statement</u>	2018/19 £000
	<u>Net Cost of Services</u>	
702	Current Service Cost	706
16	Past Service Costs	0
	<u>Net Operating Expenditure</u>	
24	Pension Administration Expenses	25
225	Net Interest Expense	214
<b>967</b>	<b>Net charge to the Comprehensive Income &amp; Expenditure Statement</b>	<b>945</b>

	<u>Movements on the HRA Statement</u>	
(967)	Reversal of net charges made for retirement benefits in accordance with the Code	(945)
579	Employer's contribution payable to the Clwyd Pension Fund Scheme	608

**Section 5: The independent auditor's report of the Auditor General for Wales to the Members of Denbighshire County Council****Report on the audit of the financial statements****Opinion**

I have audited the financial statements of Denbighshire County Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

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 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

**Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Denbighshire County Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Denbighshire County Council's ability to continue to adopt the going concern

basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Report on other requirements****Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

**Matters on which I report by exception**

In the light of the knowledge and understanding of Denbighshire County Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report and Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for 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 Auditor General for Wales' Code of Audit Practice.

**Responsibilities**

**Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Denbighshire County Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

**Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.



Anthony J Barrett

For and on behalf of the Auditor General for Wales

13 September 2019

24 Cathedral Road

Cardiff

CF11 9LJ

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



# Annual Governance Statement

## 2018-19

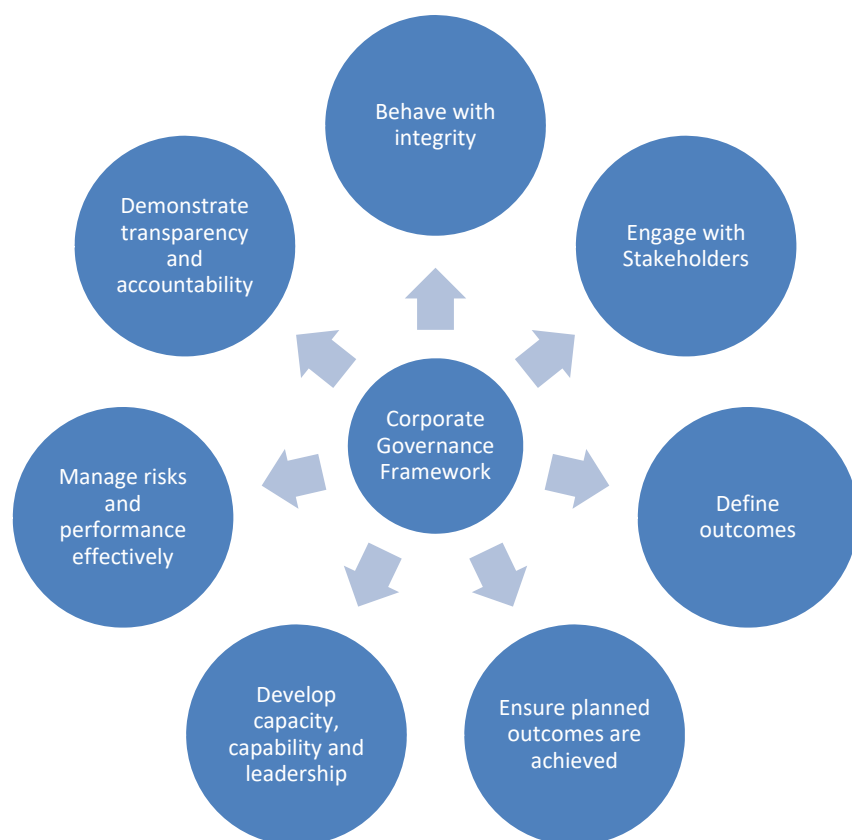


## Introduction

The CIPFA/Solace Delivering Good Governance in Local Government framework (2016) requires local authorities to publish an Annual Governance Statement. This is to show that Denbighshire County Council (the Council):

- Conducts its business in accordance with relevant laws and regulations;
- Properly accounts for and safeguards public money;
- Uses its resources economically, efficiently and effectively to achieve agreed priorities that benefit local people.

The Council has adopted the 'Core Principles' which underpin the CIPFA/Solace framework to form its Corporate Governance Framework. The seven core principles are set out below along with an overview of the Council's governance framework:



Key Elements Of The Council's Governance Framework		
<b>Evidence Sources</b> <ul style="list-style-type: none"> <li>• Constitution</li> <li>• Corporate Plan</li> <li>• Leadership Strategy</li> <li>• Core Values</li> <li>• Equalities arrangements</li> <li>• FOI arrangements</li> <li>• Codes of conduct</li> <li>• Anti-fraud &amp; Corruption Policy</li> <li>• Whistleblowing Policy</li> <li>• Expert advice &amp; guidance</li> <li>• Risk management</li> <li>• Project management</li> <li>• Internal controls</li> <li>• Internal Audit service</li> <li>• Information management</li> <li>• Elected member &amp; staff training</li> <li>• Customer feedback &amp;</li> <li>• Complaints process</li> </ul>		<b>Assurance Sources</b> <ul style="list-style-type: none"> <li>• Performance reports</li> <li>• Financial reports</li> <li>• Democratic arrangements</li> <li>• External regulator reports</li> <li>• Internal Audit reports</li> <li>• Service challenges</li> <li>• Self-assessments</li> <li>• Peer reviews</li> <li>• Partnership boards</li> <li>• Staff surveys</li> <li>• Resident surveys</li> <li>• Customer feedback</li> <li>• Consultations</li> </ul>
<b>Members</b> <ul style="list-style-type: none"> <li>• Corporate Governance Committee</li> <li>• Scrutiny Committees</li> <li>• Standards Committee</li> </ul>	<b>Council Meetings</b> <ul style="list-style-type: none"> <li>• All meetings are held in public</li> <li>• Decisions are recorded on the Council's website</li> </ul>	<b>Executive</b> <ul style="list-style-type: none"> <li>• Corporate Executive Team               <ul style="list-style-type: none"> <li>◦ Head of Paid Service (CEO)</li> <li>◦ Treasurer (Section 151 Officer)</li> <li>◦ Monitoring Officer</li> </ul> </li> <li>• Senior Leadership Team</li> </ul>

The effectiveness of governance arrangements is measured in several ways. One key report is the Chief Internal Auditor's Annual Report which provides an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework and the extent that the Council can rely on it. The Annual Internal Audit Report will be presented to the Corporate Governance Committee in June 2019, which will summarise the key findings of the audit work undertaken in 2018/19, including any areas of significant weaknesses in the internal control environment.

It is of the opinion of the Chief Internal Auditor, taking into account all available evidence, that medium assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2018/19. This is the same as last year. Improvements in the following areas were highlighted however:

Issues identified by Internal Audit in 2018/19	Agreed action
Review and update the Money Laundering Policy and raise awareness with relevant officers.	Update Money Laundering Policy and communicate to officers that collect cash on behalf of the Council.
Define risk appetite and risk management training for members and officers (staff).	Agree risk appetite and arrange training for members and senior and middle managers on risk management.

Last year's self-assessment and Annual Governance Statement highlighted nine areas for improvement relating to: committee reports; awareness of the code of conduct; budget deficit; changes affecting senior management; partnerships; contract management; benefit realisation; and GDPR implementation. Follow up work by Internal Audit confirms that all areas are being addressed.

The Corporate Governance Officer's Group consisting the Monitoring Officer, Head of Finance, Head of Business Improvement & Modernisation (SIRO) reviewed the Council's arrangements against the CIPFA/Solace Framework. This confirmed that governance arrangements such as the Code of Conduct, Financial Regulations, and other corporate processes have operated as intended during the year. The Code of Corporate Governance was updated to reflect the current arrangements. Looking ahead, the following areas for improvement have been identified for 2018/19:

Improvement actions 2018/19	Agreed action
Review, update and promote the Strategy for the Prevention of Fraud, Corruption & Bribery	Periodic review of the Strategy and raise awareness as relevant.
Review the Council's Ethical Culture as required by the Public Sector Internal Audit Standards	Internal Audit review planned for 2019/20.
Finalise and promote the Partnership Framework	Partnership framework to be presented to Corporate Governance Committee and requirements communicated to relevant persons
Ongoing work to promote the officer's code of conduct, declaration of interest, gifts and hospitality and whistleblowing.	E-learning module due to be released and Monitoring Officer to brief senior and middle managers.
Ongoing work to implement the requirements of the General Data Protection Regulations.	Internal Audit review of GDPR.

## The Governance Framework

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### Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law

Denbighshire CC's Constitution includes the Codes of Conduct for members and officers and demand a high standard of behaviour. These are supported by more detailed guidance such as the Strategy for the Prevention and Detection of Fraud, Corruption and Bribery, Whistleblowing Policy, Financial Regulations and Contract Procedure Rules. The Monitoring Officer and Head of Finance / Section 151 Officer both have responsibilities to ensure that Council decisions meet legal requirements.

### Principle 2 - Ensuring openness and comprehensive stakeholder engagement

The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. The resident survey informs community engagement strategies as well as service. The Council publishes information on the website including webinars of Council meetings. Communication channels involve press releases and online such as social media (facebook and twitter) and the County Conversation portal <https://countyconversation.denbighshire.gov.uk/customerportal>

### Principle 3 - Defining outcomes in terms of sustainable economic, social, and environmental benefits

The strategic vision for Denbighshire is set out in its Corporate Plan. Within it, Council defines specific priorities and outcomes to be achieved and this is managed by two programme boards. A separate programme board is focused on ensuring the Council's finances and services are sustainable. A Wellbeing Impact Assessment is completed to inform significant decisions.

### Principle 4 - Determining the intervention necessary to achieve intended outcomes

A Quarterly Performance report tracks the performance of all Council activities in terms of key performance indicators and delivery of key outcomes. The report also highlights remedial actions being taken where slippage does occur. Senior Management and Members (via Scrutiny committees and the Corporate Governance Committee), ensure the Council remains focussed on achieving its objectives and priorities.

### Principle 5 - Developing capacity, including the capability of leadership and individuals within the Council

Development is directed by the leadership strategy, apprenticeship schemes and an e-learning portal is used to develop staff at all levels. The Council also works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

### Principle 6 - Managing risks and performance through strong internal control and financial management

Corporate risk registers are updated twice yearly, with significant risks brought to the attention of senior management and members. Internal Audit assess the overall quality of risk management, governance and internal control and agree actions for improvement as necessary. The Council has a strong track record in financial management, delivering services within budget and timely production of the 2017/18 accounts in response to the early closure requirements.

### Principle 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Council provides clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. Minutes of meetings and key decisions are published on the Council's website. The external assessment of Internal Audit confirms it conforms to the Public Sector Internal Audit Standards.

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## Key contributors to developing and maintaining the Governance Framework

Council	<ul style="list-style-type: none"> <li>– Approves the Corporate Plan</li> <li>– Endorses the Constitution</li> <li>– Approves the policy and financial frameworks</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>– Primary decision making body of the Council</li> <li>– Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios</li> </ul>
Corporate Governance Committee	<ul style="list-style-type: none"> <li>– Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors</li> </ul>
Standards Committee	<ul style="list-style-type: none"> <li>– Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct.</li> </ul>
Programme Boards	<ul style="list-style-type: none"> <li>– Track efficiencies, highlighting risk and mitigating actions to achievement</li> <li>– Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery</li> <li>– Plan communication and engagement activity</li> </ul>
Scrutiny Committees	<ul style="list-style-type: none"> <li>– Review and scrutinise the decisions and performance of Council, Cabinet, and Committees</li> <li>– Review and scrutinise the decisions and performance of other public bodies including partnerships</li> </ul>
Senior Leadership Team & Managers	<ul style="list-style-type: none"> <li>– Responsible for developing, maintaining and implementing the Council's governance, risk and control framework</li> <li>– Contribute to the effective corporate management and governance of the Council</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>– Provide an independent opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements</li> <li>– Delivers a programme of risk based audits, including counter fraud and investigation</li> <li>– Identifies areas for improvement in the management of risk</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>– Audit and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources</li> </ul>

## Significant governance issues

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This Annual Governance Statement concludes that the Council has effective arrangements in place. While we recognise that there are areas for improvement (see improvement actions), it is important to note that the Corporate Governance Officers Group determined that there were no significant issues in 2018/19.

The areas for improvement that we have identified in our self-assessment will be monitored by the Corporate Governance Committee. This plan also includes any issues raised in last year's action plan that have not yet been fully addressed.

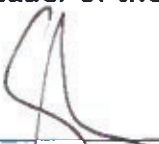
## Certification

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We propose over the coming year to take steps to address the issues identified in our Governance Improvement Action Plan 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:   
Cllr Hugh Evans  
Leader of the Council

Date: 20-5 2019

Signed:   
Judith Greenhalgh  
Chief Executive

Date: 20/5/ 2019

## **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.

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

**CURRENT SERVICE COST (PENSIONS)** - The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

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

**DEFINED BENEFIT PENSION SCHEME** - Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

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

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

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

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

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

**EVENTS AFTER THE BALANCE SHEET DATE** - Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

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

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

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

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

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

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

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

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

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

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

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



**HOUSING REVENUE ACCOUNT (HRA)** - A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

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

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

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

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

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

**INTEREST COST (PENSIONS)** - For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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

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

**INVESTMENT PROPERTY** - Property that is held solely to earn rentals or for capital appreciation or both.

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

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

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

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

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

**MINIMUM REVENUE PROVISION (MRP)** - The minimum amount, which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**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-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.

**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 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.