



Wrexham County Borough Council

Statement of Accounts  
for the financial year  
ended 31 March 2012

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## 1. Introduction

This booklet summarises the County Borough Council's accounts for the financial year 2011/12 and contains:

- the **Movement in Reserves 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 **Comprehensive Income and Expenditure 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 council tax. Councils raise council tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The council tax position is shown in the Movement in Reserves statement;
- the **Balance Sheet** which sets out the financial position of the Council at 31 March 2012;
- the **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the financial year;
- the **Housing Revenue Account (HRA) and notes** show, in more detail, the income and expenditure on HRA services included in the Comprehensive Income and Expenditure Account.

## 2. Revenue Outturn compared to the Council's Budget

- 2.1 The details of the Council's revenue expenditure for the year are set out in the Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement, which appear on pages 7 and 8. The Council is reporting a deficit on the provision of services of £5,564k (excluding HRA) for the year, with significant amounts relating principally to technical adjustments (see note 7 Notes to the Accounts) such as:
- Non current asset impairment charges, where capital expenditure incurred by the Council has not resulted in an equivalent increase in the value of fixed assets.
  - The effect of Post Employment Benefits on the Council's Comprehensive Income and Expenditure Statement, primarily as a result of past service gains, pensions interest cost and expected return on pension assets.
- 2.2 Council Fund services (excluding HRA) underspent by £1,622k for the 2011/12 financial year. Schools underspent by £483k and this amount was transferred to school balances. The members of the Executive Board at its meeting on 12 June noted the carry forward of service underspends and transfers to earmarked reserves amounting to £1,139k with no transfer to the General Fund balance.
- 2.3 The Council monitors against its budget for the year, based on its internal management and departmental structure. The Housing Revenue Account is reported separately during the financial year and is consolidated as part of the production of the year-end accounts. The HRA outturn was also reported to the Executive Board on 12 June 2012 and HRA balances decreased by £1,385k.
- 2.4 The budget for 2011/12 was approved by Council in February 2011. The budget for the year totalled £209m and was closely monitored and controlled during the year, in accordance with approved Council procedures. The actual Council Fund expenditure and income at the end of the financial year compared to the budget plan and reconciled to the Comprehensive Income and Expenditure Statement on page 8 is summarised in a table on page 3.

**EXPLANATORY FOREWORD**

<b>Council Fund</b>	<b>Budget £'000 a</b>	<b>Actual Outturn £'000 b</b>	<b>Variance £'000 c=b-a</b>	<b>Technical Adjustment (incl. HRA) £'000 d</b>	<b>CI&amp;E Outturn (page 8 ) £'000 e=b+d</b>	<b>CI&amp;E Variance (page 8 ) £'000 f=e-a</b>
Net Service Expenditure / Net Cost of Services	111,800	111,071	(729)	102,639	213,710	101,910
Schools	70,342	69,859	(483)	(69,859)	0	(70,342)
Corporate Income & Expenditure:						
Services	8,917	9,078	161	(9,078)	0	(8,917)
Interest Payable & Other Operating costs	17,550	17,218	(332)	5,793	23,011	5,461
Precepts:						
Community Councils	0	0	0	1,866	1,866	1,866
North Wales Police Authority	0	0	0	10,861	10,861	10,861
<b>Total Net Expenditure</b>	<b>208,609</b>	<b>207,226</b>	<b>(1,383)</b>	<b>42,222</b>	<b>249,448</b>	<b>40,839</b>
<b>Financed by:</b>						
Government Grants	(131,069)	(131,069)	0	(27,127)	(158,196)	(27,127)
Non-Domestic Rates	(31,361)	(31,361)	0	0	(31,361)	0
Council Tax	(46,179)	(46,418)	(239)	(12,727)	(59,145)	(12,966)
<b>Total Income</b>	<b>(208,609)</b>	<b>(208,848)</b>	<b>(239)</b>	<b>(39,854)</b>	<b>(248,702)</b>	<b>(40,093)</b>
<b>Reported (Surplus) / Deficit</b>	<b>0</b>	<b>(1,622)</b>	<b>(1,622)</b>	<b>2,368</b>	<b>746</b>	<b>746</b>
Approved Carried forward underspends and transfers to reserves	0	1,139	1,139			
Contribution to school balances	0	483	483			
<b>Contribution to / (from) :</b>						
<b>General Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>5,564</b>
<b>HRA</b>	<b>(1,866)</b>	<b>(1,385)</b>	<b>481</b>			<b>(4,818)</b>

### 3. Financial Position at 31 March 2012

3.1 The Council has made provision for known liabilities and established reserves, where required by statute, for future liabilities or earmarked for future service developments. The Council's General Fund balance is a measure of the uncommitted reserves which the Council holds, to meet cash flow requirements and unforeseen future events. The General Fund balance, which was £7.018m at the start of the financial year, totalled £7.018m at 31 March 2012.

### 4. Capital Investment

4.1 Capital investment (excluding capital accruals) in the year amounted to £56m. The following tables give an analysis of this expenditure and the way it was financed.

## EXPLANATORY FOREWORD

Where the capital money was spent	2011/12 £'000	%
School adaptations and improvements	8,396	14.99
Highway improvements	16,412	29.31
Economic Development and Planning	814	1.45
Housing Renovation Grants/Renewal	2,980	5.32
Council House improvements	21,735	38.81
Other	5,669	10.12
<b>Total</b>	<b>56,006</b>	<b>100.00</b>

Where the capital money came from	2011/12 £'000	%
Borrowing	11,809	21.09
Capital Receipts	3,105	5.54
Grants and Contributions	30,315	54.13
Revenue	9,736	17.38
Finance Leases	1,041	1.86
<b>Total</b>	<b>56,006</b>	<b>100.00</b>

4.2 School adaptations and improvements include £1.3m for the Secondary Schools Reorganisation Phase II, £3.2m at L Lay Primary School and £1.9m for a new Primary School in Rhosymedre. Highways improvements include £12m for the Wrexham Industrial Estate Access Road and Council House improvements include £9.5m on Solar Panels.

### 5 Long Term Borrowing

5.1 The Council's principal loan debt at 31 March 2012 was £126.36m. It is the Council's strategy to maintain the level of external borrowing in line with the Capital Financing Requirement. No new borrowing was taken out during the year.

### 6 Revaluation and Disposals of Non Current Assets

6.1 The Council has a policy of revaluing all assets every five years, and the last full valuation was undertaken as at 1 April 2009. A rolling programme will revalue all property assets over the period to 2014/15. During 2011/12 Schools, Youth Clubs and other education property were revalued. The programme for subsequent years is as follows:

2012/13 – Council Dwellings, Other Land & Buildings (Environment, Leisure, Libraries & Culture)  
 2013/14 – Other Land & Buildings – (Housing, Public Protection & Public Offices)  
 2014/15 – Other Land & Buildings (Commercial Estate, Social Care Property)

6.2 In addition to the rolling programme an annual review is undertaken for impairment and significant changes in the use of property.

6.3 During 2011/12, upward revaluations of £38.9m were made of which £35.2m related to schools, youth clubs and other education property, £0.7m to other land and buildings and £3m to surplus assets. There were also downward revaluations / impairment to council dwellings of £2.8m, other land and buildings of £50.4m (of which £45.3m related to schools, youth clubs and other education property), and surplus assets and assets held for sale of £1m. Of the downward revaluations/impairments £23.3m was recognised in the Surplus or Deficit on Provision of Services and £30.9m in the Revaluation Reserve.

6.4 As part of the review of schools, youth clubs and other education property, the remaining life of these assets was reassessed and changes were made to give a range of 12 to 80 years for such properties.

6.5 During the year the council sold Council Dwellings of £779k and other assets of £1,302k which included land at Hightown flats (£200k) and Western Gateway (£950k). The Council made a loss of £47k.

## 7 Pension Liability

7.1 The Statement of Accounts, as presented, complies with the requirements of *International Accounting Standard 19 (IAS 19)*, in that the Comprehensive Income and Expenditure Account reflects the current year cost of pension provision to employees, as advised by the Council's actuary, Mercers. In addition, the Balance Sheet contains the actuary's assessment of the Council's share of the Pension Fund liability (£209.6m) as at 31 March 2012, and the reserve needed to fund that liability. The disclosed pension fund liability is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

## 8 Change in Accounting Policies and Format of the Accounts

8.1 The Council's Statement of Accounts for 2011/12 is required to be prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). There have been changes introduced in the Code and, as a consequence, changes have been made to the format of accounts, and also the adoption of new accounting policies. The key changes are outlined as follows:

- i) The adoption of FRS 30 *Heritage Assets* by the Code has resulted in a change of accounting policy and, therefore, the restatement of balances at 1 April 2010 and at 31 March 2011. Previously, heritage assets were either recognised as community assets, or not recognised at all in the Balance Sheet. Heritage assets are now to be recognised as a separate class of asset and recognised at valuation. In applying the new accounting policy the Council has identified £787k of assets previously held as community assets, that are now to be recognised as heritage assets but valued at £471k and £36k of assets not previously recognised on the Balance Sheet. As a result of the change in accounting policy the net assets of the Council at 1 April 2010 and 31 March 2011 have decreased by £280k. (See note 1 Notes to the Accounts).
- ii) Revenue grants and contributions, that are yet to be recognised as income, as they have conditions attached to them that will require the monies to be repaid, have previously been classified as Creditors. The Code now requires these to be classified as Grants Receipts in Advance. This is not a change in accounting policy and therefore does not require a prior year adjustment. Although the comparative figures as at 31 March 2011 have been restated, there is no change to the net asset position of the Council. (See note 1 Notes to the Accounts).
- iii) The Code has introduced a requirement to disclose the number and cost of exit packages. (See note 16 Notes to the Accounts).

## 9 Further Information

Further information about the accounts and budgets of the Council is available from the Head of Finance, Wrexham County Borough Council, Lambpit Street, Wrexham. This is part of the Council's policy of providing full information about the Council's financial affairs. In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

The Statement of Accounts will also be available on the Authority's website ([www.wrexham.gov.uk](http://www.wrexham.gov.uk)).

**M S Owen**

Head of Finance

The Council is required, under the Code, to include a Statement of Responsibilities in the Statement of Accounts which sets out the respective responsibilities of the Council, and the Head of Finance in respect of these Accounts.

**The Council's Responsibilities**

The Council is required to make arrangements:

- for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Head of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

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**Chair Audit Committee**

**The Responsibility of the Head of Finance**

The Head of Finance 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 2011/12 (the Code).

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority

The Head of Finance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Head of Finance's Certificate**

The foregoing Statement of Accounts has been prepared in accordance with the Code and gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012.

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**MARK S OWEN CPFA**

**Head of Finance**

## 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 and Expenditure Statement. These are different from the statutory amounts required to be charged to the General 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 General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Restated Balance at 1 April 2010</b>	<b>7,018</b>	<b>16,739</b>	<b>3,409</b>	<b>43</b>	<b>11,986</b>	<b>1,357</b>	<b>40,552</b>	<b>467,685</b>	<b>508,237</b>
<u>Movement in Reserves during 2010/11</u>									
Surplus / (Deficit) on the provision of services	28,303	0	(222)	0	0	0	28,081	0	28,081
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	17,023	17,023
<b>Total Comprehensive Income and Expenditure</b>	<b>28,303</b>	<b>0</b>	<b>(222)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,081</b>	<b>17,023</b>	<b>45,104</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(25,843)	0	2,114	0	11,176	(735)	(13,288)	13,288	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>2,460</b>	<b>0</b>	<b>1,892</b>	<b>0</b>	<b>11,176</b>	<b>(735)</b>	<b>14,793</b>	<b>30,311</b>	<b>45,104</b>
Transfers (to) / from Earmarked Reserves (note 8)	(2,460)	2,460	(297)	297	0	0	0	0	0
<b>Increase / (Decrease) in 2010/11</b>	<b>0</b>	<b>2,460</b>	<b>1,595</b>	<b>297</b>	<b>11,176</b>	<b>(735)</b>	<b>14,793</b>	<b>30,311</b>	<b>45,104</b>
<b>Restated Balance at 31 March 2011 c/fwd</b>	<b>7,018</b>	<b>19,199</b>	<b>5,004</b>	<b>340</b>	<b>23,162</b>	<b>622</b>	<b>55,345</b>	<b>497,996</b>	<b>553,341</b>
<u>Movement in Reserves during 2011/12</u>									
Surplus / (Deficit) on the provision of services	(5,564)	0	4,818	0	0	0	(746)	0	(746)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(25,567)	(25,567)
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,564)</b>	<b>0</b>	<b>4,818</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(746)</b>	<b>(25,567)</b>	<b>(26,313)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	7,046	0	(4,958)	0	(1,563)	216	741	(741)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,482</b>	<b>0</b>	<b>(140)</b>	<b>0</b>	<b>(1,563)</b>	<b>216</b>	<b>(5)</b>	<b>(26,308)</b>	<b>(26,313)</b>
Transfers (to) / from Earmarked Reserves (note 8)	(1,482)	1,482	(1,245)	1,245	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>0</b>	<b>1,482</b>	<b>(1,385)</b>	<b>1,245</b>	<b>(1,563)</b>	<b>216</b>	<b>(5)</b>	<b>(26,308)</b>	<b>(26,313)</b>
<b>Balance at 31 March 2012</b>	<b>7,018</b>	<b>20,681</b>	<b>3,619</b>	<b>1,585</b>	<b>21,599</b>	<b>838</b>	<b>55,340</b>	<b>471,688</b>	<b>527,028</b>



## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT STATEMENT

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

2010/11			Note	2011/12		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
2,617	(1,076)	1,541	Central Services to the Public	2,460	(1,134)	1,326
21,382	(4,642)	16,740	Cultural and Related Services	19,368	(4,822)	14,546
18,130	(7,597)	10,533	Environmental and Regulatory Services	21,444	(10,204)	11,240
12,525	(7,659)	4,866	Planning Services	10,333	(5,156)	5,177
139,276	(24,719)	114,557	Children's and Education Services	146,372	(22,699)	123,673
14,348	(5,761)	8,587	Highways and Transport services	14,056	(6,456)	7,600
42,901	(36,655)	6,246	Local Authority Housing (HRA)	41,124	(39,616)	1,508
55,670	(51,321)	4,349	Other Housing Services	58,169	(55,050)	3,119
54,297	(14,047)	40,250	Adult Social Care	55,959	(14,637)	41,322
3,775	(70)	3,705	Corporate and Democratic Core	3,540	(8)	3,532
(24,099)	(994)	(25,093)	Non Distributed Costs	1,137	(470)	667
<b>340,821</b>	<b>(154,540)</b>	<b>186,281</b>	<b>Cost of Services</b>	<b>373,962</b>	<b>(160,252)</b>	<b>213,710</b>
18,466	(9,853)	8,613	Other Operating Expenditure	19,040	0	19,040
39,718	(20,987)	18,731	Financing and Investment Income and Expenditure	38,189	(21,491)	16,698
0	(241,706)	(241,706)	Taxation and Non Specific Grant Income	0	(248,702)	(248,702)
<b>399,005</b>	<b>(427,086)</b>	<b>(28,081)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>431,191</b>	<b>(430,445)</b>	<b>746</b>
		(2,608)	(Surplus) / Deficit on revaluation of non-current assets			(10,954)
		0	Impairment losses on non-current assets charged to the revaluation reserve			2,868
		(14,415)	Actuarial (gains) / losses on pensions assets / liabilities			33,653
		<u>(17,023)</u>	Other Comprehensive Income and Expenditure			<u>25,567</u>
		<b><u>(45,104)</u></b>	<b>Total Comprehensive Income and Expenditure</b>			<b>26,313</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 Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 31 March 2010 £'000	Restated 31 March 2011 £'000		Notes	31 March 2012 £'000
849,111	839,679	Property, Plant and Equipment	22	852,302
507	507	Heritage Assets	26	507
500	585	Intangible Assets	27	393
375	0	Assets Held for Sale		0
293	261	Long Term Debtors	30	259
<b>850,786</b>	<b>841,032</b>	<b>Long Term Assets</b>		<b>853,461</b>
34,153	34,682	Short Term Investments	32	14,162
725	2,053	Assets Held For Sale	33	1,500
677	654	Inventories		657
24,202	25,737	Short Term Debtors	35	27,228
0	6,554	Cash and Cash Equivalents	36	12,469
<b>59,757</b>	<b>69,680</b>	<b>Current Assets</b>		<b>56,016</b>
(4,541)	0	Cash and Cash Equivalents		0
(16,326)	(21,113)	Short Term Creditors	37	(20,159)
(5,831)	(5,425)	Short Term Borrowing	38	(1,492)
(825)	(1,805)	Grants Receipts in Advance - Capital	63	(520)
0	(521)	Grants Receipts in Advance - Revenue	63	(72)
(345)	(553)	Provisions	39	(621)
<b>(27,868)</b>	<b>(29,417)</b>	<b>Current Liabilities</b>		<b>(22,864)</b>
(5,600)	(5,600)	Provisions	39	(5,600)
(1,399)	(1,281)	Long Term Creditors	40	(808)
(130,115)	(126,110)	Long Term Borrowing	38	(126,076)
(18,155)	(17,678)	Other Long Term Liabilities	31	(17,489)
(218,729)	(177,285)	Net Pension Liability	46	(209,612)
(440)	0	Grants Receipts in Advance - Capital		0
<b>(374,438)</b>	<b>(327,954)</b>	<b>Long Term Liabilities</b>		<b>(359,585)</b>
<b>508,237</b>	<b>553,341</b>	<b>Net Assets</b>		<b>527,028</b>
(40,552)	(55,345)	Usable Reserves	47	(55,340)
(467,685)	(497,996)	Unusable Reserves	48	(471,688)
<b>(508,237)</b>	<b>(553,341)</b>	<b>Total Reserves</b>		<b>(527,028)</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 Council 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 Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<b>2010/11</b> <b>£'000</b>		<b>Notes</b>	<b>2011/12</b> <b>£'000</b>
(28,081)	Net (surplus) / deficit on the provision of services		746
(3,011)	Adjustment to net surplus / deficit on the provision of services for non cash movements	56	(18,948)
11,328	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	57	2,034
<u>(19,764)</u>	Net cash flows from Operating Activities		<u>(16,168)</u>
3,364	Investing Activities	59	7,230
5,305	Financing Activities	60	3,023
<u>(11,095)</u>	Net increase or decrease in cash and cash equivalents		<u>(5,915)</u>
4,541	Cash and cash equivalents at the beginning of the reporting period		(6,554)
<u><b>(6,554)</b></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>36</b>	<u><b>(12,469)</b></u>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policy & Other Changes required by the Code of Practice for Local Authority Accounting in the United Kingdom

(a) The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) introduced a change to the treatment in accounting for heritage assets held by the Council. For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (note 67 on page 45).

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £787k should now be recognised as heritage assets and measured at £471k with an impairment of £522k and an increase of £206k in the Revaluation Reserve. These assets relate to Archaeological sites and a proportion of the Heritage service collections which were previously recognised in the Community Assets classification of Property, Plant & Equipment. The Council will also recognise an additional £36k for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £507k. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £523k. The revaluation reserve has increased by £243k.

- The fully restated 1 April 2010 Balance Sheet is provided on page 9.

#### (b) Revenue Grants & Contributions

Revenue grants and contributions, that are yet to be recognised as income as they have conditions attached to them that will require the monies to be repaid, have previously been classified as Creditors. The Code now requires these to be classified as Grants Receipts in Advance. This is not a change in accounting policy and therefore does not require a prior year adjustment. However, the comparative figures, as at 31 March 2011 have been restated.

The impact of adjustments (a) and (b) are as follows:

#### Balance Sheet as at 31/3/2010 and 31/3/2011

	Previously Reported 31/03/2010 £'000	Adjustment (a) £'000	Restated Balance 31/03/2010 £'000	Previously Reported 31/03/2011 £'000	Adjustments (a) £'000	(b)	Restated Balance 31/03/2011 £'000
Property, Plant & Equipment	849,898	(787)	849,111	840,466	(787)	0	839,679
Heritage Assets	0	507	507	0	507	0	507
Intangible Assets	500	0	500	585	0	0	585
Assets Held for Sale	375	0	375	0	0	0	0
Long Term Debtors	293	0	293	261	0	0	261
<b>Long Term Assets</b>	<b>851,066</b>	<b>(280)</b>	<b>850,786</b>	<b>841,312</b>	<b>(280)</b>	<b>0</b>	<b>841,032</b>
<b>Current Assets</b>	<b>59,757</b>	<b>0</b>	<b>59,757</b>	<b>69,680</b>	<b>0</b>	<b>0</b>	<b>69,680</b>
Cash and Cash Equivalents	(4,541)	0	(4,541)	0	0		0
Short Term Creditors	(16,326)	0	(16,326)	(21,634)	0	521	(21,113)
Short Term Borrowing	(5,831)	0	(5,831)	(5,425)	0		(5,425)
Grants Receipts in Advance - Capital	(825)	0	(825)	(1,805)	0		(1,805)
Grants Receipts in Advance - Revenue		0	0		0	(521)	(521)
Provisions	(345)	0	(345)	(553)	0		(553)
<b>Current Liabilities</b>	<b>(27,868)</b>	<b>0</b>	<b>(27,868)</b>	<b>(29,417)</b>	<b>0</b>	<b>0</b>	<b>(29,417)</b>
<b>Long Term Liabilities</b>	<b>(374,438)</b>	<b>0</b>	<b>(374,438)</b>	<b>(327,954)</b>	<b>0</b>	<b>0</b>	<b>(327,954)</b>
<b>Net Assets</b>	<b>508,517</b>	<b>(280)</b>	<b>508,237</b>	<b>553,621</b>	<b>(280)</b>	<b>0</b>	<b>553,341</b>
<b>Usable Reserves</b>	<b>40,552</b>	<b>0</b>	<b>40,552</b>	<b>55,345</b>	<b>0</b>	<b>0</b>	<b>55,345</b>
Revaluation Reserve	210,259	242	210,501	209,124	242		209,366
Capital Adjustment Account	486,349	(522)	485,827	476,118	(522)		475,596
Financial Instruments Adjustment Account	(2,606)		(2,606)	(2,330)			(2,330)
Deferred Capital Receipts	99		99	78			78
Pensions Reserve	(218,729)		(218,729)	(177,285)			(177,285)
Unequal Pay Back Pay Account	(5,600)		(5,600)	(5,600)			(5,600)
Accumulated Absences Account	(1,807)		(1,807)	(1,829)			(1,829)
<b>Unusable Reserves</b>	<b>467,965</b>	<b>(280)</b>	<b>467,685</b>	<b>498,276</b>	<b>(280)</b>	<b>0</b>	<b>497,996</b>
<b>Total Reserves</b>	<b>508,517</b>	<b>(280)</b>	<b>508,237</b>	<b>553,621</b>	<b>(280)</b>	<b>0</b>	<b>553,341</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policy & Other Changes required by the Code of Practice for Local Authority Accounting in the United Kingdom cont'd

#### Comprehensive Income and Expenditure Statement (CI&ES)

There was no change in the value of assets during 2010/11 and thus no restatement of the lines of the CI&ES

#### Movement in Reserves Statement

	Unusable Reserves		
	Previously Reported £'000	Adjustment £'000	Restatement £'000
<b>Balance as at the end of the previous reporting period - 31 March 2010</b>	<b>467,965</b>	<b>(280)</b>	<b>467,685</b>
Surplus /Deficit on the Provision of Services	0	0	0
Other Comprehensive Income & Expenditure	17,023	0	17,023
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>17,023</b>	<b>0</b>	<b>17,023</b>
Adjustments between accounting basis & funding basis under regulations	13,288	0	13,288
<b>Increase / (decrease) in the year</b>	<b>30,311</b>	<b>0</b>	<b>30,311</b>
<b>Balance as at the end of the current reporting period 31 March 2011</b>	<b>498,276</b>	<b>(280)</b>	<b>497,996</b>

### 2. Accounting Standards that have been issued but have not yet been adopted

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The adoption of amendments to IFRS 7 *Financial Instruments: Disclosures* (issued October 2010) by the Code will result in a change of accounting policy that will need to be implemented from 1 April 2012. However, it is likely that this standard will not have a material impact on the Council's financial statements.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 67, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- a) There is some uncertainty about future levels of funding from the Welsh Government and in particular the receipt of specific revenue and capital grants. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and significantly reduce levels of service provision. The Council has a Medium Term Financial Strategy which is reviewed on a periodic basis and is available on the Councils' website.
- b) The Council entered into a twelve year contract with First Group in June 2002 for the provision of school transport. The agreement involved the operation of ten yellow American school buses (purchase cost £819k) at a cost of £1,900 per day (plus inflation). The Council has been unable to obtain detailed information from the contractor to make an assessment as to whether the contract contains the substance of a lease and which would therefore result in the the vehicles and corresponding liability being included on the Council's Balance Sheet.
- c) In January 2011, the Council received an invoice from its Term Highways Maintenance Contractor for additional overhead costs claimed to be payable by the Council since commencement of the Term Highways Maintenance Contract in May 2009. Legal advice obtained by the Council in March 2011 cast doubt on the entitlement of the Term Highways Maintenance Contractor to such additional overhead costs. Since January 2011, the Term Highways Maintenance Contractor has claimed further additional overhead costs included in monthly invoices submitted to the Council but such additional overhead costs have not been paid. The Council is actively investigating the claims for additional overhead costs made by the Term Highways Maintenance Contractor which if not withdrawn may have to be determined by formal adjudication. No provision has been made for the amount claimed in the invoice submitted by the Term Highways Maintenance Contractor in January 2011 nor for the amounts for additional overheads claimed in subsequent invoices.
- d) A claim has been made against the Council by the operators of Hafod Quarry (see note 41) in respect of a decision made by the Planning Committee to restrict working rights at the quarry. No provision has been made for any potential compensation payments as the Council has written confirmation from the Welsh Government that monies have been set aside to reimburse the Council.
- e) An unexpectedly large claim for compensation has been received from a landowner affected by a Welsh Government grant funded road scheme. No provision has been made for such payments as they would ordinarily be met by the Welsh Government as part of the scheme.
- f) A review of assets, in particular those held for economic development purposes has concluded that the Council has no assets which are held solely for the purpose of income generation or capital appreciation and therefore the Council has no investment properties.

## NOTES TO THE ACCOUNTS

### 4. Assumptions made about the future and other sources of estimation uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the 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 assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £3.1m if the useful lives were reduced by one year and £8m if reduced by two years.
Provisions	The Council has made a provision of £5.6m for the settlement of claims for back pay arising from the Equal Pay Initiative, based on a number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £466k to the provision needed.
Pensions 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 effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £9,146k. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased by £15,044k due to estimates being corrected as a result of experience and increased by £18,609k attributable to updating of the assumptions.
Arrears	At 31 March 2012, the Council had a balance of sundry debtors of £3.75m. A review of significant balances suggested that an impairment of doubtful debts of 13.3% (£499k) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £499k to be set aside as an allowance.

### 5. Material Items of Income and Expense

a) Children's and Education services within cost of services includes a sum of £18,576k which relates to impairment loss following a review of the Council's schools, youth clubs and other education properties. This is netted off by a reduction in annual depreciation charge of £6,432k as a result of the downward revaluations, a reassessment of the life of these assets and change of use.

b) For the 2010/11 financial year, included in Non distributed costs within the cost of services was a sum of £30,375k which related to a past service gain in the Clwyd Pension scheme benefits following the UK Government's proposal to increase public service pensions in line with the consumer price index rather than the retail price index which has been the practice in the past.

c) The gain on disposal of assets included in other operating expenditure (see note 9) included a sum of £8.83m for the 2010/11 financial year in respect of the disposal of the former depot site on Ruthin Road.

### 6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Head of Finance in September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## NOTES TO THE ACCOUNTS

### 7. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2011/12	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<u>Reversal of items debited or credited to the CI&amp;ES</u>					
Charges for depreciation and impairment of non current assets	35,556	10,708	0	0	(46,264)
Revaluation losses on Property, Plant & Equipment	0	0	0	0	0
Amortisation of intangible assets	94	126	0	0	(220)
Capital grants and contributions applied	(19,035)	(7,924)	0	0	26,959
Revenue expenditure funded from capital under statute	725	5	0	0	(730)
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the CI&ES	1,102	979	0	0	(2,081)
<u>Insertion of items not debited or credited to the CI&amp;ES</u>					
Statutory provision for the financing of capital investment (note 15)	(6,541)	(454)	0	0	6,995
Capital Expenditure charged against the General Fund and HRA balances	(2,391)	(7,345)	0	0	9,736
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the CI&ES	(297)	0	0	297	0
Application of grants to capital financing transferred to the Capital Adjustment Account				(81)	81
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CI&ES	(1,055)	(979)	2,034	0	0
Revenue Income defined as capital under statute	(18)	(42)	60	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure			(3,105)		3,105
Transfer (to) / from Capital Adjustment account - set aside			(599)		599
- Repayments of loans to voluntary bodies			22		(22)
Transfer from Deferred Capital Receipts upon receipt of cash			25		(25)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(139)	(43)	0	0	182
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CI&ES - see note 45	16,359	1,800	0	0	(18,159)
Employer's pension contributions payable in the year	(17,688)	(1,797)	0	0	19,485
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account:</b>					
Amount by which amounts charged for Equal Pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0
<b>Adjustments involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	374	8	0	0	(382)
	<b>7,046</b>	<b>(4,958)</b>	<b>(1,563)</b>	<b>216</b>	<b>(741)</b>

**NOTES TO THE ACCOUNTS**

2010/11 Comparative figures	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<u>Reversal of items debited or credited to the CI&amp;ES Statement:</u>					
Charges for depreciation and impairment of non current assets	31,081	13,222	0	0	(44,303)
Revaluation losses on Property Plant & Equipment	0	0	0	0	0
Amortisation of intangible assets	103	126	0	0	(229)
Capital grants and contributions applied	(13,078)	(7,894)	0	0	20,972
Movement in the Donated Assets Account	0	0	0	0	0
Revenue expenditure funded from capital under statute	2,531	5	0	0	(2,536)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	754	720	0	0	(1,474)
<u>Insertion of items not debited or credited to the CI&amp;ES</u>					
Statutory provision for the financing of capital investment (note 15)	(6,354)	(490)	0	0	6,844
Capital Expenditure charged against the General Fund and HRA balances	(2,033)	(3,095)	0	0	5,128
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the CI&ES	(266)	0	0	266	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(1,001)	1,001
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(10,608)	(720)	11,328	0	0
Revenue Income defined as capital under statute	(295)	(155)	450	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(81)	0	81
Transfer (to) / from Capital Adjustment account - set aside	0	0	(552)	0	552
- Repayments of loans to voluntary bodies	0	0	10	0	(10)
Transfer from Deferred Capital Receipts upon receipt of cash	0	0	21	0	(21)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(237)	(39)	0	0	276
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CI&ES - see note 45	(9,512)	2,224	0	0	7,288
Employer's pension contributions payable in the year	(17,970)	(1,771)	0	0	19,741
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account:</b>					
Amount by which amounts charged for Equal Pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0
<b>Adjustments involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CI&ES accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	41	(19)	0	0	(22)
	<b>(25,843)</b>	<b>2,114</b>	<b>11,176</b>	<b>(735)</b>	<b>13,288</b>



## NOTES TO THE ACCOUNTS

### 8. Transfers to / (from) Earmarked Reserves

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

	2010/11			2011/12			Balance at 31.3.2012 £'000
	Balance at 1.4.2010 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31.3.2011 £'000	Transfers Out £'000	Transfers In £'000	
	General Fund:						
Balances held by schools	948	(583)	615	980	(316)	799	1,463
Service Reserves	610	(139)	802	1,273	(170)	441	1,544
Legal Liabilities Reserve	316	(294)	280	302	(49)	848	1,101
Winter Maintenance Reserve	300	0	0	300	0	0	300
ITEC Reserve	1,034	(140)	0	894	(252)	0	642
Chirk Regeneration Reserve	19	0	0	19	0	0	19
Invest To Save Reserve	267	0	87	354	(42)	47	359
Income Stabilisation Reserve	102	0	0	102	0	0	102
Local Development Plan Reserve	140	(21)	0	119	(63)	0	56
Early Voluntary Retirement Reserve (EVR)	94	0	0	94	0	0	94
Transitional EVR Reserve	0	0	750	750	0	0	750
Capital Reserve	0	0	2,150	2,150	(750)	0	1,400
Repairs and Maintenance Reserve	0	0	150	150	0	0	150
Foundation Phase 2 Schools Reserve	0	0	150	150	(150)	0	0
Insurance Reserve	1,851	(322)	0	1,529	0	0	1,529
Waste Strategy Reserve	95	0	0	95	0	0	95
Economic Development Strategy	45	(35)	0	10	(10)	0	0
Northern Marches Cymru	21	(26)	5	0	0	0	0
Pontcysyllte Aqueduct	30	(4)	0	26	(11)	0	15
Urban II Match Funding	136	(27)	0	109	(64)	0	45
IT Development	42	0	0	42	0	0	42
Pay Review	5,422	0	0	5,422	(39)	0	5,383
Schools Building Reserve	1,000	(1,000)	0	0	0	0	0
Cremation Plant Replacement Reserve	125	0	41	166	(155)	40	51
Section 106/278 Reserve	0	0	0	0	0	698	698
Customer Access	384	(55)	0	329	(27)	0	302
North Wales Regional Transformation	0	0	0	0	0	85	85
Office Accommodation Reserve	0	0	0	0	0	412	412
Carbon Emission Reserve	200	0	51	251	0	132	383
Miscellaneous	60	0	24	84	(16)	1	69
Grant Reserves	3,498	(933)	934	3,499	(805)	898	3,592
<b>Total</b>	<b>16,739</b>	<b>(3,579)</b>	<b>6,039</b>	<b>19,199</b>	<b>(2,919)</b>	<b>4,401</b>	<b>20,681</b>
HRA:							
Housing Repairs	43	0	297	340	0	240	580
Housing Capital Reserve	0	0	0	0	0	1,005	1,005
<b>Total</b>	<b>43</b>	<b>0</b>	<b>297</b>	<b>340</b>	<b>0</b>	<b>1,245</b>	<b>1,585</b>

### 9. Other Operating Expenditure

2010/11 £'000		2011/12 £'000
1,809	Community Council Precepts	1,866
10,391	North Wales Police Authority Precept	10,861
6,266	North Wales Fire Authority levy	6,266
(9,853)	Losses / (Gains) on the disposal of non current assets	47
<u>8,613</u>	<b>Total</b>	<u>19,040</u>

### 10. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
10,662	Interest payable and similar charges	10,783
8,727	Pensions interest cost and expected return on pensions assets	6,602
(658)	Interest receivable and similar income	(687)
<u>18,731</u>	<b>Total</b>	<u>16,698</u>

**11. Taxation and Non Specific Grant Income**

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
(56,967)	Council tax income	(59,145)
(37,294)	Non domestic rates	(31,361)
(126,399)	Non-ringfenced government grants	(131,069)
(21,046)	Capital grants and contributions	(27,127)
<b>(241,706)</b>	<b>Total</b>	<b>(248,702)</b>

**12. Agency Income and Expenditure**

The Council has an agreement with Gwynedd County Council, the lead authority for the North Wales Trunk Road Agency, whereby the Council is responsible for maintaining highways in the County Borough. Gwynedd County Council reimburses the Council for this work, including a contribution towards administration costs. A summary of expenditure incurred in respect of the activity, which is not included in the Comprehensive I & E, is as follows:

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
257	Specific Schemes	303
330	Routine Maintenance	414
38	Street Lighting	43
116	Winter Maintenance	74
312	Other	90
93	Administration Costs	113
<b>1,146</b>		<b>1,037</b>

In respect of Specific Schemes, the major schemes which took place during 2011/12 were the A5 Froncysyllte phases 1 and 2, and the A483 Wrexham Bypass (Junction 5) traffic improvement.

**13. Health Act pooled funds and similar arrangements**

On 8 July 2009 the Council entered into an agreement with Flintshire County Council and Betsi Cadwaladr University Health Board pursuant with Section 33 of the National Health Service (Wales) Act 2006, for the provision of an integrated community equipment service under a pooled fund arrangement. Flintshire County Council has been nominated as the host partner and has responsibility for the administration of the pool. The service is operated from a building in Hawarden Business Park which was funded by a grant from the Welsh Assembly Government. The Council's share of the cost of the building (50%) is included in fixed assets. The gross income and expenditure of the partnership for the period to 31 March 2012 is as follows:

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
	Expenditure	
461	Operating costs	452
355	Standard Equipment	378
82	Specialist Equipment	112
60	Additional Equipment	71
958		1,013
	Income	
(116)	Continuing Health Care funding	(122)
<b>842</b>	<b>Net Expenditure</b>	<b>891</b>

The Council's contribution to the budget for 2011/12 is £327k (2010/11 £255k).

**14. Members' Allowances**

In 2011/12 allowances totalling £960k (2010/11 £1,012k) were paid to Members of the Council.

**15. Minimum Revenue Provision**

This is a statutory provision for the repayment of debt as required by the Local Authority (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2010. The minimum revenue provision is calculated by reference to the overall indebtedness of the Council.

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
316	Housing amount	299
5,154	Non-housing amount	5,480
1,135	Charge for the principal part of the finance lease rentals payable	922
239	PFI - repayment of liability	294
<b>6,844</b>	<b>Minimum Revenue Provision</b>	<b>6,995</b>

## NOTES TO THE ACCOUNTS

### 16. Officers' Remuneration

(a) Under 7A (1) (a) of the Accounts and Audit (Wales) (Amendment) Regulations 2010, the Council is required to disclose the number of employees (excluding Senior Officers as identified in disclosure note b below) whose remuneration excluding pension contributions was £60k or more in bands of £5k:

2010/11			Salary Banding	2011/12		
Schools	Non-schools	Total		Schools	Non-schools	Total
7	1	8	£60,000 - £64,999	5	0	5
5	3	8	£65,000 - £69,999	5	0	5
1	6	7	£70,000 - £74,999	2	1	3
3	0	3	£75,000 - £79,999	2	0	2
0	3	3	£80,000 - £84,999	1	0	1
0	0	0	£85,000 - £89,999	0	0	0
0	1	1	£115,000 - £119,999	0	0	0
0	1	1	£125,000 - £129,999	0	0	0

For this purpose, remuneration relates to all amounts paid to, or receivable by, an employee, including payments on termination of employment, and includes expense allowances and the value of other benefits which are chargeable to tax. The reduction in the numbers reported in 2011/12 is twofold; the number of voluntary redundancies has reduced significantly from 2010/11. Furthermore, the Council's decision to broaden the Senior Management Team to include all Heads of Departments has resulted in five officers now being reported in section (b) below.

(b) Under Section 7A (1) (b) of the Accounts and Audit (Wales) (Amendment) Regulations 2010, the following information regarding employees identified as Senior Officers and whose salary is between £60,000 and £150,000 is provided:-

2010/11				Postholder Information (Post Title)	2011/12			
Salary £	Other Payments £	Pension contributions £	Total £		Salary £	Other Payments £	Pension contributions £	Total £
109,040	489	24,207	133,736	Chief Executive	61,250	71	14,880	76,201
93,996	432	20,867	115,295	Strategic & Performance Director - Children's Services	96,000	6,087	24,609	126,696
94,655	766	21,013	116,434	Strategic & Performance Director - Environment, Housing & Adult Social Care	96,000	6,716	24,609	127,325
94,320	882	20,939	116,141	Strategic & Performance Director - Corporate & Economy	96,000	6,768	24,609	127,377
80,016	552	17,764	98,332	Head of Finance (formerly Chief Finance & Performance Officer)	81,000	173	19,545	100,718
80,016	0	17,764	97,780	Head of Corporate & Customer Services (formerly Chief Legal & Democratic Services Officer)	80,690	84	19,470	100,244
80,016	482	17,764	98,262	Head of Adult Social Care (formerly Chief Social Care Officer)	81,000	35	19,545	100,580
74,517	700	16,543	91,760	Head of Lifelong Learning (formerly Chief Learning & Achievement Officer)	77,000	631	18,580	96,211
0	0	0	0	Head of Prevention & Social Care	73,000	149	17,615	90,764
0	0	0	0	Head of Asset & Economic Development	72,720	185	17,547	90,452
0	0	0	0	Head of Community, Well-being & Development	73,000	0	17,615	90,615
0	0	0	0	Head of Environment	75,000	562	18,098	93,660
0	0	0	0	Head of Housing & Public Protection	81,000	155	19,545	100,700

As mentioned in paragraph (a) above the broadening of the Senior Management Team has resulted in five Heads of Departments forming part of the Senior Management Team in 2011/12 but not in 2010/11. Salary includes all pensionable pay with the exception of honoraria payments and amounts paid in respect of election duties. Other payments include honoraria payments, car allowances and other taxable benefits. The senior management team was restructured as from 1 April 2011. The post of Chief Executive was vacant until 1 September 2011 and for the first five months of the financial year the duties of that post were covered by the three Strategic & Performance Directors.

(c) In accordance with Section 7A (2) of the Accounts and Audit (Wales) (Amendment) Regulations 2010, the Council is required to disclose by name a Senior Officer whose salary is £150k or more. The Council did not employ a Senior Officer with a salary of £150k or more during the financial year.

## NOTES TO THE ACCOUNTS

### 16. Officers' Remuneration cont'd

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

A Exit Package cost band (including special payments)	B Number of compulsory redundancies		C Number of other departures agreed		D Total number of exit packages by cost band (B+C)		E Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £'000	2011/12 £'000
£0 - £20,000	33	31	33	14	66	45	435	219
£20,001 - £40,000	3	4	20	14	23	18	688	477
£40,001 - £60,000	1	0	6	2	7	2	282	87
£60,001 - £80,000	0	0	5	2	5	2	391	128
£80,001 - £100,000	0	0	3	0	3	0	271	0
£100,001 - £150,000	0	0	2	0	2	0	244	0
<b>Total</b>	<b>37</b>	<b>35</b>	<b>69</b>	<b>32</b>	<b>106</b>	<b>67</b>	<b>2,311</b>	<b>911</b>

### 17. Audit Costs

In 2011/12 the Council incurred the following fees relating to external audit and inspection:

2010/11 £'000		2011/12 £'000
159	Fees payable to the Wales Audit Office with regard to external audit services	159
41	Fees payable to the Wales Audit Office for the Local Government measure	99
93	Fees payable to the Wales Audit Office for the certification of grant claims and returns	102
4	Fees payable for other services	7
<u>297</u>		<u>367</u>

The movement in the fees payable to the Wales Audit Office for the Local Government measure is due to the change in the invoicing process and the realignment of how instalments were paid in previous years.

### 18. 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 bargain freely with the Authority.

#### Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 64 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 63.

#### Other Public Bodies

The Authority has a pooled budget arrangement with Flintshire County Council and Betsi Cadwaladr University Health Board for the provision of an integrated community equipment service. Further details of the income and expenditure of the partnership in 2011/2012 can be found in Note 13.

#### Members

The Council has arrangements in place requesting Members and Officers to identify and disclose related party transactions. Three Members did not return declarations, therefore we have made a number of assumptions based on historical data.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2011/12 is shown in Note 14.

The Council appoints Members to a number of charitable or voluntary bodies. Payments amounting to £1,205k were made to such bodies by way of grants/contributions during 2011/12. Some Members of the Council are employed by, or are members of, organisations which precept or levy the Council, or receive grants from the Council. During 2011/12 a sum of £18,412k was paid to these bodies (e.g. North Wales Police Authority and North Wales Fire and Rescue Authority). The Venture is a company which employs Members of the Council, and has Members appointed to the Management Committee. A sum of £165k was paid to this company during 2011/12.

## NOTES TO THE ACCOUNTS

### 19. Council Tax

Council tax income derives from charges raised according to the value of residential properties which have been classified into nine valuation bands, using estimated 1 April 2003 values for this purpose. Charges are calculated by taking the amount of income required by Wrexham County Borough Council and the North Wales Police Authority for the year, and dividing this amount by the council tax base. The council tax base is the total number of properties in each band, adjusted by a proportion to convert the number to a band 'D' equivalent, adjusted for discounts and exemptions - 51,880 for 2011/12. The basic amount for a band 'D' property (£1,135.42 in 2011/12) is multiplied by the proportion specified for the particular band to give the individual amount due.

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of properties at 31/03/12	4,197	12,393	16,458	9,749	7,695	4,804	2,446	714	291

Analysis of the net proceeds from council tax :-

2010/11 £'000		2011/12 £'000
56,967	Council Tax raised	59,220
0	Less: provision for bad debts	(75)
<u>56,967</u>	<b>Net proceeds from Council Tax</b>	<u>59,145</u>

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

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate multiplier (42.8p in 2011/12) and subject to the effects of transitional arrangements, local businesses and other non-domestic ratepayers pay rates, calculated by multiplying the 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 National Assembly, which redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population. The NNDR income, after relief and provisions, was £35,796k for 2011/12. The total rateable value at 31 March 2012 was £103,579k. The analysis of the net proceeds from non-domestic rates are as follows:-

2010/11 £'000		2011/12 £'000
32,932	Non-domestic rates raised	35,796
(32,458)	Less: amount paid into NNDR Pool	(35,553)
(230)	provision for bad debts	0
(244)	cost of collection	(243)
<u>0</u>		<u>0</u>
37,294	Receipts from the pool	31,361
<u>37,294</u>	<b>Net proceeds from NNDR</b>	<u>31,361</u>

### 21. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/2012, incurring liabilities of £911k (£2,311k in 2010-2011) - see Note 16 for the number of exit packages and the total cost per band. Note 16 also distinguishes between those redundancies that were as a result of the Council's decision to terminate an employee's employment, and those where an employee has made a decision to accept voluntary redundancy. The Council has, through a programme of Transformation projects and Service reviews, sought to rationalise where possible the officer base for the provision of certain services through a series of restructures, ensuring that service provision remains at existing levels but with reduced resource input.

**NOTES TO THE ACCOUNTS**

**22. Property, Plant & Equipment**

Movements in 2011/12

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	Assets Included in Property, Plant & Equipment PFI £'000	Leases £'000
<b>Cost or Valuation Restated At 1/04/2011</b>	<b>484,532</b>	<b>400,492</b>	<b>21,673</b>	<b>65,861</b>	<b>24,842</b>	<b>11,581</b>	<b>3,590</b>	<b>1,012,571</b>	<b>16,910</b>	<b>7,520</b>
Additions	11,145	4,941	12,530	17,619	455		5,696	<b>52,386</b>	0	1,040
Donations	0	0	0	0	0	0	0	<b>0</b>	0	0
Revaluation increases / (decreases) recognised in the Revaluation reserve	0	8,659	0	0	0	2,310	0	<b>10,969</b>	0	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(18,734)	0	0	0	(180)	0	<b>(18,914)</b>	0	0
Derecognition - Disposals	(779)	0	0	0	0	(205)	0	<b>(984)</b>	0	0
Derecognition - Other	0	0	(58)	0	0	0	0	<b>(58)</b>	0	(58)
Assets reclassified to / (from) Held for Sale	0	(894)	0	0	0	200	0	<b>(694)</b>	0	0
Other Movements	0	3,929	859	0	(82)	555	(5,261)	<b>0</b>	0	0
<b>At 31/03/2012</b>	<b>494,898</b>	<b>398,393</b>	<b>35,004</b>	<b>83,480</b>	<b>25,215</b>	<b>14,261</b>	<b>4,025</b>	<b>1,055,276</b>	<b>16,910</b>	<b>8,502</b>
<b>Accumulated Depreciation and Impairment At 1/04/2011</b>	<b>(47,465)</b>	<b>(99,768)</b>	<b>(9,959)</b>	<b>(6,237)</b>	<b>(2,317)</b>	<b>(7,146)</b>	<b>0</b>	<b>(172,892)</b>	<b>(1,116)</b>	<b>(4,326)</b>
Depreciation Charge	(7,633)	(7,002)	(3,209)	(1,416)		(12)	0	<b>(19,272)</b>	(1,037)	(1,165)
Depreciation written out to the Revaluation Reserve	11	(3,736)	0	0	0	(3)	0	<b>(3,728)</b>	0	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	(523)	(2,345)	0	0	0	0	0	<b>(2,868)</b>	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(2,228)	(2,006)	0	0	(7)	0	27	<b>(4,214)</b>	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	<b>0</b>	0	0
Derecognition - Other	0	0	0	0	0	0	0	<b>0</b>	0	0
Other Movements	0	0	0	0	0	0	0	<b>0</b>	0	0
<b>At 31/03/2012</b>	<b>(57,838)</b>	<b>(114,857)</b>	<b>(13,168)</b>	<b>(7,653)</b>	<b>(2,324)</b>	<b>(7,161)</b>	<b>27</b>	<b>(202,974)</b>	<b>(2,153)</b>	<b>(5,491)</b>
<b>Net Book Value</b>										
<b>At 31/3/2012</b>	<b>437,060</b>	<b>283,536</b>	<b>21,836</b>	<b>75,827</b>	<b>22,891</b>	<b>7,100</b>	<b>4,052</b>	<b>852,302</b>	<b>14,757</b>	<b>3,011</b>
<b>At 31/3/2011</b>	<b>437,067</b>	<b>300,724</b>	<b>11,714</b>	<b>59,624</b>	<b>22,525</b>	<b>4,435</b>	<b>3,590</b>	<b>839,679</b>	<b>15,794</b>	<b>3,194</b>

**NOTES TO THE ACCOUNTS**

**22. Property, Plant & Equipment cont'd**

Comparative Movements in 2010/11

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	Assets Included in Property, Plant & Equipment PFI £'000	Leases £'000
<b>Cost or Valuation Restated</b>										
<b>At 1/04/2010</b>	<b>476,101</b>	<b>385,963</b>	<b>19,640</b>	<b>59,475</b>	<b>24,529</b>	<b>3,903</b>	<b>679</b>	<b>970,290</b>	<b>16,910</b>	<b>6,623</b>
Additions	9,828	11,555	2,033	7,336	413	0	3,525	<b>34,690</b>	0	897
Donations	0	0	0	0	0	0	0	<b>0</b>	0	0
Revaluation increases / (decreases) recognised in the Revaluation reserve	0	8,925	0	0	0	796	0	<b>9,721</b>	0	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0	0
Derecognition - Disposals	(720)	0	0	0	0	(30)	0	<b>(750)</b>	0	0
Derecognition - Other	0	0	0	0	0	0	0	<b>0</b>	0	0
Assets reclassified to / (from) Held for Sale	0	(420)	0	(950)	0	(10)	0	<b>(1,380)</b>	0	0
Other Movements	(677)	(5,531)	0	0	(100)	6,922	(614)	<b>0</b>	0	0
<b>At 31/03/2011</b>	<b>484,532</b>	<b>400,492</b>	<b>21,673</b>	<b>65,861</b>	<b>24,842</b>	<b>11,581</b>	<b>3,590</b>	<b>1,012,571</b>	<b>16,910</b>	<b>7,520</b>
<b>Accumulated Depreciation and Impairment</b>										
<b>At 1/04/2010</b>	<b>(35,033)</b>	<b>(72,422)</b>	<b>(6,825)</b>	<b>(3,127)</b>	<b>(2,289)</b>	<b>(1,483)</b>	<b>0</b>	<b>(121,179)</b>	<b>0</b>	<b>(3,261)</b>
Depreciation Charge	(7,619)	(11,184)	(3,134)	(1,260)	(28)	(22)	0	<b>(23,247)</b>	(1,116)	(1,065)
Depreciation written out to the Revaluation Reserve	(64)	(3,623)	0	0	0	(3)	0	<b>(3,690)</b>	0	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	(343)	(3,586)	0	(1,850)	0	(1,631)	0	<b>(7,410)</b>	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(4,406)	(8,953)	0	0	0	(4,007)	0	<b>(17,366)</b>	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	<b>0</b>	0	0
Derecognition - Other	0	0	0	0	0	0	0	<b>0</b>	0	0
Other Movements	0	0	0	0	0	0	0	<b>0</b>	0	0
<b>At 31/03/2011</b>	<b>(47,465)</b>	<b>(99,768)</b>	<b>(9,959)</b>	<b>(6,237)</b>	<b>(2,317)</b>	<b>(7,146)</b>	<b>0</b>	<b>(172,892)</b>	<b>(1,116)</b>	<b>(4,326)</b>
<b>Net Book Value Restated</b>										
<b>At 31/3/2011</b>	<b>437,067</b>	<b>300,724</b>	<b>11,714</b>	<b>59,624</b>	<b>22,525</b>	<b>4,435</b>	<b>3,590</b>	<b>839,679</b>	<b>15,794</b>	<b>3,194</b>
<b>At 31/3/2010</b>	<b>441,068</b>	<b>313,541</b>	<b>12,815</b>	<b>56,348</b>	<b>22,240</b>	<b>2,420</b>	<b>679</b>	<b>849,111</b>	<b>16,910</b>	<b>3,362</b>

## NOTES TO THE ACCOUNTS

### 22. Property, Plant & Equipment cont'd

Foundation and Church Schools buildings used in the education service are not shown in the previous table. School buildings used by Foundation and Church Schools are excluded from Property, Plant & Equipment as they are not owned by the Council, but land owned by the Council used by the schools is recognised in Property, Plant & Equipment. The Council is responsible for their repair and maintenance but the amounts are not significant.

### 23. Depreciation

All property, plant and equipment has been depreciated using the straight line method over the following periods:

Buildings	12 - 80 years
Council Dwellings	15 - 50 years
Vehicles, Plant, Furniture & Equipment	5 - 10 years
Automated Public Convenience	20 years
Infrastructure	50 years

The Council's accounting policy is to depreciate significant components of material assets separately. Where components of an asset have been recognised according to the accounting policy, these are depreciated over the estimated life of the individual component.

### 24. Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally by the Council's Development Surveyor, Andrew McLaughlin, FRICS. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment with short useful lives are based on historical cost.

The principles applied in estimating fair values are:

Fair value is the amount that would be paid for an asset in its existing use and is the estimated amount for which a property should exchange on the date of valuation. Where insufficient market based evidence of fair value is available, depreciated replacement cost (DRC) is used. DRC comprises the market value for the existing use of the land on which a building sits, plus the current gross replacement cost of the building less allowances for physical deterioration.

As part of the Council's rolling programme, Schools and Youth Clubs were selected for review as at 1 April 2011. The review resulted in total increases in asset values of £36,357k and decreases of £45,523k to give a net decrease of £9,166k. During the year a further review of land and buildings values was undertaken for impairment, following significant capital expenditure and changes in asset use.

	Revaluations recognised in:				Impairment Losses recognised in:	
	Surplus/Deficit on provision of services £'000	Downward Revaluation Reserve £'000	Upward Revaluation Reserve £'000	Net Revaluation Reserve £'000	Surplus/Deficit on provision of services £'000	Revaluation Reserve £'000
<i>Property, Plant &amp; Equipment:</i>						
Rolling Programme Review:						
Other Land & Buildings	(18,475)	(26,839)	35,286	8,447	0	0
Annual Review for impairment & other changes:						
Council Dwellings	0	0	0	0	(2,228)	(523)
Other Land and Buildings	(259)	(438)	650	212	(2,006)	(2,345)
Community Assets	0	0	0	0	(7)	0
Surplus Assets	(180)	(647)	2,957	2,310	0	0
Assets Under Construction	0	0	0	0	27	0
	<u>(18,914)</u>	<u>(27,924)</u>	<u>38,893</u>	<u>10,969</u>	<u>(4,214)</u>	<u>(2,868)</u>
<i>Assets Held for Sale</i>	<i>(136)</i>	<i>(100)</i>	<i>85</i>	<i>(15)</i>	<i>0</i>	<i>0</i>
Total	<u>(19,050)</u>	<u>(28,024)</u>	<u>38,978</u>	<u>10,954</u>	<u>(4,214)</u>	<u>(2,868)</u>

### 25. Commitments Under Capital Contracts

As at 31 March 2012 the Council was contractually committed to capital works on the following schemes:

	<u>£'000</u>
Llay school refurbishment / extension	242
Wrexham Industrial Access road	2,038
HRA properties	1,472
HRA solar panels	1,129
Works in Housing renewal areas	882
	<u>5,763</u>



## NOTES TO THE ACCOUNTS

### 26. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council.

	<u>Civic Regalia</u>	<u>Museum Object Collection</u>				<u>Statuary &amp; Monuments</u>	<b>Total £'000</b>
	£'000	Fine & Decorative Art £'000	Industrial & Economic History £'000	Welsh Football £'000	Archaeology Social, Natural & Military History £'000	£'000	
<b>Cost or Valuation At 1 April 2010</b>	91	60	40	205	83	28	<b>507</b>
Additions	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	0	0	<b>0</b>
Revaluations	0	0	0	0	0	0	<b>0</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</b>
Depreciation	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2011</b>	<b>91</b>	<b>60</b>	<b>40</b>	<b>205</b>	<b>83</b>	<b>28</b>	<b>507</b>
<b>Cost or Valuation At 1 April 2011</b>	91	60	40	205	83	28	<b>507</b>
Additions	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	0	0	<b>0</b>
Revaluations	0	0	0	0	0	0	<b>0</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</b>
Depreciation	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2012</b>	<b>91</b>	<b>60</b>	<b>40</b>	<b>205</b>	<b>83</b>	<b>28</b>	<b>507</b>

#### Civic Regalia

The Council's collection of civic regalia is reported in the Balance Sheet at an insurance valuation by Bonhams of Chester in September, 2004 which has been reviewed annually by Council staff. The civic regalia collection comprises mayoral chains and badges and a Victorian mace. It includes particularly significant items in terms of both value and note; an Edwardian 15ct gold and enamel mayoress's chain and badge, and a Victorian 18ct gold and enamel Mayor's chain and a Victorian silver and ebony mace. The regalia are worn on engagements by the civic heads. The regalia are cleaned on a regular basis and are maintained by a local jeweller. Further information is available on the Council's website:

[http://wrexham.gov.uk/english/council/mayoralty/civic\\_regalia.htm](http://wrexham.gov.uk/english/council/mayoralty/civic_regalia.htm)

#### Museum Object Collection

The museum service's accessioned object collection for Wrexham County Borough currently consists of over 13,000 objects. Collecting began in the 1980s, though there was a brief spell of collecting during the 1930s, through object donation, purchase and bequest. The museum service collects artefacts that help to tell the story of Wrexham County Borough and its people. This includes, but is not restricted to, items made, used, found or purchased in the Wrexham area. The only exception to this is the Welsh Football collection for which the museum has a whole of Wales remit and collects items connected to Welsh football at all levels and Welsh players including those who play for clubs in England and other countries. The museum service has an Acquisition and Disposal Policy which can be found at:

[www.wrexham.gov.uk/assets/pdfs/consultations/a\\_and\\_d\\_policy\\_2009.pdf](http://www.wrexham.gov.uk/assets/pdfs/consultations/a_and_d_policy_2009.pdf)

The objects in the accessioned collection are in effect inalienable, held in perpetuity, and are mostly irreplaceable. Many objects that may appear replaceable are in fact not replaceable as the new replacement will not have the same provenance or history as the one originally collected. The museum collection is displayed and stored across three sites; Wrexham Museum and Archive, Bersham Heritage Centre and Llay museum store. The museum collection is varied and typical of many local authority museum collections. It is broken down into the following sub themes:

#### a) *Archaeology*

The current collection is relatively small but includes a significant proportion of nationally and regionally important finds. The collection includes the Brymbo man beaker burial, the Bronze Age Rossett hoard, the medieval Llay coin hoard, roman material from Plas Coch and industrial material from John Wilkinson's Ironworks at Bersham.

**26. Heritage Assets cont'd**

*b) Social History*

Wrexham Museum Service has a well established social history collection that aims to represent the daily life of the people of Wrexham County Borough. Themes covered by the collection include home, religion, work life, sports and leisure pursuits, the stages of life, health, local clubs and societies. The collection holds items representative of all types of material culture and includes three early 20th century Freedom caskets and items of Georgian and Victorian ceremonial silverware.

*c) Industrial and Economic History*

The industrial and economic history collection is another well established collection, with the majority of Wrexham Industries being represented to some extent by artefacts. This includes; shops and businesses in the Wrexham area; pharmacy; brewing; coal and lead mining; clocks and watch making; iron and steel; local transport such as trams and buses; the bricks, tiles and terracotta industry; printing.

*d) Fine and Decorative Art*

The current collection consists of fine and decorative art in a range of media including oils, watercolours, prints, sculpture, textiles and ceramics. The collection is particularly strong on prints and paintings depicting the past views of the Borough, with particular emphasis on Wrexham town.

*e) Natural History*

The museum currently holds a small collection of natural history objects in the form of preserved zoology and geology.

*f) Military History*

The collection consists of objects including firearms and weapons, uniforms, badges and medals that relate to people of Wrexham County Borough who have served in the forces. Particularly strong areas of the collection include the military during World War II and the Royal Welch Fusiliers and their role in Wrexham town.

*g) Welsh Football Collection*

The national Welsh football collection was set up in 2001 following successful grant funding from the Heritage Lottery Fund and the Football Association Wales. The collection includes objects, textiles, works of art and archival material that aim to tell the story of football in Wales from its origins in the late 19th century to the present day. The collection was further supplemented with the acquisition, again with the assistance of a grant from the Heritage Lottery Fund, of the John Charles collection. Further information on the Welsh Football Collection is available on the Council's website: <http://www.wrexham.gov.uk/english/heritage/football.htm>

Statuary and Monuments

The items identified include 'Y Bwa' sculpture of a miner and steelworker in Lord Street by David Annand unveiled in 1996, a Statue of Queen Victoria in Bellevue Park originally placed in 1905 by the Guildhall and moved to the park during the 1920s and Acton Park Gateway built in 1820 as the entrance to the Acton Park Estate by Sir Foster Cunliffe. With the exception of Y Bwa, which is recognised at historical cost, cost information is not available for any of the other statues and monuments.

Archaeological Sites and Sites of Special Scientific Interest (SSSI)

Information on the Council's Archaeological sites is available on the website: [http://www.wrexham.gov.uk/english/heritage/visitor\\_information.htm](http://www.wrexham.gov.uk/english/heritage/visitor_information.htm)  
The Council owns an area of land which has been designated a SSSI for its great crested newts at Stryt Las, Johnstown.

Additions and Disposals of Heritage Assets

There have been no additions or disposals of Heritage assets during 2010/11 and 2011/12.

**27. Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences. The Council has no internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are from three to eight years.

<u>2010/11</u> <u>£'000</u>		<u>2011/12</u> <u>£'000</u>
	Balance at 1 April:	
747	Gross carrying amount	1,060
(247)	Accumulated Amortisation	(475)
<u>500</u>	Net carrying amount at 1 April	<u>585</u>
314	Additions	28
(229)	Amortisation for the year	(220)
<u>585</u>	Balance at 31 March	<u>393</u>
	Comprising:	
1,060	Gross Carrying amount	1,088
(475)	Accumulated Amortisation	(695)
<u>585</u>		<u>393</u>

The expenditure in year of £28k relates to the purchase of Accounts Payable Forensics software. The costs are being charged to the Income and Expenditure Account over a period of three years.

## NOTES TO THE ACCOUNTS

### 28. Capital Financing Statement

2010/11 Total £'000		Property, Plant & Equipment £'000	Intangible Assets £'000	2011/12 Revenue Expenditure Funded from Capital under Statute £'000	Loans to third parties £'000	Total £'000
43,084	Expenditure in Year	52,386	28	4,005	45	56,464
(256)	Less: movement in capital accrual	(536)	0	78	0	(458)
<u>42,828</u>		<u>51,850</u>	<u>28</u>	<u>4,083</u>	<u>45</u>	<u>56,006</u>
	Financed By:-					
6,256	Borrowing - supported	4,050	0	589	0	4,639
2,948	- unsupported	7,169	0	2	0	7,171
897	Finance Lease	1,040	0	0	0	1,040
81	Capital Receipts	2,905	0	170	30	3,105
27,518	Grants and Contributions	27,040	0	3,275	0	30,315
5,128	Capital Expenditure Charged to Revenue	9,646	28	47	15	9,736
<u>42,828</u>		<u>51,850</u>	<u>28</u>	<u>4,083</u>	<u>45</u>	<u>56,006</u>

### 29. Capital Financing Requirement

The CIPFA Prudential Code of Practice requires the Council to adopt indicators which demonstrate that the Council's capital plans are affordable, prudent and sustainable. One of these indicators is the Capital Financing Requirement. This indicator reflects the underlying need to borrow for a capital purpose. When capital expenditure is not resourced immediately, this will result in a net increase to the capital financing requirement. This will be the case whether, or not, external borrowing actually occurs. The capital financing requirement as at 31 March is:

Restated 2010/11 £'000		2011/12 £'000
839,679	Property, Plant and Equipment	852,302
(473)	Less: in year capital accrual	(931)
507	Heritage Assets	507
585	Intangible Assets	393
2,053	Assets Held for Sale	1,500
184	Long term debtors - loan to third parties	207
0	Short Term Debtors - Private Finance Initiative	45
(209,366)	Revaluation Reserve	(212,504)
(475,596)	Capital Adjustment Account	(478,702)
<u>157,573</u>	Capital Financing Requirement at 31 March	<u>162,817</u>

### 30. Long Term Debtors

31/03/2011 £'000		31/03/2012 £'000
77	Mortgages	52
126	Loan to Commercial Body	117
58	Loan to Voluntary Body	90
<u>261</u>		<u>259</u>

The loan to Commercial Body was to part-fund the development of a hotel on the Wrexham Technology Park, and was advanced in December 2005, at a fixed rate of interest. It is repayable over 20 years, with the first repayment in December 2006. The repayments during the first five years are interest only, with the principal, together with the remaining interest, being repaid over the subsequent fifteen years.

There are four loans to voluntary bodies:

- a) £25k to part fund the cost of acquiring a Portacabin by the Acton Junior School Out of School Childcare Club. The loan was advanced in January 2008 at a fixed rate of interest, repayable bi-annually with the first repayment made in July 2008.
- b) £60k to acquire and install a mobile unit for use by Barkers Lane Out of School Club. The loan was advanced in October 2008 at a fixed rate of interest, repayable bi-annually with the first repayment made in November 2008.
- c) £30k is the cost of acquiring and installing a mobile unit for use by Bwlchgwyn Out of School Club. The loan was advanced in May 2011 at a fixed rate of interest, repayable bi-annually with the first repayment made in October 2011.
- d) £15k is a loan to Brymbo and Tanyfron Regeneration Trust Ltd to support the continued growth and activity at Brymbo Enterprise Centre. The loan was advanced in March 2012 at a fixed rate of interest, repayable bi-annually with the first repayment due in September 2012.

## NOTES TO THE ACCOUNTS

### 31. Financial Instruments

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

	Note	Long-term		Current	
		31/03/2011 £'000	31/03/2012 £'000	31/03/2011 £'000	31/03/2012 £'000
<b>Investments</b>					
Loans and receivables	32	0	0	34,682	14,162
<b>Total Investments</b>		<b>0</b>	<b>0</b>	<b>34,682</b>	<b>14,162</b>
<b>Debtors</b>					
Loans and receivables	30	261	259		
<b>Total Debtors</b>		<b>261</b>	<b>259</b>		
<b>Borrowings</b>					
Financial Liabilities at amortised cost	38	(126,110)	(126,076)	(5,425)	(1,492)
<b>Total Borrowings</b>		<b>(126,110)</b>	<b>(126,076)</b>	<b>(5,425)</b>	<b>(1,492)</b>
<b>Other Long Term Liabilities</b>					
PFI liabilities	43	(15,430)	(15,181)		
Finance Lease liabilities	42	(2,248)	(2,308)		
<b>Total Other Long Term Liabilities</b>		<b>(17,678)</b>	<b>(17,489)</b>		

The gains and losses in the CI&ES in relation to financial instruments are as follows:

	Liabilities measured at amortised cost £'000	Investments £'000	Long Term Debtors £'000	Total £'000
Interest	10,783	0	0	10,783
<b>Interest payable and similar charges</b>	<b>10,783</b>	<b>0</b>	<b>0</b>	<b>10,783</b>
Interest Income	0	(669)	(18)	(687)
<b>Interest and investment income</b>	<b>0</b>	<b>(669)</b>	<b>(18)</b>	<b>(687)</b>

The Council's activities expose it to a variety of financial risks. The key risks 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 of financial loss to the Council as a result of changes in such measures as interest rate movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Management team in conjunction with appointed Treasury Management advisors, under policies approved by the Council in the Treasury Management Strategy and Annual Investment Strategy. The strategy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

#### Credit Risk

The Council manages credit risk by ensuring that investments are placed with AAA - rated Money Market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Council's Treasury Management Strategy. The Council has a policy of not lending more than £10m to one institution. In addition, no more than £15m in total can be invested for a period longer than one year. The Council has no historical experience of counterparty default.

Until November 2011 the minimum credit rating criteria for new investments in the 2011/12 financial year was a long term rating of A+ / A1 / A+ (Fitch / Moody's / Standard & Poor's). Following downgrades to a number of systemically important financial institutions in Autumn 2011, a lower minimum credit rating criteria of A- / A3 / A- (Fitch / Moody's / Standard & Poor's) was adopted by the Council once the revised Treasury Management Strategy was approved by Council on 19 December 2011.

The following analysis summarises the Council's outstanding investments as at 31 March 2012:

## NOTES TO THE ACCOUNTS

### 31. Financial Instruments cont'd

<u>Banks</u>	Maturity of Investment				Total £'000
	0-3 Months £'000	3-6 Months £'000	6-12 Months £'000	>12 months £'000	
UK A+ A1 A+	4,645	0	0	0	4,645
A Aa3 A+	7,000	2,000	0	0	9,000
A A1 A	2,000	3,000	0	0	5,000
A A2 A	3,614	0	0	0	3,614
A A2 A	5,000	0	0	0	5,000
<b><u>Building Societies</u></b>					
UK	0	0	0	0	0
<b><u>Money Market Funds</u></b>					
AAA	6,350	0	0	0	6,350
<b>Total Investments</b>	<b>28,609</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>33,609</b>

The above table shows that all deposits outstanding as at 31 March 2012 met the Council's credit rating criteria.

#### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure that loans do not mature at an inopportune time and this is achieved through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of the Council's borrowing (excluding bonds) is as follows:

	<u>£'000</u>
Less than one year	312
Between one and two years	555
Between two and five years	3,224
Between five and ten years	5,729
Between ten and twenty years	15,290
Between twenty and thirty years	11,731
Between thirty and forty years	46,023
More than forty years	44,654
	<u>127,518</u>

All trade creditors are due to be paid in less than one year.

#### Market risk

**Interest rate risk** - The Council is exposed to risks arising from movements in interest rates. The Council's Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. As at 31 March 2012, 100% of the Council's debt portfolio was held in fixed rate instruments.

If interest rates had been 1% higher, with all other variables held constant the financial effect would be:

	<u>£'000</u>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(488)
Increase in Government grant receivable for financing costs	0
Impact on the CI&ES	<u>(488)</u>
Share of overall impact debited/credited to the HRA	<u>0</u>
Decrease in fair value of fixed interest rate investment assets	<u>0</u>
Decrease in fair value of fixed rate borrowings liabilities (No impact on the CI&ES)	<u>27,499</u>

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed.

#### Price risk

The Council does not generally invest in equity shares.

#### Foreign Exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## NOTES TO THE ACCOUNTS

### 32. Investments

The investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31/03/2011			31/03/2012		
	Principal £'000	Accrued Interest £'000	Amortised Cost £'000	Principal £'000	Accrued Interest £'000	Amortised Cost £'000
Long Term Investments	0	0	0	0	0	0
Short Term Investments	34,500	182	34,682	14,000	162	14,162
<b>Total Investments</b>	<b>34,500</b>	<b>182</b>	<b>34,682</b>	<b>14,000</b>	<b>162</b>	<b>14,162</b>

Financial assets such as investments are carried in the Balance Sheet at amortised cost. The Council's investments consist of term deposits with Banks and Building Societies. As at 31 March 2012 there were no long term investments. Where an instrument matures in the next twelve months, the carrying amount is assumed to approximate fair value.

The fair values calculated are as follows:

	31/03/2011		31/03/2012	
	Principal Amount £'000	Fair value £'000	Principal Amount £'000	Fair value £'000
Long Term Investments	0	0	0	0
Short Term Investments	34,500	34,500	14,000	14,000

### 33. Assets Held for Sale

	2010/11		2011/12	
	Current £'000	Non-Current £'000	Current £'000	Non-Current £'000
Balance outstanding at 1 April	725	375	2,053	0
Assets newly classified as held for sale:				
- Property, Plant & Equipment	1,380	0	694	0
Revaluation losses	0	0	(236)	0
Revaluation gains	297	0	85	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
- Property, Plant & Equipment	0	0	0	0
Assets sold	(724)	0	(1,096)	0
Transfers from non current to current	375	(375)	0	0
<b>Balance outstanding at 31 March</b>	<b>2,053</b>	<b>0</b>	<b>1,500</b>	<b>0</b>

### 34. Construction Contracts

The Council was not the contractor in any construction contracts in 2011/12 or 2010/11.

### 35. Short Term Debtors

	31/03/2011 £'000	31/03/2012 £'000
Central government bodies	12,322	16,152
Other local authorities	2,398	1,167
NHS bodies	1,279	712
Public corporations and trading funds	1	11
Other entities and individuals	9,737	9,186
<b>Total Short Term Debtors</b>	<b>25,737</b>	<b>27,228</b>

## NOTES TO THE ACCOUNTS

### 36. Cash and Cash Equivalents

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

	31/03/2011 £'000	31/03/2012 £'000
Cash in hand	70	66
Bank current accounts	(7,016)	(7,206)
Call accounts	9,500	13,259
Money Market Funds	4,000	6,350
<b>Total Cash and Cash Equivalents</b>	<u>6,554</u>	<u>12,469</u>

### 37. Short Term Creditors

	Restated 31/03/2011 £'000	31/03/2012 £'000
Central government bodies	(4,410)	(4,981)
Other local authorities	(3,064)	(1,987)
NHS bodies	(909)	(293)
Public corporations and trading funds	(4)	(5)
Other entities and individuals	(12,726)	(12,893)
	<u>(21,113)</u>	<u>(20,159)</u>

### 38. Borrowings

The borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31/03/2011				31/03/2012			
	Principal £'000	Accrued Interest £'000	Amortisation £'000	Amortised Cost £'000	Principal £'000	Accrued Interest £'000	Amortisation £'000	Amortised Cost £'000
Public Works Loan Board (PWLB)	(102,563)	0	0	(102,563)	(102,563)	0	0	(102,563)
Market	(23,800)	(711)	1,841	(22,670)	(23,800)	(747)	1,828	(22,719)
Government Bodies	(920)	0	43	(877)	(843)	0	49	(794)
<b>Total Long Term Borrowing</b>	<u>(127,283)</u>	<u>(711)</u>	<u>1,884</u>	<u>(126,110)</u>	<u>(127,206)</u>	<u>(747)</u>	<u>1,877</u>	<u>(126,076)</u>
Public Works Loan Board	(4,000)	(981)	0	(4,981)	0	(869)	0	(869)
Market	0	(135)	0	(135)	0	(138)	0	(138)
Government Bodies	(127)	0	20	(107)	(312)	0	28	(284)
Bonds	(194)	(8)	0	(202)	(194)	(7)	0	(201)
<b>Total Short Term Borrowing</b>	<u>(4,321)</u>	<u>(1,124)</u>	<u>20</u>	<u>(5,425)</u>	<u>(506)</u>	<u>(1,014)</u>	<u>28</u>	<u>(1,492)</u>

Financial liabilities are carried in the Balance Sheet at amortised cost. The PWLB has provided the Council with fair value amounts in relation to the loans outstanding and has assessed the fair values by calculating the amounts the Council would have to pay to extinguish the loans as at 31 March. The Council has five market loans from four banks. The banks were requested to provide details of the fair values on each loan. Two banks responded, and provided details based on the brokerage costs of the loan. However, for the remaining market loans, the Council has assessed fair value using the PWLB premature repayment rates prevailing on 31 March. For temporary loans and bonds the carrying amount is assumed to approximate fair value.

The loans from Government Bodies are interest free and include a sum of £930k from the Welsh Government (WG) (received in March 2010) and Salix of £264k to finance carbon emission and energy use reduction projects. In addition, the Council received during the 2010/11 financial year £106k from the WG Invest To Save Fund to finance initiatives to reduce Out of County placements. The loans are repayable over a period of 2 to 8 Years.

The fair values are as follows:

	31/03/2011		31/03/2012	
	Principal £'000	Fair value £'000	Principal £'000	Fair value £'000
PWLB	(106,563)	(135,328)	(102,563)	(151,622)
Market	(23,800)	(27,414)	(23,800)	(31,606)
Financial liabilities	<u>(130,363)</u>	<u>(162,742)</u>	<u>(126,363)</u>	<u>(183,228)</u>

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans, where the interest payable is greater than the rates available for similar loans, at the balance sheet date. If the fair values for the loans are calculated using the PWLB new borrowing rates then the values for PWLB and market loans would be £126,091k and £27,962k respectively. The commitment to pay interest above current market rates reduces the amount that the Council would have to pay, if the lender requested, or agreed, to early repayment of loans.

**39. Provisions**

	<b>Current Insurance Provision £'000</b>	<b>Non-Current Unequal Pay Back Pay Claims £'000</b>
Balance at 1 April 2011	(553)	(5,600)
Additional provisions made in 2011/12	(528)	0
Amounts used in 2011/12	460	0
Balance at 31 March 2012	<u>(621)</u>	<u>(5,600)</u>

The Council has made provision for anticipated expenditure as follows:

**Insurance Provision** - this is to meet anticipated excesses on claims.

**Unequal Pay Back Pay claims provision** - this is to meet any potential back pay liabilities, following implementation of the Single Status Agreement. (see note 41 and 54 Notes to the Accounts).

**40. Long Term Creditors**

	<b>31/03/2011 £'000</b>	<b>31/03/2012 £'000</b>
Other entities and individuals	(1,281)	(808)
<b>Total Long Term Creditors</b>	<u>(1,281)</u>	<u>(808)</u>

**41. Contingent Liabilities**

a) In 1997, local government employees and the relevant trade unions signed the "Single Status Agreement". The agreement committed authorities to undertake equal pay reviews and to introduce non-discriminatory pay structures, addressing the fact that local government employees were employed on differing terms and conditions. A prudent provision has been established for probable impact of this agreement. (see note 39 Notes to the Accounts).

b) The Council has received a claim for compensation pursuant to paragraph 13 of Schedule 14 of the Environment Act 1995, from the operators of Hafod Quarry. The claim arises from a decision of the Planning Committee on 4 September 2006 to issue revised conditions in respect of the planning consent to extract minerals at the site referred to as a Review of Old Minerals Planning Permission (ROMP) in accordance with its statutory duty following the designation of part of the site as a Special Area of Conservation (SAC). The effect of the ROMP is to restrict working rights within the SAC.

The claim was the subject of a hearing in the Upper Tribunal (Lands Chamber) in January 2011. The Council defended the claim on the basis that there was no compensation payable as the claimant had expressed a clear intention not to work the claim area prior to the making of the ROMP. Notwithstanding the Council's primary position that no compensation is payable, in the event that compensation is found to be payable by the Upper Tribunal (Lands Chamber) the claim has been agreed by the parties' respective valuation experts in the sum of either £4,232k or £4,267k or £4,372k depending upon the determination of the Upper Tribunal (Lands Chamber) as to the proper method of assessment of the new population requiring translocation.

The Upper Tribunal (Lands Chamber) has determined the claim and found that no compensation is payable to the claimant and ordered the claimant to pay the Council's costs. The decision on matters of fact is final. There is limited right of appeal to the Court of Appeal on a point or points of law and permission to appeal has now been granted by the Court of Appeal. The date for hearing the appeal is listed on 27th and 28th November 2012.

c) During the year the Council sold a piece of land to a third party for a sum of £825k. If the conditions attached to the sale are not met, then the Council will be required to repurchase the land in 2012/13 at the original sale price. The Council considers that the conditions of the sale will be met.

d) Municipal Mutual Insurance Ld (MMI) was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off is unlikely to be achieved then the scheme will be triggered and the scheme Creditors would be subject to a claw back. The size of the claw back depends on the amount paid to the Creditors since September 1993. Subsequent to this claw back any liabilities or elective defence costs payments made by MMI will be made at a reduced rate, leaving their Creditors to fund the shortfall.

In March 2012, the Supreme Court issued its decision, drawing an end to the Employers' Liability Insurance "Trigger" Litigation. The ruling essentially reinstates the approach to handling and allocating employers' liability claims that the insurance market had adopted up to 2005. Policies, whether they are sustained or causation wordings, respond as at the date of initiation or causation of disease or injury i.e at the time of exposure.

The MMI accounts for the year to 30 June 2011 showed a deficit of liabilities over assets and MMI are still receiving a significant volume of new claims, particularly in the areas of mesothelioma and alleged abuse. A letter sent by the Chairman of MMI to all scheme members reporting on the outcome of the Supreme Court hearing states: *The Board of Directors is now seeking legal, financial and actuarial advice in order to determine the full implications of the judgement and the most appropriate way forward.*

To date MMI have not triggered the scheme of arrangement.



## NOTES TO THE ACCOUNTS

### 42. Leases

#### Finance Leases

The Council has acquired various vehicles under finance leases.

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

31/03/2011 £'000		31/03/2012 £'000
3,194	Vehicles, Plant, Furniture & Equipment	3,011
<u>3,194</u>		<u>3,011</u>

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

31/03/2011 £'000		31/03/2012 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
781	- current	807
1,467	- non current	1,502
198	Finance costs payable in future years	232
<u>2,446</u>	Minimum lease payments	<u>2,541</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2011 £'000	31/03/2012 £'000	31/03/2011 £'000	31/03/2012 £'000
Not later than one year	885	913	781	807
Later than one year and not later than five years	1,470	1,492	1,380	1,370
Later than five years	91	136	87	131
	<u>2,446</u>	<u>2,541</u>	<u>2,248</u>	<u>2,308</u>

#### Operating Leases

The Council uses furniture and equipment and vehicles under terms of an operating lease.

The minimum lease payments due under non-cancellable leases in future years are:

31/03/2011 £'000		31/03/2012 £'000
211	Not later than one year	228
416	Later than one year and not later than five years	351
0	Later than five years	0
<u>627</u>		<u>579</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases is shown below. For 2011/12, Environmental and Regulatory Services include rental payments of £259k in relation to leases in extension (£79k in 2010/11). During their original term, these leases were classified as Finance Leases, but following a reassessment of the revised terms of the extension agreements, these are now classified as Operating Leases. No adjustment has been made in respect of 2010/11.

2010/11 £'000		2011/12 £'000
8	Cultural and Related Services	10
18	Environmental and Regulatory Services	262
10	Planning Services	13
155	Children and Education Services	170
4	Highways and Transport Services	3
0	Local Authority Housing (HRA)	3
4	Other Housing Services	2
9	Adult Social Care	13
21	Corporate and Democratic Core	28
<u>229</u>		<u>504</u>

## NOTES TO THE ACCOUNTS

### 43. Private Finance Initiatives and Similar Contracts (PFI)

The Council entered into a twenty five year waste disposal PFI scheme with WRG Ltd on 1 April 2009. All facilities were operational by September 2009. The fair value of the assets held under the agreement is included in Property, Plant & Equipment based on costings in the operators financial model and is as follows:

	Land & Buildings	Vehicles, Plant Furniture & Equipment	Total
	£'000	£'000	£'000
Value at 1 April 2011	12,671	3,123	15,794
Additions	0	0	0
Depreciation	(532)	(505)	(1,037)
Value at 31 March 2012	<u>12,139</u>	<u>2,618</u>	<u>14,757</u>

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

	Fair Value of Service Charge	Interest & Contingent Rents	Repayment of Liability	Total Unitary Payment
	£'000	£'000	£'000	£'000
within one year	8,852	2,371	334	11,557
within two to five years	37,841	11,273	679	49,793
within six to ten years	56,238	14,423	1,504	72,165
within eleven to fifteen years	63,354	14,828	2,728	80,910
within sixteen to twenty one years	69,855	14,138	6,187	90,180
within twenty two to twenty five years	30,269	4,861	3,749	38,879
	<u>266,409</u>	<u>61,894</u>	<u>15,181</u>	<u>343,484</u>

The service charge includes lifecycle replacement costs as included in the operators financial model. The payments for the forthcoming financial year have been estimated using a weighted average of the various indices stipulated in the contract. The rates used are based on the increases at 1 January 2012 for RPI 3.93%, RPIx 3.99%, Labour Index 4.93% and Derv Index of 6.84%. For subsequent years inflation of 2.5% has been assumed for all indices as assumed in the operator's financial model.

The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2010/11 £'000	2011/12 £'000
Balance Outstanding at 1 April	(15,669)	(15,430)
Payments during the year	239	294
Capital Expenditure incurred in the year	0	0
Other Movements	0	(45)
Balance Outstanding at 31 March	<u>(15,430)</u>	<u>(15,181)</u>

### 44. Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pension. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2011/12, the Council paid £5.5m to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £5.4m and 14.1%. In addition, payments in respect of added years, accrued discretion and pension fund strain costs were made to Capita of £0.32m (£0.84m in 2010/11). There were no contributions remaining payable at the year end.

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by the Council. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees for the purpose of this Statement of Accounts and is therefore accounted for on the basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability.

## NOTES TO THE ACCOUNTS

### 45. Transactions Relating to Post-employment Benefits

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme (LGPS), specifically the Clwyd Pension Fund, administered on the Council's behalf by Flintshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets. The cost of post employment benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made against council tax is based on the employers' contributions payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the CI&ES and the Movement in Reserves Statement during the year:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Current service cost	12,539	11,109	0	0
Past service costs / (gains)	(28,539)	0	(1,062)	197
Curtailment loss	1,047	251	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Interest cost	27,159	25,818	1,897	1,588
Expected return on assets in the scheme	(20,329)	(20,804)	0	0
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>(8,123)</u>	<u>16,374</u>	<u>835</u>	<u>1,785</u>
<i>Other Post Employment Benefit Charged to CI&amp;ES:</i>				
Actuarial gains and losses	(11,571)	32,830	(2,844)	823
<i>Total Post Employment Benefit Charged to CI&amp;ES</i>	<u>(19,694)</u>	<u>49,204</u>	<u>(2,009)</u>	<u>2,608</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	19,694	(49,204)	2,009	(2,608)
<i>Actual amount charged against General Fund / HRA Balance for Pensions in year</i>				
Employers contributions payable to Clwyd Pension Fund scheme	<u>16,637</u>	<u>16,878</u>		
Retirement benefit payable to pensioners			<u>3,104</u>	<u>2,607</u>

The cumulative amount of actuarial gains and losses recognised in the CI&ES to the 31 March is £46.3m.

### 46. Assets and Liabilities in relation to Post-employment benefits

Reconciliation of present value of the scheme liabilities:

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits</b>	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
1 April	(484,933)	(469,876)	(35,537)	(30,424)
Current Service Cost	(12,539)	(11,109)	0	0
Interest Cost	(27,159)	(25,818)	(1,897)	(1,588)
Contributions by scheme participants	(4,428)	(4,222)	0	0
Actuarial (loss) / gain	14,830	(17,786)	2,844	(823)
Benefits paid	16,861	16,245	3,104	2,607
Past Service (costs) / gains	28,539	0	1,062	(197)
Curtailments	(1,047)	(251)	0	0
31 March	<u>(469,876)</u>	<u>(512,817)</u>	<u>(30,424)</u>	<u>(30,425)</u>

Reconciliation of fair value of the scheme assets:

1 April	301,741	323,015
Expected rate of return	20,329	20,804
Actuarial (loss) / gain	(3,259)	(15,044)
Employer contributions	17,950	18,208
Contributions by employees	4,428	4,222
Benefits paid	(18,174)	(17,575)
31 March	<u>323,015</u>	<u>333,630</u>

## NOTES TO THE ACCOUNTS

### 46. Assets and Liabilities in relation to Post-employment benefits cont'd

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £5,760k (2010/11: £21,482k gain).

#### *Scheme History*

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value of liabilities:						
Local Government Pension Scheme	(385,630)	(407,258)	(346,762)	(484,933)	(469,876)	(512,817)
Discretionary Benefits	(31,566)	(35,652)	(30,285)	(35,537)	(30,424)	(30,425)
Fair value of assets	282,697	279,673	220,994	301,741	323,015	333,630
Surplus / (deficit) in the scheme:						
Local Government Pension Scheme	(102,933)	(127,585)	(125,768)	(183,192)	(146,861)	(179,187)
Discretionary Benefits	(31,566)	(35,652)	(30,285)	(35,537)	(30,424)	(30,425)
Total	<u>(134,499)</u>	<u>(163,237)</u>	<u>(156,053)</u>	<u>(218,729)</u>	<u>(177,285)</u>	<u>(209,612)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment benefits. The total liability of £210m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £518m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made to the Clwyd Pension Fund by the Council in the year to 31 March 2013 is £17.6m.

#### *Basis for Estimating Assets and Liabilities*

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2011/12	2010/11	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.5%		
Bonds	4.1%	5.1%		
Other	6.4%	6.9%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.8	21.8	21.8	21.8
Women	24.4	24.3	24.4	24.3
Longevity at 65 for future pensioners:				
Men	23.2	23.2		
Women	26.0	25.9		
Rate of inflation	2.5%	3.4%	2.3%	3.3%
Rate of increase in salaries	4.0%	4.4%		
Rate of increase in pensions	2.5%	2.9%	2.3%	2.8%
Rate for discounting scheme liabilities	4.9%	5.5%	4.6%	5.4%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50%		

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

The Discretionary Benefits arrangements have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/2011 %	31/03/2012 %
Equity investments	58.5	41.0
Debt instruments	11.8	16.0
Other assets	29.7	43.0
	100.0	100.0

## NOTES TO THE ACCOUNTS

### 46. Assets and Liabilities in relation to Post-employment benefits cont'd

History of experience gains and losses

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	0.10	(9.70)	(38.70)	19.70	(1.01)	(4.51)
Experience gains and losses of liabilities	0.00	(3.30)	0.00	0.00	2.91	0.00

### 47. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 7 and Note 7.

### 48. Unusable Reserves

Restated 31/03/2010 £'000	Restated 31/03/2011 £'000		31/03/2012 £'000
210,501	209,366	Revaluation Reserve	212,504
485,827	475,596	Capital Adjustment Account	478,702
(2,606)	(2,330)	Financial Instruments Adjustment Account	(2,148)
99	78	Deferred Capital Receipts Reserve	53
(218,729)	(177,285)	Pensions Reserve	(209,612)
(5,600)	(5,600)	Unequal Pay Back Pay Account	(5,600)
(1,807)	(1,829)	Accumulated Absences Account	(2,211)
<b>467,685</b>	<b>497,996</b>	<b>Total Unusable Reserves</b>	<b>471,688</b>

### 49. Revaluation Reserve

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

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

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

2010/11 £'000		2011/12 £'000
210,501	<b>Restated Balance at 1 April</b>	209,366
10,018	Upward Revaluation of assets	38,978
(7,410)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(30,892)
2,608	Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	8,086
(3,690)	Difference between fair value and historical cost depreciation	(3,728)
(53)	Accumulated gains on assets sold or scrapped	(1,220)
(3,743)	Amount written off to the Capital Adjustment Account	(4,948)
<b>209,366</b>	<b>Restated Balance at 31 March</b>	<b>212,504</b>

## NOTES TO THE ACCOUNTS

### 50. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant & Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2010/11</b>		<b>2011/12</b>	
<b>£'000</b>		<b>£'000</b>	
485,827	Restated Balance at 1 April		475,596
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(44,303)	- charges for depreciation and impairment of non current assets	(46,264)	
	- revaluation losses on Property, Plant and Equipment		
(229)	- amortisation of intangible assets	(220)	
(2,536)	- revenue expenditure funded from capital under statute	(730)	
(1,474)	- amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,081)	
(48,542)			(49,295)
542	Transfers to / from capital receipts reserve	577	
3,743	Adjusting amounts written out of the Revaluation Reserve	4,948	
(44,257)	Net written out amount of the cost of non current assets consumed in the year		5,525
	Capital financing applied in the year:		
81	- use of the Capital Receipts Reserve to finance new capital expenditure	3,105	
20,972	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	26,959	
1,001	- application of grants to capital financing from the Capital Grants Unapplied Account	81	
6,844	- statutory provision for the financing of capital investment charged against the General Fund and HRA balances	6,995	
5,128	- capital expenditure charged against the General Fund and HRA balances	9,736	
34,026			46,876
475,596	Restated Balance at 31 March		478,702

### 51. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CI&ES when they are incurred, but reversed out of the General Fund / HRA Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund / HRA Balance in accordance with statutory arrangements for spreading the burden on council tax / housing rents. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 43 years.

<b>2010/11</b>		<b>2011/12</b>	
<b>£'000</b>		<b>£'000</b>	
(2,606)	Balance at 1 April		(2,330)
0	Premiums incurred in the year and charged to the CI&ES	0	
276	Proportion of premiums incurred in previous financial years to be charged against the General Fund / HRA Balance in accordance with statutory requirements	182	
276	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements		182
(2,330)	Balance at 31 March		(2,148)

## NOTES TO THE ACCOUNTS

### 52. Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets, but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 £'000		2011/12 £'000
99	Balance at 1 April	78
(21)	Transfer to the Capital Receipts Reserve upon receipt of cash	(25)
<u>78</u>	Balance at 31 March	<u>53</u>

### 53. Pensions Reserve

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

2010/11 £'000		2011/12 £'000
(218,729)	Balance at 1 April	(177,285)
14,415	Actuarial gains or losses on pensions assets and liabilities	(33,653)
7,288	Reversal of items relating to retirement benefits debited or credited to the Surplus Deficit on the Provision of Services in the Comprehensive I & E Statement	(18,159)
19,741	Employer's pensions contributions and direct payments to pensioners payable in the year	19,485
<u>(177,285)</u>	Balance at 31 March	<u>(209,612)</u>

### 54. Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund balance until such time as cash might be paid out to claimants.

2010/11 £'000		2011/12 £'000
(5,600)	Balance at 1 April	(5,600)
0	Increase in provision for back pay in relation to Equal Pay cases	0
0	Cash settlements paid in the year	0
0	Amount by which amounts charged for Equal Pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0
<u>(5,600)</u>	Balance at 31 March	<u>(5,600)</u>

### 55. Accumulated Absences Account

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

2010/11 £'000		2011/12 £'000
(1,807)	Balance at 1 April	(1,829)
1,807	Settlement or cancellation of accrual made at the end of the preceding year	1,829
<u>(1,829)</u>	Amounts accrued at the end of the current year	<u>(2,211)</u>
(22)	Amount by which officer remuneration charged to the CI&ES on an accruals is different from remuneration chargeable in the year chargeable in the year in accordance with statutory requirements	(382)
<u>(1,829)</u>	Balance at 31 March	<u>(2,211)</u>

## NOTES TO THE ACCOUNTS

### 56. Cash Flow Statement - Adjustment to net surplus / deficit on the provision of services for non cash movements:

2010/11 £'000		2011/12 £'000
(44,304)	Depreciation and impairment of non current assets	(46,264)
(228)	Amortisation of intangible assets	(220)
(24)	Increase / (Decrease) in inventories	3
1,240	Increase / (Decrease) in debtors	(601)
(4,246)	Increase / (Decrease) in creditors	2,370
27,029	Transfer to / (from) pensions reserve	1,326
(208)	Transfer to / (from) provisions	(68)
52	Amortisation of borrowing	1
(1,474)	Carrying amount of non-current assets sold	(2,081)
21,238	Capital Grants and Contributions credited to income and expenditure	27,256
(2,536)	Revenue Expenditure funded from capital under statute	(730)
450	Revenue Income defined as capital under statute	60
(3,011)		(18,948)

### 57. Cash Flow Statement - Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2010/11 £'000		2011/12 £'000
11,328	Proceeds from sale of non current assets	2,034
11328		2,034

### 58. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
(627)	Interest received	(706)
10,707	Interest paid	10,856

### 59. Cash Flow Statement - Investing Activities

2010/11 £'000		2011/12 £'000
33,851	Purchase of property, plant, equipment, investment property and intangible assets	50,883
500	Purchase of short term and long term investments	0
8,080	Other payments of investing activities	4,083
(11,328)	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	(2,034)
0	Proceeds from short term and long term investments	(20,500)
(27,739)	Other receipts from investing activities	(25,202)
3,364	Net cash flows from investing activities	7,230

### 60. Cash Flow Statement - Financing Activities

2010/11 £'000		2011/12 £'000
(122)	Cash receipts of short term and long term borrowing	(108)
(435)	Other receipts from financing activities	(2,085)
1,374	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,216
4,488	Repayments of short term and long term borrowing	4,000
0	Other payments of financing activities	0
5,305	Net cash flows from financing activities	3,023



## NOTES TO THE ACCOUNTS

### 61. Trust Funds

The Council administers a number of trust funds related to specific services. These are varied in nature, and relate principally to legacies left to the Council, for education purposes. The dealings of these trust funds are not included in the CI&ES or the Balance Sheet.

A summary of the transactions of the education trust fund is as follows:

2010/11 £'000		2011/12 £'000
143	Opening Balance	138
1	Investment Interest	1
(6)	Awards to schools	(1)
138	Closing Balance	138

The above closing balance is represented by cash.

### 62. Social Care - Safe Custody and Amenity Funds

**Safe Custody Accounts** - The Adult Social Care Department maintains individual Safe Custody accounts for service users living in the community, who are unable to deal with their financial affairs due to their mental incapacity. The Head of Adult Social Care is the appointee with the Department of Work and Pensions for each of the service users. The balance as at 31 March 2012 was £2,748k (£2,356k as at 31 March 2011) and this reflects the amount of money held by the Council on behalf of its service users.

**Amenity Funds** - Amenity funds represent funds held on behalf of establishments, such as day centres and residential homes. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts from families of clients and bequests from the estates of deceased clients. The balance as at 31 March 2012 was £24,573 (£27,719 as at 31 March 2011).

### 63. Grant Income

The Council credited the following grants, contributions and donations to the CI&ES:

	2010/11 £'000	2011/12 £'000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
Non Domestic Rates	37,294	31,361
Revenue Support Grant	125,114	129,778
Improvement Agreement Grant	1,285	1,291
Major Repairs Allowance Grant	7,600	7,600
General Capital Grant	787	604
Capital Strategic Improvement Fund	2,067	0
Regional Capital Access Fund	547	79
Transport Grant	4,240	12,951
Road Maintenance Grant	172	7
Schools Building Improvement Grant	3,657	4,549
Additional Capital Maintenance in Schools	0	285
Early Years/Flying Start	0	226
Other Capital Grants and Contributions	1,976	826
	184,739	189,557
<b>Credited to Services:</b>		
Welsh Government - General Capital Grant	1,298	1,481
Housing Renewal Specific Grant	2,233	1,417
Capital Strategic Improvement Fund	919	0
Schools Building Improvement Grant	128	0
Private Finance Initiative	2,201	2,148
Waste Grant	2,977	2,947
Supporting People Grant	4,899	4,851
Foundation Phase	3,196	3,947
Learning Pathways (14-19)	840	787
Post 16 Provision in schools	3,091	3,020
Better Schools fund	621	0
Flying Start	1,553	1,521
Cymorth	1,860	1,529
Learning Disability Strategy	1,208	1,219
Concessionary Fares re-imburement grant	2,534	2,713
Substance Misuse Action Team	987	932
Families First PION	350	521
Other	8,728	6,976
Department of Work and Pensions	44,880	49,372
Other	3,865	6,042
	88,368	91,423

## NOTES TO THE ACCOUNTS

### 63. Grant Income cont'd

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 will require the monies or property to be returned to the giver. The balances at the year end are as follows:

<b>Current Liabilities:</b>	<b>31/03/2011</b>	<b>31/03/2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Grants Receipt in Advance - Capital:</b>		
Welsh Government - 21st Century Schools	778	0
Transport Grant	267	0
Road Maintenance Grant	0	15
Local Regeneration Fund	190	190
European Regional Development Fund	81	81
Welsh Development Agency	132	131
Cadw	0	16
Renewal Area Specific Grant	193	0
Other	46	20
Other		
Taith (Flintshire)	50	0
Heritage Lottery Fund	48	45
New Opportunities Fund	0	16
Other	20	6
	<b>1,805</b>	<b>520</b>
<b>Grants Receipt in Advance - Revenue:</b>		
Welsh Government - Families First	325	0
Local Service Board Development Officer Grant	0	27
Local Transport Grant	48	0
Local Road Safety Grant	18	0
Genesis Wales	36	0
Communities First	42	4
Other	27	22
Other		
Home Office - Asylum Seekers	4	0
Other	21	19
	<b>521</b>	<b>72</b>

## NOTES TO THE ACCOUNTS

### 64. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CI&ES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive Board on the basis of budget monitoring reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

#### Departmental Income and Expenditure 2011/12

	Children & Young People (incl. schools) £'000	Adult Social Care £'000	Environment £'000	Housing (excl. HRA) £'000	Corporate & Central £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(11,208)	(10,450)	(10,929)	(1,596)	(2,538)	(18,423)	(55,144)
Grants and Contributions	(16,272)	(4,503)	(10,786)	(50,344)	(162)	(4,985)	(87,052)
<b>Total Income</b>	<b>(27,480)</b>	<b>(14,953)</b>	<b>(21,715)</b>	<b>(51,940)</b>	<b>(2,700)</b>	<b>(23,408)</b>	<b>(142,196)</b>
Employee expenses	85,705	20,646	10,983	1,701	1,719	28,984	149,738
Other service expenses	25,463	33,707	34,540	51,606	27,125	18,260	190,701
Support Service recharges	7,299	169	55	298	151	1,010	8,982
<b>Total Expenditure</b>	<b>118,467</b>	<b>54,522</b>	<b>45,578</b>	<b>53,605</b>	<b>28,995</b>	<b>48,254</b>	<b>349,421</b>
<b>Net Expenditure</b>	<b>90,987</b>	<b>39,569</b>	<b>23,863</b>	<b>1,665</b>	<b>26,295</b>	<b>24,846</b>	<b>207,225</b>

#### Departmental Income and Expenditure 2010/11 Comparative figures

	Children & Young People (incl. schools) £'000	Adult Social Care £'000	Environment £'000	Housing (excl. HRA) £'000	Corporate & Central £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(18,612)	(8,197)	(11,234)	(1,617)	(3,582)	(16,930)	(60,172)
Grants and contributions	(15,819)	(5,406)	(9,195)	(46,678)	0	(4,716)	(81,814)
<b>Total Income</b>	<b>(34,431)</b>	<b>(13,603)</b>	<b>(20,429)</b>	<b>(48,295)</b>	<b>(3,582)</b>	<b>(21,646)</b>	<b>(141,986)</b>
Employee expenses	87,847	21,718	12,221	1,612	1,646	29,040	154,084
Other service expenses	28,674	29,951	31,657	48,072	27,248	18,175	183,777
Support Service recharges	7,543	72	38	74	62	1,370	9,159
<b>Total Expenditure</b>	<b>124,064</b>	<b>51,741</b>	<b>43,916</b>	<b>49,758</b>	<b>28,956</b>	<b>48,585</b>	<b>347,020</b>
<b>Net Expenditure</b>	<b>89,633</b>	<b>38,138</b>	<b>23,487</b>	<b>1,463</b>	<b>25,374</b>	<b>26,939</b>	<b>205,034</b>

Variations in income and gross expenditure between years will be as a result of the management restructure which took effect from 1 April 2011. For example, in 2010/11 catering and cleaning service formed part of the Children and Young People department and, therefore, fees and charges included income of £4.4m. In 2011/12 the catering and cleaning service forms part of the Asset & Economic Development department and so the corresponding income of £4.6m is shown in Other Services' fees and charges.

#### Reconciliation of Departments Income and Expenditure to Cost of Services in the CI&ES

This reconciliation shows how the figures in the departmental analysis of income and expenditure relate to the amounts included in the CI&ES

	2010/11 £'000	2011/12 £'000
Net expenditure in the Department Analysis	205,034	207,225
Net expenditure of services and support services not included in the Analysis	(1,595)	1,385
Amounts in the CI&ES not reported to the Executive Board in the Analysis	46,425	47,025
Amounts included in the Analysis not included in the CI&ES	(63,583)	(41,925)
<b>Cost of Services in CI&amp;ES</b>	<b>186,281</b>	<b>213,710</b>

**NOTES TO THE ACCOUNTS**

**64. Amounts Reported for Resource Allocation Decisions cont'd**

*Reconciliation to Subjective Analysis*

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CI&ES.

	Departmental Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to the Executive Board for decision making £'000	Amounts not included in the CI&ES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>2011/12</b>								
Fees, charges & other service income	(55,144)	(40,536)	(60)	4,316	22,596	(68,828)		(68,828)
Interest and Investment Income						0	(21,491)	(21,491)
Income from council tax						0	(59,145)	(59,145)
Grants and Contributions	(87,052)	(967)	(3,404)			(91,423)	(189,557)	(280,980)
<b>Total Income</b>	<b>(142,196)</b>	<b>(41,503)</b>	<b>(3,464)</b>	<b>4,316</b>	<b>22,596</b>	<b>(160,251)</b>	<b>(270,193)</b>	<b>(430,444)</b>
Employee expenses	149,738	10,637	0	(5,419)	(2,285)	152,671	0	152,671
Other service expenses	190,701	30,800	3,954	(40,822)	(9,829)	174,804	0	174,804
Support service recharges	8,982	1,451	51		(10,482)	2	0	2
Depreciation, amortisation and impairment			46,484			46,484	0	46,484
Interest Payments	0	0	0	0	0	0	38,189	38,189
Precepts & Levies	0	0	0	0	0	0	18,993	18,993
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	47	47
								0
<b>Total Expenditure</b>	<b>349,421</b>	<b>42,888</b>	<b>50,489</b>	<b>(46,241)</b>	<b>(22,596)</b>	<b>373,961</b>	<b>57,229</b>	<b>431,190</b>
<b>Surplus or deficit on the provision of services</b>	<b>207,225</b>	<b>1,385</b>	<b>47,025</b>	<b>(41,925)</b>	<b>0</b>	<b>213,710</b>	<b>(212,964)</b>	<b>746</b>

	Departmental Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to the Executive Board for decision making £'000	Amounts not included in the CI&ES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>2010/11 Comparatives</b>								
Fees, charges & other service income	(60,172)	(37,955)	242	4,505	27,208	(66,172)	0	(66,172)
Interest and Investment Income	0	0	0	0	0	0	(20,987)	(20,987)
Income from council tax	0	0	0	0	0	0	(56,967)	(56,967)
Grants and Contributions	(81,814)	(1,010)	(5,544)	0	0	(88,368)	(184,739)	(273,107)
<b>Total Income</b>	<b>(141,986)</b>	<b>(38,965)</b>	<b>(5,302)</b>	<b>4,505</b>	<b>27,208</b>	<b>(154,540)</b>	<b>(262,693)</b>	<b>(417,233)</b>
Employee expenses	154,084	10,597	0	(33,611)	(3,742)	127,328	0	127,328
Other service expenses	183,777	25,134	7,374	(34,477)	(12,948)	168,860	0	168,860
Support service recharges	9,159	1,639	(179)	0	(10,518)	101	0	101
Depreciation, amortisation and impairment	0	0	44,532	0	0	44,532	0	44,532
Interest Payments	0	0	0	0	0	0	39,718	39,718
Precepts & Levies	0	0	0	0	0	0	18,466	18,466
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	(9,853)	(9,853)
<b>Total Expenditure</b>	<b>347,020</b>	<b>37,370</b>	<b>51,727</b>	<b>(68,088)</b>	<b>(27,208)</b>	<b>340,821</b>	<b>48,331</b>	<b>389,152</b>
<b>Surplus or deficit on the provision of services</b>	<b>205,034</b>	<b>(1,595)</b>	<b>46,425</b>	<b>(63,583)</b>	<b>0</b>	<b>186,281</b>	<b>(214,362)</b>	<b>(28,081)</b>

**65. Heritage Assets: Five Year Summary of Transactions**

It is not practicable to include information for the previous three years to 2010/11.

**66. Heritage Assets : Further Information on the Museum's Collections**Preservation and Management

The preservation and management of the museum collection is carried out to the highest possible level and in accordance with several best practice requirements and guides including the Museum Accreditation Scheme, Spectrum and Benchmarks for Museum Collections.

The museum has two professional members of collection staff, dedicated to ensuring the museum collection is well managed and preserved for perpetuity. A dedicated budget is allocated to the conservation and care of the collection, and extra funding through grants is sought for additional preservation and collection management projects.

The museum keeps accurate documentation of all objects and its care. This includes following the required procedures as set out in the Spectrum, the UK Museum Collections Management Standard. The museum uses a specialist computer database called Calm to maintain records relating to the collection.

Access to the collection

The collection is what defines the museum as a museum and its significance and importance is acknowledged and valued. Access to the collection is prompted and encouraged through a number of activities:

## 1. Exhibitions

Objects from the collection are displayed through exhibitions at Wrexham County Borough Museum and Bersham Heritage Centre. There is a changing programme of exhibitions which helps to ensure a good turnover of objects on display.

## 2. Online Catalogue

The museum service publishes a fully accessible catalogue of the collection for members of the public on the Council website. Currently only a small proportion of the collection is available but the number of records is constantly growing as documentation work is undertaken.

## 3. The Collections Centre

Objects which are not on display are housed in one of the museums three object stores. Public access to stored collections is encouraged through the collections centre at the County Borough museum. Members of the public can ask to see an object in storage and this is always made possible unless it poses a health and safety, or security concern.

[http://www.wrexham.gov.uk/english/heritage/collection\\_centre.htm](http://www.wrexham.gov.uk/english/heritage/collection_centre.htm)

## 4. Loans

A number of objects are loaned out to other accredited museums or public accessible venues that meet the Council's security and collection care requirements. Currently, the museum service has objects on display at the Pier Head building in Cardiff bay, Brynteg Library and at a number of museum venues across Wales, as part of a touring sport exhibition.

Acquisition and Disposal

Wrexham County Borough Museum and Archive and Bersham Heritage Centre are both accredited museums. To comply with accreditation they both have a joint Acquisitions and Disposal policy which governs how objects are collected and disposed of.

Objects can be acquired by gift, purchase or bequest and must meet the museum's collecting policy. For at least 95% of the collection the method of acquisition has been by gift.

Disposals from the accessioned collection are rare and are only carried out when the object does not meet the collecting policy, poses a health and safety concern, or is in such bad condition as to make it no longer useful for exhibition or research. Any decision to dispose of an object will be made by the Council's Executive Board. Once a decision to dispose of material in the collection has been taken, priority will be given to retaining it within the public domain, unless it is to be destroyed. It will therefore be offered in the first instance, by gift or sale, directly to the other Accredited Museums likely to be interested in its acquisition.

[http://www.wrexham.gov.uk/english/council/documents/museum\\_acquisition\\_disposal\\_policy.htm](http://www.wrexham.gov.uk/english/council/documents/museum_acquisition_disposal_policy.htm)

## 67. Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, developed by CIPFA/LASAAC Local Authority Code Board.

The accounting policies contained in the code follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the Council. Where the Code permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Council are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, financial assets and financial liabilities.

### 1. ACCRUALS OF INCOME AND EXPENDITURE

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

- a) Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- b) Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- c) Supplies 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.
- d) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- e) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.
- f) Where revenue and expenditure has 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 2. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### 3. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CI&ES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### 4. 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. When 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.

## **5. 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 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 assets attributable to the service.

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund / HRA Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **6. EMPLOYEE BENEFITS**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable, as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed costs line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy. When termination benefits involve the enhancement of pensions, statutory provisions require the General 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 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**

Council employees are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions
- 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 when they worked for the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme – no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the CI&ES is charged with the employer's contributions payable to the Teachers' Pensions in the year.

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

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme which is administered by Flintshire County Council. The pension costs charged to the Council's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

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

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

In relation to retirement benefits, statutory provisions require the General Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners 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 pensioners, 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 General Fund / HRA 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.



## 7. EVENTS AFTER THE BALANCE SHEET DATE

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

- a) 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.
- b) 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 the events and their estimated financial effect.

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

## 8. 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 carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CI&ES, for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument, to the amount, at which, it was originally recognised.

For most of the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&ES is the amount payable for the year, as determined in the loan agreement.

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

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the Council Fund / HRA 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 premium was payable or discount receivable when it was repaid (except in the case of the HRA where credit / debit is over the life of the original loan, up to a maximum of ten years). The reconciliation of amounts charged to the CI&ES to the net charge required against the Council Fund / HRA 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 (such as investments, long term and trade debtors) – assets that have fixed or determinable payments, but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

### *Loans and receivables*

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES, for interest receivable, are based on the carrying amount of the asset, multiplied by the effective rate of interest of the financial instrument. For most of the loans that the Council has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CI&ES is the amount receivable for the year, as determined 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 loan will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CI&ES. 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 derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

### **Available-for-sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable, are based on the amortised cost of asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CI&ES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any net gain / loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CI&ES. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **9. FOREIGN CURRENCY TRANSLATION**

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

## **10. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised in the CI&ES as income, except to the extent that the grant or contribution has a condition that the Council has not satisfied. Where a grant or contribution has been received and conditions remain outstanding at the balance sheet date, the grant or contribution is recognised as grants receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and capital grants) in the CI&ES.

Any unused revenue grant or contribution is transferred to earmarked reserves through the Movement in Reserves Statement. Where a capital grant or contribution has been recognised as income in the CI&ES, and the expenditure to be financed has been incurred, the grant or contribution is transferred to the Capital Adjustment Account reflecting the application of capital resources to finance expenditure. If the expenditure to be financed from the grant has not been incurred, then the grant or contribution is transferred to the Capital Grants Unapplied Account. When the expenditure is incurred then the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.

## **11. HERITAGE ASSETS – Tangible and Intangible Heritage Assets**

The Council's Heritage Assets are held in the Wrexham County Borough Museum, at the Bersham Heritage Centre, archaeological sites in the County Borough and at the Guildhall in Wrexham. There are nine collections of heritage assets which are held in support of the primary objective of the Council's Heritage Service, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's collections of heritage assets are accounted for as follows.

### **a) Civic Regalia**

The collection of civic regalia includes mayoral chains and badges and a mace. These items are reported in the Balance Sheet at insurance valuation by Bonhams of Chester in September 2004, which has been reviewed annually by Council staff. The civic regalia items are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost, and donations are recognised at valuation ascertained by the museum's curators, in accordance with the authority's policy on valuations of civic regalia.

### **b) Museum Object Collection**

#### **Archaeology**

The archaeological artefacts collection includes a small number of items. Two of which are reported in the Balance Sheet; the Llay Hoard of coins are valued at insurance valuation (reviewed on an annual basis) and the Rossett Hoard, purchased in 2003, is included at historical cost. For other items in the collection, the Council considers that obtaining valuations would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council therefore does not recognise these as assets on the Balance Sheet.

The assets within this collection are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation, with valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

#### **Social History**

The social history collection aims to represent the daily life of the people of Wrexham County Borough. Themes covered by the collection include the home, religion, work life, sports and leisure pursuits, the stages of life, health, local clubs and societies. The collection includes a small number of items of antique silver and mayoral items and are reported in the Balance Sheet at cost or insurance valuation, which is based on market values. These insurance valuations are reviewed on an annual basis. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

**Industrial and Economic History****Clocks and Watches**

These are reported in the Balance Sheet at insurance valuation, based on market values and assessed by the Heritage Services Manager at £20k. The valuation is reviewed on an annual basis. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

**Miscellaneous Objects**

The collection includes an Edwardian numismatic cabinet and a Powell Brothers motorbike which have been valued at insurance valuation and reviewed annually. The Council considers that obtaining valuations for the vast majority of its miscellaneous objects collection, including printing machinery and Victorian garden items, that are held by the Heritage Service would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. Other than a small number of items that have been acquired recently and recognised at historical cost, the Council does not recognise this collection of heritage assets on the Balance Sheet.

Acquisitions are again initially recognised at cost or, if bequeathed or donated at nil consideration, at valuation.

**Fine and Decorative Art**

The art collection includes paintings, prints, etchings and works of art and is reported in the Balance Sheet at insurance valuation, based on market value. There is a five yearly programme of valuations and the items in the collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with subsequent valuations provided by external valuers, with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

**Natural History**

The museum currently holds a small collection of natural history objects in the form of preserved zoology and geology.

The Council considers that obtaining valuations would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council therefore does not recognise these assets on the Balance Sheet.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with subsequent valuations provided by external valuers, with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

**Military History**

The medals collection is reported in the Balance Sheet at insurance valuation, based on market values. These valuations are reviewed on an annual basis. The assets within this category and the medals collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with subsequent valuations provided by external valuers, with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

**Welsh Football Collection**

The football collection includes the John Charles collection and other Welsh football items. These are reported in the Balance Sheet at insurance valuation, based on market values. These valuations are reviewed on an annual basis. The assets within the football collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with subsequent valuations provided by external valuers, with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

**c) Archaeological Sites**

Sites include Bersham Colliery and Headgear, Minera Lead Mines, Holt Castle, Sections of Offa's Dyke at Wrexham Crematorium, Ruabon High School, and of Watt's Dyke at Watt's Dyke School, Garden Village and Wrexham Cemetery. The Council considers that obtaining valuations for its archaeological sites would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council therefore does not recognise its archaeological sites as assets on the Balance Sheet.

The Council does not normally make any purchases of archaeological sites.

**d) Statuary and Monuments**

In the opinion of the Council, statuary and monuments cannot be valued because of their diverse and often unique nature. With the exception of Y Bwa, which is recognised at historical cost, cost information is not available and conventional valuation approaches lack sufficient reliability. The cost of obtaining valuations for these items would be disproportionate in comparison with the benefit derived.

Y Bwa is deemed to have an indeterminate life and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

**e) Site of Special Scientific Interest (SSSI) – Stryt Las, Johnstown**

In the opinion of the Council, the SSSI cannot be valued because of its unique nature. Cost information is not available and conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuation for this item would be disproportionate in comparison with the benefit derived.

**Heritage Assets – General**

The Council plans to engage external valuers to provide new insurance valuations for those heritage assets reported at valuation during the 2012/13 financial year. The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 18 on pages 55 to 57 in this summary of significant accounting policies. The Heritage Service will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 18 on pages 55 to 57 in this summary of significant accounting policies).

**12. INTANGIBLE ASSETS**

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

Internally generated assets are capitalised, where it is demonstrable that the project is technically feasible, and is intended to be completed (with adequate resources being available), and the Council will be able to generate future economic benefits, or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured, reliably, as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely, or primarily, intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets the criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CI&ES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund / HRA Balance. The gains and losses are therefore reversed out of the General Fund / HRA Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Usable Capital Receipts Reserve.

### **13. INVENTORIES AND LONG TERM CONTRACTS**

Stock and stores held at the year-end are recorded at cost price, except for the stores held at Abbey Road Depot, where the stores are held at average cost price. This is a departure from the requirements of the Code which require stocks to be shown at the lower of cost and net realisable value. However, the amounts concerned are not considered material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **14. INVESTMENT PROPERTY**

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

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

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

### **15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

Jointly controlled operations are activities undertaken by the Council, in conjunction with other parties, that involve the use of the assets and resources of the other parties, rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the CI&ES with the expenditure it incurs, and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other parties, with the assets being used to obtain benefits for the parties. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the

liabilities and expenses that it incurs on its own behalf, or jointly with others in respect of its interest in the joint venture, and income that it earns from the venture.

## **16. 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 & 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) a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- b) a finance charge (debited to the Financing and Investment Income and Expenditure line in the CI&ES).

Property, Plant & 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 General Fund / HRA 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 CI&ES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis, over the life of the lease, even if this does not match the pattern of payments (e.g there is a rent-free period at the commencement of the lease).

### **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 in the Balance Sheet (whether Property, Plant & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES 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 CI&ES 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 the disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a) a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premium received), and
- b) finance income (credited to the Finance and Investment Income and Expenditure line in the CI&ES).

The gain credited to the CI&ES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General 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 General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When 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 Usable Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General 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 CI&ES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **17. OVERHEADS AND SUPPORT SERVICES**

All support service costs and overheads, not defined as Non Distributed Costs or Corporate Democratic Core, have been fully allocated to services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP) (previously known as the Best Value Accounting Code of Practice). The basis of the allocation was mainly the actual time spent by officers on each service during the financial year. The costs of administrative buildings have been apportioned on the basis of floor area occupied by each service.

### **Non Distributed Costs**

This is a category of costs defined by SeRCOP. It includes:

- a) past service costs/(gains), including settlements and curtailments relating to retirement benefits
- b) costs associated with unused shares of IT facilities
- c) costs of shares of other long-term unused but unrealisable assets

### **Corporate Democratic Core**

All costs relating to member activity and corporate management are charged to this service.

## **18. PROPERTY, PLANT & EQUIPMENT**

Property, plant and equipment are tangible assets that are held for use in the provision of services, for rental to others or for administration purposes and are expected to be used during more than one financial year.

**Recognition:** expenditure which can be measured reliably on the acquisition, construction, enhancement, partial replacement of, or service of the asset 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 or fair value of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e repairs and maintenance) is charged as an expense when it is incurred.



**Measurement:** assets are initially measured at cost, comprising:

- purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CI&ES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CI&ES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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 CI&ES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before the 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 there is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- 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 CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, 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 by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e freehold land and certain Community Assets) and assets that are not yet available for use (i.e assets under construction). Depreciation is calculated on the following bases:

- council dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight line allocation over a period of 50 to 60 years.

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

Revaluation gains are also depreciated with an amount equal to the difference 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 CI&ES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES 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. The balance of receipts is required to be credited to the Usable 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 from the General Fund / HRA Balance in the Movement in Reserves Statement.

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

**19. PRIVATE FINANCE INITIATIVE (PFI)**

A PFI contract is an agreement to receive a service, where the responsibility for making available the property, plant and equipment needed to provide the service passes to the PFI contractor. As the Council is deemed to control the service that is provided under its PFI scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contract on the Balance Sheet as part of Property, Plant & Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the

capital investment. For the Council's Waste Management scheme, which became operational during September 2009, the liability was written down by an initial capital contribution of £16.9m.

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

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

- fair value of the services received during the year – debited to the relevant service in the CI&ES
- finance cost – an interest charge of 15.3% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CI&ES
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CI&ES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – recognised as Property, Plant & Equipment on the Balance Sheet.

## **20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES 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 and, where it becomes likely that a payment will not be required, 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.

### **Contingent Liabilities**

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

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

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events, not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **21. 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 General Fund/HRA 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 CI&ES. The reserve is then appropriated back into the General Fund/HRA Balance in the Movement in Reserves Statement so that there is no net charge against council tax/HRA rents for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

**23. VALUE ADDED TAX (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.

**24. CARBON REDUCTION COMMITMENT ALLOWANCES**

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

**25. 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 Council recognises a liability until the condition is fulfilled. Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions Taxation 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.

## HRA INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2010/11 £'000		2011/12 £'000	2011/12 £'000
	<b>Expenditure</b>		
13,036	Repairs and Maintenance	4	13,277
4,402	Supervision and Management		3,753
761	Special Services		1,828
86	Rent, rates, taxes and other charges		30
11,170	Housing Revenue Account Subsidy payable		11,189
13,264	Depreciation and impairment of non-current assets	7	10,824
14	Debt management costs		9
168	Increase in bad debt provision	3	214
<b>42,901</b>	<b>Total Expenditure</b>		<b>41,124</b>
	<b>Income</b>		
(35,383)	Dwelling Rents		(37,438)
(878)	Non-dwelling rents		(893)
(239)	Charges for services and facilities		(276)
(155)	Other Income		(42)
0	Contribution towards expenditure	10	(967)
<b>(36,655)</b>	<b>Total Income</b>		<b>(39,616)</b>
<b>6,246</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement (CI&amp;ES)</b>		<b>1,508</b>
151	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	7	10
<b>6,397</b>	<b>Net Cost for HRA services</b>		<b>1,518</b>
	<b>HRA share of the Operating Income and Expenditure included in the CI&amp;ES</b>		
0	Gain or (loss) on sale of HRA non-current assets		0
906	Interest payable and similar charges	9	987
(23)	Interest and investment income		(26)
836	Pensions interest cost and expected return on pension assets		627
(7,894)	Capital Grants and contributions receivable		(7,924)
<b>222</b>	<b>Deficit / (Surplus) for the year on HRA services</b>		<b>(4,818)</b>

## MOVEMENT ON THE HRA STATEMENT

2010/11 £'000		2011/12 £'000	2011/12 £'000
3,409	<b>Balance on the HRA at 1 April</b>		5,004
(222)	(Deficit) / Surplus for the year on the HRA Income & Expenditure Statement	4,818	
2,114	Adjustments between accounting basis and funding basis under Statute (see below)	(4,958)	
1,892	Net Increase / (Decrease) before transfers to or from reserves		(140)
(297)	Transfers (to) / from Earmarked Reserves		(1,245)
1,595	Increase in year on the HRA		(1,385)
<b>5,004</b>	<b>Balance on the HRA at 31 March</b>		<b>3,619</b>
<b>Adjustments between accounting basis and funding basis under Statute:</b>			
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<u>Reversal of items debited or credited to the CI&amp;ES</u>			
13,222	Charges for depreciation and impairment of non current assets	10,708	
126	Amortisation of intangible assets	126	
(7,894)	Capital grants and contributions applied	(7,924)	
5	Revenue expenditure funded from capital under statute	5	
720	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I & E Statement	979	
<u>Insertion of items not debited or credited to the CI&amp;ES</u>			
(490)	Statutory provision for the financing of capital investment	(454)	
(3,095)	Capital Expenditure charged against HRA balances	(7,345)	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>			
(720)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA I & E Statement	(979)	
(155)	Revenue Income defined as capital under statute	(42)	
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
(39)	Amount by which finance costs charged to the HRA I & E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(43)	
<b>Adjustments involving the Pensions Reserve:</b>			
2,224	Reversal of items relating to retirement benefits debited or credited to the HRA I & E Statement - see note 9	1,800	
(1,771)	Employer's pension contributions payable in the year	(1,797)	
<b>Adjustments involving the Accumulated Absences Account:</b>			
(19)	Amount by which officer remuneration charged to the HRA I & E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	8	
<b>2,114</b>		<b>(4,958)</b>	

## NOTES TO THE HRA STATEMENTS

### 1. Housing Stock

The total housing stock of the County Borough was as follows:-

As at 31/03/11		As at 31/03/12
7,118	Houses	7,107
1,064	Bungalows	1,064
2,518	Flats	2,517
651	Warden Controlled Units	651
<u>11,351</u>		<u>11,339</u>

### 2. Rent Arrears

The total amount of rent arrears at 31 March 2012 was £856k. The corresponding figure for 31 March 2011 was £781k.

### 3. Provision for Bad Debts

The Provision for Bad Debts was increased by a charge to the I&E account of £214k in 2011/12 to give a balance at the year end of £589k.

### 4. Housing Repairs Account

Movement on the Housing Repairs Account was as follows:-

2010/11 £'000		2011/12 £'000
13,098	Repairs and Maintenance Expenditure	13,506
(62)	Less: Income	(229)
<u>13,036</u>	Net Cost of Repairs and Maintenance	<u>13,277</u>
13,333	Contribution from HRA	13,517
(297)	Deficit / (Surplus) for the year	(240)
(43)	Balance Brought Forward	(340)
<u>(340)</u>	Balance Carried Forward	<u>(580)</u>

### 5. Capital Financing Statement

A summary of total capital expenditure within the HRA during the year with the sources of funding.

2010/11		2011/12			
Total £'000		Council Dwellings £'000	Vehicles, Plant & Equipment (Solar PV) £'000	Other Land & Buildings £'000	Total Capital Investment £'000
11,098	Expenditure in Year	11,145	10,596	941	22,682
(109)	Less Capital accrual	146	(1,130)	37	(947)
<u>10,989</u>		<u>11,291</u>	<u>9,466</u>	<u>978</u>	<u>21,735</u>
	Financed by:-				
7,600	Major Repairs Allowance Grant	7,002	0	598	7,600
294	Other Capital Grants and Contributions	324	0	0	324
3,095	Capital Expenditure Charged to Revenue	3,965	3,000	380	7,345
0	Borrowing - unsupported	0	6,466	0	6,466
<u>10,989</u>		<u>11,291</u>	<u>9,466</u>	<u>978</u>	<u>21,735</u>

### 6. Capital Receipts Statement

A summary of total HRA capital receipts received during the year:

2010/11 £'000		2011/12 £'000
683	Sale of Council Houses	767
37	Sale of Council Houses - Discount Repaid	12
21	Mortgages Repayment	25
155	Sale of Land	242
<u>896</u>		<u>1,046</u>

## NOTES TO THE HRA STATEMENTS

### 7. Depreciation, amortisation and impairment of non-current assets

2010/11 £'000		Depreciation £'000	Amortisation £'000	Impairment £'000	Total 2011/12 £'000
	Non-Current Assets				
12,089	Dwellings	7,622	0	2,228	9,850
858	Other Land and Buildings	489	0	153	642
317	Vehicles, Plant & Equipment	206	126	0	332
84	Surplus Assets	0	0	10	10
<u>13,348</u>		<u>8,317</u>	<u>126</u>	<u>2,391</u>	<u>10,834</u>

The depreciation, amortisation and impairment charges in respect of HRA non-current assets are not an actual charge against the HRA Balance. They are reversed out in the Movement on the HRA Balance, with the depreciation charge being replaced with the HRA Minimum Revenue Provision (MRP) to meet credit liabilities, as required by the Local Authority (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2010. The MRP is calculated by reference to the overall indebtedness of the HRA.

### 8. Sums Directed by the Welsh Government

There were no deductions in the rent rebate subsidy by the Department for Work and Pensions (DWP) in 2011-12, as the Council's rents were within the DWP limit for rent.

### 9. Transactions Relating to Retirement Benefits

The policy on accounting for pension costs has been applied to the HRA (see page 47).

The cost of post employment benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made on the HRA is based on the employers' contributions payable in the year, so the real cost of post employment benefits is reversed out in the Statement of Movement in the HRA Balance.

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Current service cost	1,322	1,173	0	0
Past service costs / (gains)	83	0	(17)	0
Curtailment loss	0	0		0
<i>Financing and Investment Income and Expenditure:</i>				
Interest cost	2,960	2,727	20	97
Expected return on assets in the scheme	(2,144)	(2,197)	0	0
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>2,221</u>	<u>1,703</u>	<u>3</u>	<u>97</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,221)	(1,703)	(3)	(97)
<i>Actual amount charged against HRA Balance for Pensions in year:</i>				
Employers contributions payable to Clwyd Pension Fund scheme	<u>1,747</u>	<u>1,657</u>		
Retirement benefit payable to pensioners			<u>24</u>	<u>140</u>

### 10. Contribution towards expenditure

This relates to Supporting People Grant which is used to fund the Tenancy support services (£388k) and the housing related support element of sheltered housing (£579k).



I have audited the accounting statements and related notes of Wrexham County Borough Council for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004. Wrexham County Borough Council's accounting 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. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view. My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Wrexham County Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes. In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of Wrexham County Borough Council**

In my opinion the accounting statements and related notes:

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

### **Opinion on other matters**

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

### **Matters on which I report by exception**

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

### **Certificate of completion of audit**

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

**Anthony Barrett**  
**Appointed Auditor**

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

28 September 2012

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

1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the 'Delivering Good Governance in Local Government'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

## 2 Scope of Responsibility

- 2.1 Wrexham County Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and including arrangements for the management of risk.
- 2.3 The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website [www.wrexham.gov.uk/english/council/documents/code\\_corporate\\_governance.htm](http://www.wrexham.gov.uk/english/council/documents/code_corporate_governance.htm), or can be obtained from the Head of Finance. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005.

## 3 The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 3.1 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 3.2 The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

## 4 The Governance Framework

The key elements of the Council's governance framework are as follows:

- 4.1 The **Community Strategy** sets out the vision of the Local Service Board (LSB) – a partnership of the key public service providers in Wrexham County Borough which includes the Council - for improving the quality of life in terms of the social, economic and environmental well being of the whole community. It is agreed by all the partner organisations who are members of the LSB. The LSB's stakeholders are consulted in regard to determining the priorities needed to realise the vision set out in the Strategy.
- 4.2 The **Council Plan** is the overarching plan for the Council which sets out where it will focus its energies and resources, how it will judge its performance and what its contribution to the Community Strategy will be. It also enables the Council's equalities and sustainability commitments to be integrated into its day to day business. It is a high level document and is supported by **Departmental Service Plans** which provide the detail of the planned improvement activities, milestones and performance measures by which performance will be managed.
- 4.3 The **Medium Term Financial Strategy** sets out a strategic approach to meeting the financial challenges of the next three years. This is linked to processes aimed at achieving efficiency and effectiveness, and include reviews undertaken both internally and externally by auditors and inspectors and cooperating with the Welsh Government in response to the Local Government (Wales) Measure 2009. It is also linked to an assessment programme designed to focus on the effectiveness of service provision as well as efficiency.

- 4.4 The **Risk Management Policy** requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing significant risks to the Council's priorities, services and major projects. This includes a specific assessment of the principal risks to the Council's priorities. The risks and the controls necessary to manage them are recorded in risk registers, and any required improvements to controls are monitored to ensure implementation.
- 4.5 The **management structure** enables the Council to continue to meet challenges and provide services efficiently and effectively. The key accountabilities within the **Strategic Management Team** lie with :
- the Chief Executive, for delivering leadership and strategic direction across the Council,
  - the Strategic and Performance Directors, for delivering the Council's priorities and co-ordinating the activities of all departments around these priorities,
  - the Heads of Department, for delivering the Council's operational services.
- 4.6 The **Constitution**, which can be found on the Council's website, sets out:
- how the Council operates and makes decisions,
  - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
  - the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers,
  - a scheme of delegated powers for decision-taking
  - the responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
  - the arrangements for ensuring it is regularly reviewed and updated
  - its related codes and protocols.
- 4.7 **Policy and decision-making** is facilitated through meetings which are open to the public except where exempt or confidential matters are being discussed, and a scheme of delegation to committees and officers as set out in the Constitution: Five scrutiny committees review, scrutinise and hold to account the performance of the Executive Board, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.
- 4.8 There are agreed principles and processes to ensure that the Council's objectives, priorities and values are promoted and safeguarded when working in **partnership** or **collaboratively**.
- 4.9 All reports considered by the Council, its Executive Board and Committees and the minutes of **decisions taken** are, unless confidential, made available on the Council's website.
- 4.10 The **Head of Finance** is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and the Council's financial management arrangements are assessed against the governance requirements set out in the Chartered Institute of Public Finance and Accountancy 'Statement on the Role of the Chief Financial Officer in Public (2010)'.
- 4.11 There are robust arrangements for effective financial control through the Council's accounting procedures, key financial systems and Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and monthly budget reports to all members comparing actual revenue and capital expenditure to annual budgets. The Council's **Treasury Management** arrangements follow professional practice and are subject to regular review.
- 4.12 In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of **project management** and **procurement**. Procedures for tendering and contract letting are included in the Financial Regulations.
- 4.13 The **ethical governance framework** includes:
- codes of conduct for officers and members, which are regularly reviewed, updated and tested for compliance,
  - a planning code of conduct,
  - a protocol governing Member/Officer relations,
  - a whistle-blowing policy widely communicated within the Council and which is regularly reviewed.
  - registers of personal and business interests,
  - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.

- 4.14 The Head of Corporate and Customer Services is the designated '**Monitoring Officer**' in accordance with the Local Government and Housing Act, 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration.
- 4.15 Established **counter-fraud arrangements** provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures designed to combat bribery, corruption and money-laundering, and dedicated resources where warranted. There are agreed procedures to meet the requirements of the **Regulation of Investigatory Powers Act 2000**.
- 4.16 The **Audit Committee** considers the effectiveness of the Council's risk management arrangements, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement).
- 4.17 **Internal Audit** operate to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006' produced by CIPFA, and its role and status is set out in the Council's Internal Audit Business Plan. The Audit & Technical Manager (as Head of Internal Audit) reports a summary of audit findings to the Audit Committee and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 4.18 The Council has a professional relationship with its external auditors and statutory inspectors. The Wales Audit Office's **Annual Improvement Report** can be found on the Council's website.
- 4.19 The **Standards Committee**, which includes a majority of independent representatives, advises on and monitors the Member Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members, and oversees any investigations of alleged breaches of the Member Code of Conduct. It also oversees the Council's Whistleblowing arrangements, the policy for which is included in the constitution and published on the Council's website.
- 4.20 The Council's **recruitment** procedures provide equality of employment opportunities. An equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997.
- 4.21 The **Human Resources Strategy** is intended to create a simple framework of integrated policies, procedures and plans that support all of the Council's employees in delivering the services. The employee appraisal process reviews individual performance and helps to ensure that employees are adequately skilled for their work.
- 4.22 **The Joint Consultative Committees** between the Council and the Trade Unions enable regular consultation with employees.
- 4.23 The Council holds the WLGA Charter for **Member Support and Development**, and therefore has in place established procedures to assess the training needs of members and for ensuring that, where necessary, they are provided with appropriate training.
- 4.24 The **allowances paid to members** in accordance with statutory provisions are published on the Council's website.
- 4.25 Agreed arrangements enable the Council to comply with statutory requirements in respect of **child safeguarding** and the **protection of vulnerable adults**. Recruitment procedures help to ensure that Council employees and members working with children or vulnerable adults are checked for their suitability to do so.
- 4.26 In accordance with its statutory responsibilities, the Council has in place a **Health and Safety Policy** and related procedures, and has produced a council wide strategic health and safety improvement plan, the implementation of which is regularly monitored by the Strategic Management Team.
- 4.27 In order to meet its legal duty to protect personal information, the Council operates a **Data Protection** policy and also has in place various policies aimed at ensuring the proper use and efficient and effective management of information and information technology. It also has procedures to meet its responsibilities under the **Environmental Information Regulations** and the **Freedom of Information Act, 2000**. In compliance with the latter, the Council's website includes a "directory of published information.
- 4.28 All users of the Council's Information Communications Technology (ICT) facilities are required to accept and comply with the Council's '**Acceptable Use of ICT Facilities**' policy and guidelines. To ensure the security of electronic information when being shared with partner organisations, the Council maintains compliance with the **Government Connect Code of Connection** standards.

- 4.29 The Council has in place an agreed strategy for **internal communications**. That for **external communications** is currently under review.
- 4.30 The **Customer Focus Strategy** sets out the Council's commitment to delivering high quality services that meet the needs of all its customers in terms of ease of access, quality of service, the Council's equality commitments, simplicity of use, learning from problems and delivering what matters to customers.
- 4.31 The Council is expressly committed to making **equality** a reality in the provision of services in its role as an employer and as a key community leader. It has arrangements in place, including a **Strategic Equality Plan**, to ensure that it meets its commitments under the Equality Act 2010 and supporting regulations.
- 4.32 A **Welsh Language Scheme** enables the Council to comply with the Welsh Language Act, 1993.
- 4.33 There are agreed **emergency management arrangements** as well as agreed plans to enable the **continuity of key services**.
- 4.34 The **Corporate Land and Buildings Strategy** and the **Highways Asset Management Plan** enable the Council's infrastructure and assets to be managed strategically in accordance with its priorities.

## **5 Review of Effectiveness**

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- a. annual reviews of the Constitution and ethical governance arrangements by the Monitoring Officer, including a specific review of the Council's decision-making arrangements made in response to external audit recommendations, and also the extent of compliance with the Regulation of Investigatory Powers Act,
  - b. regular reviews of the financial controls by the Head of Finance,
  - c. formal risk management, including specific consideration of those risks linked to governance processes,
  - d. Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes, including risk management, in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that Heads of Department implement agreed recommendations,
  - e. the annual assessment of Internal Audit by the Council's external auditors,
  - f. the work of the Council's Scrutiny and other Committees, including its Audit and Standards committees,
  - g. the opinions and recommendations of the Council's external auditors and other inspection and review agencies,
  - h. the regular monitoring of improvement and performance against the Council Plan and its supporting plans and strategies by members and senior managers (reporting processes have been updated and streamlined in line with the new Council Plan, and will focus on improvement against identified outcomes),
  - i. assurance provided by Senior Management in respect to the internal controls for which they have responsibility,
  - j. regular briefings on key corporate governance issues between the Chief Executive, the Head of Finance and the Head of Corporate and Customer Services,
  - k. assessments of the roles of statutory officers, such as the Head of Finance and Head of Corporate and Customer Services (as the designated Monitoring Officer) against regulatory requirements and recommended best practice.
- 5.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 5.4 In respect of those 'significant control issues' included in the Annual Governance Statement for the previous financial year (2010-11), progress in 2011-12 was as follows:

**Significant Control Issue for 2010-11**

- a. The need to ensure that the Transformation Programme delivers the savings required of the Council in accordance with the agreed timetable and programme of work while, at the same time, providing services effectively;*
- b. The continued need to review, and where necessary improve, the governance arrangements for partnership and collaborative working and to raise awareness and ensure compliance accordingly;*
- c. The continued implementation and monitoring of the council-wide strategic health and safety improvement action plan;*
- d. Consideration of the implications on the Council's corporate governance arrangements of the recommendations made by external auditors and inspectors and following a peer review;.*
- e. The need to maintain and, if necessary, improve awareness and understanding by employees, members and relevant third parties of the Council's governance arrangements so as to continue to meet the commitments set out in our Code of Corporate Governance;*
- f. The need to ensure that schools are aware of and compliant with the key governance arrangements applicable to them.*

**Progress in 2011-12**

The budget had been set by the statutory deadline for 2012-13 which included service, cross-cutting and Transformation Programme changes.

Governance arrangements for partnership working, set out in the Financial Regulations and supported by a partnership toolkit, have been updated and highlighted to relevant members of staff, although compliance is inconsistent.

Also, the Council has agreed five key principles for collaborative working and has signed up to the Compact for Change between the Welsh Government and local authorities.

There has been continued implementation of the Council-wide Health & Safety improvement action plan, which continues to be closely monitored by Strategic Management Team and the Chief Executive.

Following a review of the Council's decision-making arrangements made in response to external audit recommendations, options for reviewing the democratic decision making structures and processes, together with the rationale for making such changes, were supported by the Executive Board and the Council. Subject to final approval, the changes will be implemented in 2012-13.

Initiatives to maintain and improve governance awareness have continued: Specific training on key issues was provided to members and officers, while other governance developments and reminders were included in bulletins, briefings and the staff intranet. Governance issues featured during the year have included procurement, equalities, the Welsh Language, health and safety, and the Bribery Act 2010.

In order to assist in the better management of their governance responsibilities, our schools have been provided with a formal risk management process and with model policies, such as Health and Safety and Whistle-blowing. A number of awareness-raising events for Head Teachers and Governors have been provided, but attendance has been variable.

**6 Significant Internal Control Issues**

The plan referred to above includes actions designed to address the following significant control issues:

- 6.1 To ensure Executive Board Member and Scrutiny roles support effective decision making and enable Scrutiny to focus on priority issues.
- 6.2 The need to develop improved corporate organisational development and workforce planning.
- 6.3 Enabling the Council to meet the commitments set out in its Strategic Equality Plan across all areas of its business.
- 6.4 The continued implementation of the Council's Strategic Health & Safety Improvement Plan and the need to ensure that departmental service planning supports this adequately.

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6.5 The need for schools to account for their corporate governance responsibilities more effectively.

6.6 The need to ensure that the Council's corporate governance processes overall remain fit for purpose, particularly in the light of changing methods of service provision, such as partnership and collaborative working, and also in response to a more challenging financial environment.

We propose over the coming year to take steps to address the above matters to further 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: *M. Rogers* .....(Leader)

*14<sup>th</sup> June* 2012

Signed: *H. Paterson* .....(Chief Executive) ..... *14<sup>th</sup> June* 2012