

# **Financial Accounts**

## **For the year ended**

### **31 March 2016**



A greener place    Man gwyrddach



**Financial Accounts for the year ended  
31 March 2016**

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## **Narrative Report**

### **Introduction**

Caerphilly County Borough is located in the South Wales valleys covering an area of approximately 278 square kilometres stretching from Cardiff in the south of the county to the start of the Brecon Beacons in the north of the county. Caerphilly County Borough Council ("the Authority") serves a population of 179,000.

The accounts on the following pages show the financial performance for the year of all activities undertaken by the Authority. Whilst the accounts have been presented as clearly as possible, local authority accounts are technical and complex. Consequently, the purpose of this Narrative Report is to offer a guide to the most significant matters appearing in the accounts and to provide a summary of the financial performance for the year.

## Narrative Report (continued)

### 2015/2016 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Comprehensive Income and Expenditure Statement on page 18. The account is classified according to service expenditure areas.

In 2015/2016, the Authority's expenditure and income compared to budget was:

Service Area	Revised Estimate £000	Outturn £000	In Year use of Reserves £000	Revenue Contribution to capital £000	(Overspend) /Underspend £000
Education and Lifelong Learning	127,423	125,772	122	361	1,168
Social Services	77,321	74,163	650	1,020	1,488
Environment	55,094	51,942	(1,243)	2,293	2,102
Corporate Services	65,775	62,370	(3,215)	2,808	3,812
HRA		(20,105)	(7,945)	21,287	6,763
<b>Total Service Expenditure</b>	<b>325,613</b>	<b>294,142</b>	<b>(11,631)</b>	<b>27,769</b>	<b>15,333</b>
Funding Income	(324,413)	(325,842)	0	0	1,429
Budget Strategy Contribution from Reserves	(1,200)	0	(1,200)	0	0
<b>(Surplus) / Deficit on Provision of Services</b>	<b>0</b>	<b>(31,700)</b>	<b>(12,831)</b>	<b>27,769</b>	<b>16,762</b>
Transfer to Earmarked Reserves					(10,163)
Transfer to General Fund Reserves					(6,599)
<b>Total Transfer to Balance Sheet</b>					<b>(16,762)</b>
<b>General Fund Reserves as at 31 March 2015</b>					<b>(14,615)</b>
Budget Strategy Contribution					1,200
In Year Movement					7,399
Outturn Contribution					(6,599)
<b>General Fund Reserves as at 31 March 2016</b>					<b>(12,615)</b>

### Narrative Report (continued)

Further details of the Authority's outturn performance against budget can be found in the Acting Director of Corporate Services and S.151 Officer's Provisional Outturn Report 2015/2016 which was presented to Cabinet on 27 July 2016. The report may be obtained from the Authority's website.

The actual expenditure is compared in broad terms to the revised budget for the current financial year. However, the expenditure on individual Directorates does not mirror that shown in the Comprehensive Income and Expenditure Statement, because budget monitoring is carried out on a Directorate basis and re-categorised in the Comprehensive Income and Expenditure Statement to comply with recommended accounting practice. The Comprehensive Income and Expenditure Statement figures also include accounting adjustments in respect of depreciation, capital grants and contributions, IAS 19 pension costs and a number of items included within the directorates within the budget summary that are shown below the Cost of Service line within the Account.

The following table provides a reconciliation between the Surplus / Deficit on Provision of Services reported per Directorate and the Surplus / Deficit on Provision of Services reported in the Comprehensive Income and Expenditure Statement:

	<b>£000</b>
<b>(Surplus) / Deficit on Provision of Services reported by Directorate Outturn on preceeding page</b>	<b>(31,700)</b>
Depreciation	28,114
Impairment of Assets	2,841
Exceptional Item: HRA Buyout	75,997
Non-enhancing Expenditure	36,917
Amortisation of Intangible Assets	255
Capital Grants and Contributions Applied	(23,940)
Revenue Expenditure Funded from Capital Under Statute	1,963
Net Gain or Loss on Disposal of assets	(1,359)
Minimum Revenue Provision	(11,172)
Capital Grants and Contributions Unapplied	(842)
IAS 19 Pension Adjustment	13,167
Accumulated Absence Adjustment	(496)
<b>Total Adjustments</b>	<b>121,445</b>
<b>(Surplus) / Deficit on Provision of Services per Comprehensive Income &amp; Expenditure Account</b>	<b>89,745</b>

### Funding Income

The following table details the main sources of income received by the Authority to fund service expenditure in 2015/2016:

	<b>2015/2016</b>			
	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
<b>Funding Income</b>				
Council Tax (net of Police Authority and Community Council Precepts)	58,846	58,846	60,275	(1,429)
Revenue Support Grant	212,837	212,837	212,837	0
Non Domestic Rates	50,854	50,854	50,854	0
Outcome Agreement Grant	1,876	1,876	1,876	0
<b>Total Funding Income</b>	<b>324,413</b>	<b>324,413</b>	<b>325,842</b>	<b>(1,429)</b>

## Narrative Report (continued)

### Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 113 to 118. For 2015/2016, actual outturn compared to budget was as follows:

	<b>2015/2016</b>		
	<b>Original Estimate £000</b>	<b>Actual Outturn £000</b>	<b>Variance £000</b>
Expenditure	56,625	29,005	(27,620)
Income	(56,625)	(49,110)	7,515
<b>(Surplus)/Deficit for the year on HRA Services</b>	0	(20,105)	(20,105)
In year use of Reserves	0	0	0
<b>HRA Outturn</b>	<b>0</b>	<b>(20,105)</b>	<b>(20,105)</b>
<b>(Surplus)/Deficit for the year on HRA Services</b>			<b>(20,105)</b>
Depreciation			133
Impairment of Assets			6,913
Non-enhancing Expenditure			28,860
Exceptional Item : HRA Buyout			75,997
Capital Grants and Contributions Applied			(7,574)
Net Gain or Loss on Disposal of Assets			(1,688)
Minimum Revenue Provision			(852)
IAS19 Pension Adjustment			324
Accumulated Absence Adjustment			2
Support Service Recharge Adjustment			154
<b>Total Adjustments</b>			<b>102,269</b>
<b>(Surplus)/Deficit for the year on HRA Services</b>			<b>82,164</b>

### Trading Operations

During the year, the Authority operated 4 Trading Operations at arm's length from the Service Departments in competition with companies in the private sector, which provide similar services. Whilst their accounts do not form a separate statement within these accounts, they form part of the Authority's Balance Sheet and Comprehensive Income and Expenditure Statement, and their performance is disclosed in note 8, in accordance with CIPFA's Service Reporting Code of Practice (SeRCOP).

### Provisions

Movements upon provisions are detailed in note 30, page 91 together with explanations of what each provision is for.

	<b>1 April 2015 £000</b>	<b>Movement £000</b>	<b>31 March 2016 £000</b>
Short term provisions	(2,839)	835	(2,004)
Long term provisions	(2,676)	(136)	(2,812)
	<b>(5,515)</b>	<b>699</b>	<b>(4,816)</b>

## Narrative Report (continued)

### Reserves

The amounts shown as unusable reserves relate to capital and pension reserves, which do not constitute 'usable resources'. Further details of movements are detailed in note 21, page 81.

	1 April 2015 £000	Movement £000	31 March 2016 £000
Reserves - Usable	(117,461)	(5,161)	(122,622)
- Unusable	(455,691)	(28,990)	(484,681)
	<b>(573,152)</b>	<b>(34,151)</b>	<b>(607,303)</b>

### Loan Debt

On the 1<sup>st</sup> April 2015 the Authority raised a fixed term Public Works Loan Board (PWL) maturity loan of £75.996m in order to buy itself out the HRA Subsidy system. The loan proceeds were immediately transferred to the Welsh Government and subsequently HM Treasury, resulting in the Authority carrying the debt. The buyout process applied to all eleven Welsh housing local authorities and the value of loans raised were specific to each authority depending on the calculated settlement figure.

The total amount outstanding as at 31 March 2016 was £295.185m, as measured on an amortised cost basis, the majority being owed by the Authority to the PWLB. The balance comprises loans from the money market. Analysis of the loan debt is shown in the notes accompanying the Core Financial Statements on page 53 (note 10). The nominal value represents the principal amount outstanding at the Balance Sheet date.

	2014/2015 £000	2015/2016 £000
<b><i>Amortised Cost of Loans:</i></b>		
Loan debt repayable in one year	(10,268)	(7,678)
Loan debt repayable in more than one year	(215,936)	(287,507)
	<b>(226,204)</b>	<b>(295,185)</b>
<b><i>Nominal Value of Loans:</i></b>		
Loan debt repayable in one year	(7,367)	(4,406)
Loan debt repayable in more than one year	(215,521)	(287,111)
	<b>(222,888)</b>	<b>(291,517)</b>

### Policy on Payment of Creditors

The Late Payment of Commercial Debts (Interest) Act 1998 requires that creditors be paid without undue delay and within a 30-day settlement period. In 2015/2016, 94.44% of payments were made within 30 days (95.53% in 2014/2015).

However, it is the Authority's aim to pay undisputed invoices to local small and medium sized businesses within an average of 13 calendar days in order to have a positive effect on the local economy. In 2015/2016, invoices were settled within an average of 13.33 days (12.21 days in 2014/2015).

## **Narrative Report (continued)**

### **Pension Liability**

Following the adoption of IAS 19 "Employee Benefits" by local authorities, the Authority is required to recognise in its accounts, its share of the net assets/liabilities of any defined benefit pension scheme.

The net pensions asset/liability to be recognised is made up of two elements:

- Liabilities – the retirement benefits that have been promised under the formal terms of the pension scheme.
- Assets – the Authority's attributable share of the investments held in the pension scheme to cover its liabilities, measured at fair value.

The total net liability included for 2015/2016 is £429.244m (£387.753m in 2014/2015). Although this liability has a substantial impact upon the net worth of the Authority, statutory arrangements exist to fund the deficit to ensure that the financial position of the Authority will remain healthy. The deficit will be made good by increased contributions over the remaining working lives of employees, as assessed by the scheme actuary.

Details of this liability are shown in the notes accompanying the Core Financial Statements in note 11.

### **2015/2016 Capital Expenditure**

Capital expenditure during the year amounted to some £136.981m (2014/2015 - £43.154m), the major items within this figure being identified below:

	<u>£000</u>	<u>£000</u>
<b>Housing:</b>		
Repairs and Improvements	28,861	
Improvement Grants & Private Sites	2,467	
	<hr/>	
		31,328
<b>Non Housing:</b>		
Education	14,861	
Social Services	649	
Highways & Transportation and Land Reclamation	6,674	
Economic Development/Tourism	537	
Planning	3,658	
Environmental Services	824	
Sports and Leisure	935	
Other	1,519	
	<hr/>	
		29,657
		<hr/>
		<b>60,985</b>
		<hr/>
Financed by: Grants inc MRA		24,945
Other		36,040
		<hr/>
		<b>60,985</b>
		<hr/>

Capital expenditure was financed by grants (£24.945m) and other sources (£36.04m). The Authority has also entered into a number of finance leases in previous years for buildings for use in its Social Services provision and computer equipment in schools. Further details regarding these leases can be found in note 14, (page 72) to the Core Financial Statements.



## **Narrative Report (continued)**

### **Future Financial Developments**

On the 25<sup>th</sup> November 2015, details of the UK Government Comprehensive Spending Review were announced and this was more positive than anticipated. This resulted in a better financial settlement for the Welsh Government which in turn meant that the actual level of funding reductions for local government in Wales were much less than feared.

Caerphilly CBC's original 2016/17 draft budget proposals considered by the Council's Cabinet on the 14<sup>th</sup> October 2015 planned for a potential 4.3% reduction in the funding received from the Welsh Government. Following the outcome of the Comprehensive Spending Review the actual funding cut was confirmed as 0.9%, which is a cash reduction of £2.275m. However, to meet all of the unavoidable cost pressures faced by the Council significant savings were still required to ensure that a balanced budget could be achieved for 2016/17. Consequently, at its meeting on the 24<sup>th</sup> February 2016 Council approved a package of savings totalling £11.1m.

The agreed savings for 2016/17 will have limited impact on front-line services and wherever possible Council priorities are protected from cuts. Further information on the budget can be found on the Caerphilly County Borough Council Website [www.caerphilly.gov.uk](http://www.caerphilly.gov.uk) or by contacting Stephen Harris, Interim Head of Corporate Finance - Tel: 01443 863022 or email [harrisr@caerphilly.gov.uk](mailto:harrisr@caerphilly.gov.uk).

The funding situation across Wales for future years remains uncertain so the Authority has adopted a prudent approach of producing an indicative 5 year Medium-Term Financial Plan. In addition to the confirmed 0.9% cut in funding for 2016/17 this plan makes an assumption that annual cash reductions of 1.4% will be experienced from 2017/18 to 2019/20 with no increase or decrease in funding in 2020/21. The plan also identifies the cost pressures that will need to be met as we move forward. It is anticipated that the Authority will need to find further total savings of around £25m for the period 2017/18 to 2020/21.

Significant work is already underway to identify further savings proposals to meet the projected financial shortfall for future years and the position will be kept under close review. The financial challenges faced by the Authority are significant but the Council remains committed to its previously agreed principles of: -

- Protecting front-line services where we can and reducing expenditure on management and administrative costs.
- Increasing fees and charges where appropriate.
- Reducing, rather than removing services where possible.
- Focusing on priorities.
- Looking at alternative ways of delivering services (collaboration, partnerships, community trusts, etc.).

**Narrative Report (continued)**

**Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016**

The above publication, (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) governs the items to be disclosed in these Financial Accounts, and makes certain changes for 2015/2016 that are applicable to the Authority:

- The Code has adopted IFRS 13 Fair Value Measurement which introduces a new definition of fair value and current value applying throughout the Financial Statements. The concept of current value applies to the measurement of operational property, plant and equipment assets, whilst fair value applies to other assets, liabilities, financial instruments and post-employment benefits. In respect of property plant and equipment, current value includes four measurement bases and whilst the valuation of property, plant and equipment used for service provision has not changed from the 2014/2015 Code, the 2015/2016 Code has changed the measurement requirements for assets classed as surplus assets. These assets are now to be measured at fair value in accordance with the definition in IFRS 13 and without any adaptations to that definition.
- Following the adoption of IFRS 13, there are changes to disclosures in respect of the fair presentation of financial instruments and of surplus assets.

## Statement of Responsibilities for the Statement of Accounts

### The Authority's responsibilities

The Authority 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 Authority, that officer is the Acting Director of Corporate Services;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

### Responsibilities of the Acting Director of Corporate Services

The Acting Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code of Practice').

In preparing this Statement of Accounts, the Acting Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Acting Director of Corporate Services has also:

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

### Certificate of the Acting Director of Corporate Services

I certify that the accounts, set out on pages 13 to 118, give a true and fair view of the financial position of the Authority as at 31 March 2016 and its income and expenditure for the year then ended.

N. Scammell  
Acting Director of Corporate Services  
and S.151 Officer

Date 28.09.2016

The accounts were approved by the Council on

Signed on behalf of Caerphilly County Borough Council:

  
Councillor Mrs D. Price, Mayor  
Chair of Meeting Approving the Accounts

Date 28.09.2016

**Auditor General for Wales' Report to Members of Caerphilly County Borough Council**

I have audited the accounting statements and related notes of:

- Caerphilly County Borough Council;

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

Caerphilly 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 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 2015-16 based on International Financial Reporting Standards (IFRSs).

**Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on Page 10, 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 Financial Reporting Council'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 Caerphilly 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 Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on the accounting statements of Caerphilly County Borough Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Caerphilly County Borough Council as at 31 March 2016 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 2015-16.

**Auditor General for Wales' Report to Members of Caerphilly County  
Borough Council**

**Opinion on other matters**

In my opinion, the information contained in the Narrative Report 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 following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit; the Annual Governance Statement contains material misstatements of fact or is 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 Caerphilly County Borough Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.



For and on behalf of the Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

30 September 2016

## Introduction to Accounting Statements

The Authority's accounts for the year 2015/2016 are set out in the following pages and consist of:

- a) **The Movement in Reserves Statement (MiRS)** – showing the movement in the year on the different reserves held by the Authority. It is analysed into 'Usable Reserves' being those that can be applied to fund expenditure or reduce local taxation and 'Unusable Reserves'. The 'Surplus or deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This differs from the statutory amounts charged to the Council Fund Balance for council tax setting purposes and Housing Revenue Account Balance for dwellings rent setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory Council Fund Balance and Housing Revenue Account Balance before the Authority undertakes any discretionary transfers to or from earmarked reserves.
- b) **The Comprehensive Income and Expenditure Statement** – showing 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. The Authority raises 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.
- c) **The Balance Sheet** – which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are 'usable reserves', being those reserves that may be used 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 are those that the Authority 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'.
- d) **The Cash Flow Statement** – which shows the changes in cash and cash equivalents of the Authority during the year. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority'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 Authority.
- e) **The Housing Revenue Account (HRA)** – this is separated into two statements. The HRA Income and Expenditure Statement which 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. The Authority charges rents to cover expenditure in accordance with regulations, which may be different from the accounting cost. The increase or decrease in the year in the balance on the HRA account (the basis of which rents are raised) is shown in the Movement on the Housing Revenue Account Statement.

The Financial Statements as a whole are IFRS compliant. Further information and support is provided in the Notes to the Core Accounts and the Auditors' Report.

**Movement in Reserves Statement**  
**For the year ended**  
**31 March 2016**

**Movement in Reserves Statement**

	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note
<b>Balance at 1 April 2015</b>	<b>(14,615)</b>	<b>(60,079)</b>	<b>(22,343)</b>	<b>(9,831)</b>	<b>(10,593)</b>	<b>(117,461)</b>	<b>(455,691)</b>	<b>(573,152)</b>	
<b>Movement in reserves during 2015/2016</b>									
(Surplus)/deficit on provision of services (accounting basis)	7,581	0	82,164	0	0	89,745	0	89,745	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(123,896)	(123,896)	11,34, 35
<b>Total Comprehensive Income and Expenditure</b>	<b>7,581</b>	<b>0</b>	<b>82,164</b>	<b>0</b>	<b>0</b>	<b>89,745</b>	<b>(123,896)</b>	<b>(34,151)</b>	
Adjustments between accounting basis and funding basis under regulations	(13,063)	0	(80,885)	(842)	(2,543)	(97,333)	97,333	0	5
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(5,482)</b>	<b>0</b>	<b>1,279</b>	<b>(842)</b>	<b>(2,543)</b>	<b>(7,588)</b>	<b>(26,563)</b>	<b>(34,151)</b>	
Transfers (to)/from Earmarked Reserves	7,482	(7,328)	(154)	1,201	1,226	2,427	(2,427)	0	6
<b>(Increase)/Decrease in Year</b>	<b>2,000</b>	<b>(7,328)</b>	<b>1,125</b>	<b>359</b>	<b>(1,317)</b>	<b>(5,161)</b>	<b>(28,990)</b>	<b>(34,151)</b>	
<b>Balance at 31 March 2016</b>	<b>(12,615)</b>	<b>(67,407)</b>	<b>(21,218)</b>	<b>(9,472)</b>	<b>(11,910)</b>	<b>(122,622)</b>	<b>(484,681)</b>	<b>(607,303)</b>	



# Caerphilly County Borough Council

## Movement in Reserves Statement (continued)

	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note
<b>Balance at 1 April 2014</b>	<b>(16,134)</b>	<b>(45,759)</b>	<b>(15,505)</b>	<b>(9,909)</b>	<b>(9,857)</b>	<b>(97,164)</b>	<b>(465,756)</b>	<b>(562,920)</b>	
<b>Movement in reserves during 2014/2015</b>									
(Surplus)/deficit on provision of services (accounting basis)	(2,534)	0	(3,000)	0	0	(5,534)	0	(5,534)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(4,698)	(4,698)	11,34, 35
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,534)</b>	<b>0</b>	<b>(3,000)</b>	<b>0</b>	<b>0</b>	<b>(5,534)</b>	<b>(4,698)</b>	<b>(10,232)</b>	
Adjustments between accounting basis and funding basis under regulations	(10,050)	0	(4,055)	(337)	(1,610)	(16,052)	16,052	0	5
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(12,584)</b>	<b>0</b>	<b>(7,055)</b>	<b>(337)</b>	<b>(1,610)</b>	<b>(21,586)</b>	<b>11,354</b>	<b>(10,232)</b>	
Transfers (to)/from Earmarked Reserves	14,103	(14,320)	217	415	874	1,289	(1,289)	0	6
<b>(Increase)/Decrease in Year</b>	<b>1,519</b>	<b>(14,320)</b>	<b>(6,838)</b>	<b>78</b>	<b>(736)</b>	<b>(20,297)</b>	<b>10,065</b>	<b>(10,232)</b>	
<b>Balance at 31 March 2015</b>	<b>(14,615)</b>	<b>(60,079)</b>	<b>(22,343)</b>	<b>(9,831)</b>	<b>(10,593)</b>	<b>(117,461)</b>	<b>(455,691)</b>	<b>(573,152)</b>	

**Comprehensive Income and Expenditure Statement**  
**For the year ended**  
**31 March 2016**

Comprehensive Income and Expenditure Statement

31 March 2015				31 March 2016			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note
4,598	(2,549)	2,049	Central Services to the Public	3,907	(1,320)	2,587	
24,433	(6,189)	18,244	Cultural and Related Services	25,982	(6,414)	19,568	
28,951	(7,544)	21,407	Environmental and Regulatory Services	26,780	(7,364)	19,416	
11,956	(4,960)	6,996	Planning Services	11,365	(4,657)	6,708	
206,226	(55,161)	151,065	Children's and Education Services	206,253	(47,399)	158,854	
29,011	(5,464)	23,547	Highways and Transport Services	28,728	(6,415)	22,313	
49,653	(46,111)	3,542	Local Authority Housing (HRA)	58,565	(48,938)	9,627	
0	0	0	Exceptional Item: HRA Buyout	75,997	0	75,997	
86,474	(68,220)	18,254	Other Housing Services	89,404	(71,145)	18,259	
86,287	(27,140)	59,147	Adult Social Care	82,613	(22,468)	60,145	
3,839	(125)	3,714	Corporate and Democratic Core Costs	3,347	(4)	3,343	
4,197	(718)	3,479	Non Distributed Costs	3,863	(531)	3,332	
<b>535,625</b>	<b>(224,181)</b>	<b>311,444</b>	<b>Cost of Services</b>	<b>616,804</b>	<b>(216,655)</b>	<b>400,149</b>	
21,699	(1,637)	20,062	Other Operating Expenditure	23,017	(2,573)	20,444	7
46,701	(19,481)	27,220	Financing and Investment Income and Expenditure	49,069	(16,085)	32,984	8
	(364,260)	(364,260)	Taxation and Non-Specific Grant Income		(363,832)	(363,832)	9
		<b>(5,534)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>89,745</b>	
		(104,160)	(Surplus)/deficit on revaluation of non-current assets			(152,705)	35
		0	(Surplus)/deficit on revaluation of available-for-sale financial assets			481	34
		99,462	Actuarial (gains)/losses on pensions assets/liabilities			28,328	11
		<b>(4,698)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(123,896)</b>	
		<b>(10,232)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(34,151)</b>	

**Balance Sheet**  
**As at 31 March 2016**

# Caerphilly County Borough Council

## Balance Sheet

31 March 2015 £000		31 March 2016 £000	Note
1,109,222	Property, Plant & Equipment	1,248,943	22
9,979	Heritage Assets	10,427	23
4	Long Term Investments	11,048	10
418	Long Term Debtors	351	26
<b>1,119,623</b>	<b>Long Term Assets</b>	<b>1,270,769</b>	
133,785	Short Term Investments	119,302	10
0	Assets Held for Sale	1,662	24
577	Inventories	569	
40,963	Short Term Debtors	39,979	27
1,681	Cash and Cash Equivalents	1,505	28
<b>177,006</b>	<b>Current Assets</b>	<b>163,017</b>	
(10,268)	Short Term Borrowing	(7,678)	10
(63,124)	Short Term Creditors	(57,685)	29
(2,839)	Short Term Provisions	(2,004)	30
<b>(76,231)</b>	<b>Current Liabilities</b>	<b>(67,367)</b>	
(2,676)	Long Term Provisions	(2,812)	30
(215,936)	Long Term Borrowing	(287,507)	10
(426,831)	Other Long Term Liabilities	(466,232)	10,11
(1,803)	Capital Grants Receipts in Advance	(2,565)	9
<b>(647,246)</b>	<b>Long Term Liabilities</b>	<b>(759,116)</b>	
<b>573,152</b>	<b>Net Assets</b>	<b>607,303</b>	
(117,461)	Usable Reserves	(122,622)	21
(455,691)	Unusable Reserves	(484,681)	21
<b>(573,152)</b>	<b>Total Reserves</b>	<b>(607,303)</b>	

The notes on pages 24 to 111 form part of the statement of accounts.

**Cash Flow Statement**  
**For the year ended 31 March 2016**

**Cash Flow Statement**

<b>2014/2015</b>		<b>2015/2016</b>	
<b>£000</b>		<b>£000</b>	<b>Note</b>
<b>5,534</b>	<b>Net surplus or (deficit) on provision of services</b>	<b>(89,745)</b>	
26,265	Adjust net surplus or deficit on the provision of services for non cash movement	108,149	<b>46</b>
(20,652)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(26,141)	<b>46</b>
<b>11,147</b>	<b>Net cash flows from Operating Activities</b>	<b>(7,737)</b>	
(45,989)	Investing Activities	(61,846)	<b>48</b>
35,552	Financing Activities	69,407	<b>49</b>
<b>710</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(176)</b>	
971	Cash and cash equivalents at the beginning of the reporting period	1,681	
<b>1,681</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,505</b>	<b>28</b>

**Notes  
to the  
Core Financial Statements**



## Notes to the Core Financial Statements

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/2016 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 (the Code), and the Service Reporting Code of Practice 2015/2016 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Accounting policies have been consistently applied from one year to the next, unless stated otherwise. The financial statements are prepared on a going concern basis.

#### ii. 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:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is virtually certain that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is virtually certain that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.
- 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.
- 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 the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.
- Revenue from grants is recognised in accordance with note xi.

#### iii. 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 investments that mature in three months or less from the date of acquisition and 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 Authority's cash management.

## Notes to the Core Financial Statements (continued)

### iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### v. 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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

### vi. Charges to Revenue for Non-Current Assets

Services, support charges and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service.

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

### vii. 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 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 Authority. 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 Council Fund in the financial year in which the holiday absence occurs.

## Notes to the Core Financial Statements (continued)

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

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

### The Local Government Pension Scheme

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

- The liabilities of the Greater Gwent (Torfaen) Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (3.3% in 2014/15) based on indicative returns of the iBoxx Sterling AA Rated Corporate Bond.
- The assets of the Torfaen pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.

## Notes to the Core Financial Statements (continued)

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - The return on assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains/losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Torfaen 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 Council Fund balance to be charged with the amount payable by the Authority 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 debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

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

### viii. Events after the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

## Notes to the Core Financial Statements (continued)

- 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.

### ix. Financial Instruments

#### Financial Liabilities

Financial liabilities are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate (EIR) for the instrument. For most of the borrowings that the Authority has, this means that the amount included in the Balance Sheet is the outstanding principal repayable (plus accrued interest, split between that element which is short term, due within one year and that which is long term, due over one year).

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

Where premia and discounts have been charged to the Comprehensive Income and Expenditure Statement, the impact on the Council Fund balance is spread over future years over either:

- the longer of the term of the new loan or repaid loan for premia; and
- the lesser of 10 years or term of repaid loan for discounts.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the Council Fund Balance is effected by a transfer to / from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### Financial Assets

Financial Assets are classified into two categories:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- 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 initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. This results in the amounts included in the Balance Sheet being the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement will be the amount receivable for the year under the agreement.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

## Notes to the Core Financial Statements (continued)

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 is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Available-for-Sale Assets** - Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

- 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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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 Comprehensive Income and Expenditure Statement, along with any net gain or 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 Comprehensive Income and Expenditure Statement. 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).

## Notes to the Core Financial Statements (continued)

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 Comprehensive Income and Expenditure Statement, 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).

### **x. Foreign Currency Translation**

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

### **xi. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when:

- The Authority has complied with the conditions attached to the payments, and
- The grants and contributions will be received.

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

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

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

**Notes to the Core Financial Statements (continued)**

**xii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

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 Authority 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 Authority's goods or services.

Expenditure on intangible assets is fully amortised within one year.

**xiii. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in first out) costing formula.

**xiv. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement 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 and equipment that are jointly controlled by the Authority and other venturers with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority 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.

**xv. 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.



## Notes to the Core Financial Statements (continued)

### The Authority as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to 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 Authority as Lessor

#### Operating Leases

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

#### Finance Leases

The Authority has not granted any finance leases of property, plant and equipment to other parties.

## Notes to the Core Financial Statements (continued)

### xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/2016* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### xvii. Property, Plant and Equipment

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority, the cost of the item can be measured reliably and expenditure is above the de-minimis limit of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

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

Borrowing costs incurred whilst assets are under construction are not capitalised.

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

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, they are Reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

## Notes to the Core Financial Statements (continued)

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 – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – fair value, estimated at the highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Roads built by Developers are only adopted by the Authority under s38 Highways Adoption Agreements under which the roads need to be constructed to a specified standard. These roads are included at nil cost unless there is any subsequent capital investment on such assets. They will then be held at depreciated historical cost.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

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

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

### Impairment

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

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

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

## Notes to the Core Financial Statements (continued)

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

### Depreciation

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

Depreciation is calculated on a straight line basis as follows:

- council dwellings – 15 to 40 years
- other land and buildings – 15 to 100 years
- vehicles, plant, furniture and equipment – up to 20 years
- infrastructure assets – 10 to 40 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 in accordance with our componentisation policy. The Authority applies its componentisation policy to assets that have a carrying value in excess of £3m where the cost of the replacement component represents 20% or more of the total asset.

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.

Depreciation charges are made to the service revenue accounts and trading accounts and have been based on the amount at which an asset is included in the balance sheet, whether net current replacement cost or historical cost.

### 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. Assets are classed as "Held for Sale" where the asset is actively marketed, the sale is expected to qualify for recognition as a completed sale within one year of the date of classification and actions required to complete the plan indicate that significant changes to the plan or withdrawal of the plan are unlikely. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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.

## Notes to the Core Financial Statements (continued)

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, buildings and developed land, net of statutory deductions and allowances) is set aside for the redemption of debt. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

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

### xviii. Heritage Assets

The Authority's Heritage Assets consist of Civic Regalia, War Memorials and Land and Buildings, namely Babell Chapel, Gelligroes Mill, Elliott Colliery Winding House, Handball Court Nelson and Llancaiach Fawr Living History Museum. Such assets are held and classed as Heritage Assets as they increase the knowledge, understanding and appreciation of the Authority's history and local area. Further information can be found in Note 23.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property plant and equipment. No depreciation is charged on these assets as the Authority considers them as having infinite lives. The Authority has excluded Heritage Assets it considers immaterial from the Balance Sheet where their cost is not readily available and the benefit of valuing the asset is counterweighed by the cost of obtaining the valuation.

### xix. Private Finance Initiatives (PFI)

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

The recognition of these non-current assets is balanced by the recognition of liabilities for amounts due to the scheme operators to pay for the assets.

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

## **Notes to the Core Financial Statements (continued)**

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge of 8% for the road and 7% for the schools on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- Principal element – i.e. payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Lifecycle replacement costs – recognised as non-current assets on the Balance Sheet.

Government grants received for PFI schemes, in excess of the current levels of expenditure (particularly in the early years of these contracts) are carried forward as earmarked reserves to fund future contract expenditure when payments will exceed available revenue support (see Notes 12 and 45 for the PFI Equalisation Reserves).

### **xx. Provisions and Reserves**

#### **Provisions**

Provisions are made where an event has taken place that gives the Authority 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation. Further information on Provisions can be found in Note 30.

#### **Reserves**

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

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 21.

**Notes to the Core Financial Statements (continued)**

**xxi. Contingent Assets and Contingent Liabilities**

**Contingent Assets**

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

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

**Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts – Note 31.

**xxii. 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 Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**xxiii. Interest Charges**

Interest chargeable on debt is accounted for in the year to which it relates, not in the year it is paid. The Authority borrows funds in line with its capital investment and cash flow requirements. Funds are borrowed from both the Public Works Loan Board and from money markets. Loans can be fixed or variable interest debt. Decisions on whether to take fixed or variable interest debt depend upon the current portfolio, market conditions, forecasts and limits set in the annual Treasury Management Strategy Report.

Borrowing decisions also have to be considered in terms of their overall prudence and affordability, in accordance with the requirements of CIPFA's "The Prudential Code for Capital Finance in Local Authorities", and be contained within limits approved by Council in setting the Authority's "Prudential Indicators", in accordance with the Code.

**xxiv. Debt Redemption**

The Authority's Treasury Management Strategy permits the early repayment of borrowing. This may be undertaken if market conditions are favourable and there are no risks to cash flow. Such transactions may be carried out in order to reduce interest payable, to adjust the maturity profile or to restructure the ratio of fixed to variable interest bearing debt.

## Notes to the Core Financial Statements (continued)

### xxv. Related Party Transactions

The Authority is required to disclose separately, the value of transactions and year-end balances with its related parties, unless they are already the subjects of other disclosure requirements (see note 19 to the Financial Statements). In respect of a local authority its related parties include central government, other local authorities, precepting and levying bodies, other public bodies, its subsidiary companies, Pension Fund and bodies where Members and Senior Officers hold positions of influence and with whom the Authority has transacted.

### xxvi. 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 as detailed in the Code and/or IPSAS 23, "Revenue from Non- Exchange Transactions (Taxes and Transfers)."

#### Taxation transactions

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

#### Non-taxation transactions

Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Authority recognises a liability until the condition is fulfilled.

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

Taxation revenue is measured at the nominal value of cash, and cash equivalents. Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

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

### xxvii. Accounting for local authority schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.



## Notes to the Core Financial Statements (continued)

### xxviii. Value Added Tax

VAT payable has been excluded as an expense where it is recoverable from Her Majesty's Revenue and Customs. VAT receivable has been excluded from income.

### xxix. Accounting for the costs of the Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

### xxx. Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure; however, a small proportion of the charges may be used to fund revenue expenditure.

### xxxi. Fair Value Measurement

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

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

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

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

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

## **Notes to the Core Financial Statements (continued)**

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

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

### **2. Critical judgements in applying accounting policies**

In applying the accounting policies set out in Note 1, the Authority 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is deemed to control the services provided under the outsourcing agreement for two Schools and a Road and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the Schools (valued at £37.545m) and Road (valued at £27.574m) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
- Only the value of the land for voluntary aided and foundation schools is included in the Balance Sheet. As the Council does not own these types of school and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet.
- The Authority has £1,248m recognised as Property, Plant and Equipment on its Balance Sheet as at 31 March 2016. Note 22 to the accounts details the revaluations to land, property, plant and equipment during the accounting period to ensure that Property, Plant and Equipment is included in the accounts at current value. The Authority undertakes formal valuations of its Property, Plant and Equipment by way of a five year rolling program and undertakes sufficient work, in respect of the assets not subject to a formal valuation in any one year, to ensure the value of its Property, Plant and Equipment as stated in the Balance Sheet is not materially different from its current value. The valuations are undertaken mainly by the Authority's in-house Corporate Property Department on an annual basis in line with the rolling program. External valuers were commissioned to undertake the valuation of the Authority's council housing, which was valued using the Beacon Method. The internal valuation team undertaking the annual revaluation work are members of the Royal Institute of Chartered Surveyors (RICS). Non-property assets have not been revalued as the Authority has judged that the carrying value of these assets is approximate to current value, given their relatively short useful economic lives and the relative value of these assets.

### **3. Assumptions about the future/other sources of estimation or uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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.

**Notes to the Core Financial Statements (continued)**

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon 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 Authority 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. As the Authority's assets have large variations in useful lives, it is impossible to estimate the effect on the annual depreciation charge for every year that useful lives had to be reduced.
Provisions	The Authority has made various provisions, both short term and long term totalling £4.816m - see note 30.	If the Authority has over provided for the potential liabilities the over provision will be released increasing the available funds in working balances. If the Authority has underprovided for the potential liabilities the under provision will be a charge to the Authority's Comprehensive Income and Expenditure Statement, with a reduction in working balances.
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 Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance for the Greater Gwent Scheme, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £125.421m, whereas a 0.5% increase in salaries rate assumption would result in an increase in the pension liability of £51.848m. However, the assumptions interact in complex ways. During 2015/2016, the Authority's Actuaries advised that the net pensions liability for all schemes had increased by £41.491m. This is as a result of re-measurement of the liability from past experience.

**Notes to the Core Financial Statements (continued)**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Fair value measurements	<p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. Judgements may include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in note 10.</p>	<p>The authority uses the discounted cash flow (DCF) model to value financial assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding discount rates. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the financial assets/liabilities.</p>

**4. Accounting Standards issued but not yet adopted**

For 2015/2016, the following accounting standards have been issued, but not yet adopted by the Authority:

- Amendments to **IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)** - clarifies the requirements that relate to how contributions from employees that are linked to service should be attributed to periods of service. IAS 19 will not have an impact of the Authority as employee contributions under the Local Government Pension Scheme are a flat rate percentage of employee earnings.
- Amendments to **IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)** - clarifies the accounting treatment for acquisitions of interests in joint operations where those operations constitute businesses (as defined in IFRS 3). The acquirer would be required to apply all the principles on business combinations accounting as per IFRS 3 and other IRFSs. The standard is not thought to have any material impact on the Authority.
- Amendments to **IAS 16 Property Plant and Equipment** and **IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)**. This clarifies the term "consumption of the expected future economic benefits embodied in the asset" when deciding the most appropriate method for amortisation of intangible assets. Despite the selection of the method of amortisation involving the use of judgement, a revenue based method is not considered an appropriate indicator of consumption. The standard will not impact upon the Authority as the Authority does not capitalise intangible assets.

## Notes to the Core Financial Statements (continued)

- **Annual Improvements to IFRSs 2012 – 2014 Cycle:**  
IFRS 5 Changes in Methods of Disposal – clarifies the accounting for a change in a disposal plan from a plan to sell a division to a plan to spin off a division and distribute a dividend in kind to its shareholders. This is not applicable to the Authority.  
IFRS 7 Financial Instruments : Disclosures – Servicing Contracts. The amendment clarifies whether a servicing contract retained in a transferred financial asset is sufficient continuing involvement for the purpose of determining disclosures required in financial statements. IFRS 7 - Applicability of the amendments to IFRS 7 to condensed interim financial statements, which clarifies the applicability of the amendments on offsetting disclosures. Neither of these amendments will be applicable to the Authority.  
IAS 19 Regional Market Issue – relates to the clarification of the determination of the discount rate to a regional market consisting of multiple countries sharing the same currency (in relation to Employee Benefits). This standard is not applicable to the Authority.  
IAS 34 Disclosure of Information “elsewhere in the interim financial report”. As local authorities do not prepare interim financial reports, this standard will not have any relevance.
- Amendments to **IAS 1 Presentation of Financial Statements (Disclosure Initiative)**. This amendment seeks to improve and simplify disclosures within existing requirements by taking into consideration that too much information can obscure useful information, that materiality applies to the whole of the financial statements so that irrelevant information is filtered out, clarifying when disclosures are not important enough to be disclosed by certain entities and removing certain perceptions about financial statements so that such statements provide more contextual and holistic information.

### 5. 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the Usable Reserves that the adjustments are made against:

#### Council Fund Balance

The Council Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Council Fund Balance, which is not necessarily in accordance with proper accounting practice. The Council Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

**Notes to the Core Financial Statements (continued)**

**Housing Revenue Account**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Authority's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

For details and explanations of Unusable Reserves for which adjustments are made against, see note 21.

**Notes to the Core Financial Statements (continued)**

	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
<b>2015/2016</b>					
<b>Adjustments primarily involving the Capital</b>					
<b>Adjustment Account:</b>					
<b>Reversal of items debited or credited to the</b>					
<b>Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets and non-enhancing capital expenditure	(31,966)	(111,902)			143,868
Amortisation of intangible assets	(255)				255
Capital grants and contributions applied	16,366	7,574			(23,940)
Revenue expenditure funded from capital under statute	(1,322)	(1)			1,323
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	(329)	1,688	(2,543)		1,184
<b>Insertion of items not debited or credited to the</b>					
<b>Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	10,320	852			(11,172)
Capital expenditure charged against the Council Fund and HRA balances	5,842	21,287			(27,129)
<b>Adjustments primarily involving the Capital Grants</b>					
<b>Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	842			(842)	
<b>Adjustment primarily involving the Financial</b>					
<b>Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(217)	(57)			274
<b>Adjustments primarily involving the Pensions</b>					
<b>Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(36,112)	(1,810)			37,922
Employer's pensions contributions and direct payments to pensioners payable in the year	23,270	1,486			(24,756)
<b>Adjustments primarily involving the Accumulated</b>					
<b>Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	498	(2)			(496)
<b>Total Adjustments</b>	<b>(13,063)</b>	<b>(80,885)</b>	<b>(2,543)</b>	<b>(842)</b>	<b>97,333</b>

Notes to the Core Financial Statements (continued)

	Usable Reserves					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied		
2014/2015	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets and non-enhancing capital expenditure	(22,827)	(21,604)	0	0	44,431	
Amortisation of intangible assets	(304)	0	0	0	304	
Capital grants and contributions applied	11,693	7,330	0	0	(19,023)	
Revenue expenditure funded from capital under statute	(3,884)	0	0	0	3,884	
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	68	1,223	(1,610)	0	319	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	9,854	887	0	0	(10,741)	
Capital expenditure charged against the Council Fund and HRA balances	2,967	8,014	0	0	(10,981)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	337	0	0	(337)	0	
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(216)	(58)	0	0	274	
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,005)	(1,803)	0	0	32,808	
Employer's pensions contributions and direct payments to pensioners payable in the year	22,625	1,957	0	0	(24,582)	
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	642	(1)	0	0	(641)	
<b>Total Adjustments</b>	<b>(10,050)</b>	<b>(4,055)</b>	<b>(1,610)</b>	<b>(337)</b>	<b>16,052</b>	



Notes to the Core Financial Statements (continued)

6. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2015/2016.

	Balance at 1 April 2014 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2015 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2016 £000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation (note 43)	(2,746)	1,131	(1,443)	(3,058)	1,316	(1,145)	(2,887)
Capital Earmarked Reserves (note 40)	(8,201)	2,878	(10,639)	(15,962)	4,551	(6,363)	(17,774)
Direct Services Earmarked Reserves (note 39)	(17)	0	(71)	(88)	0	(120)	(208)
Service over/underspend Reserves (note 41)	(6,693)	4,552	(7,677)	(9,818)	6,132	(7,128)	(10,814)
Insurance Earmarked Reserves (note 42)	(5,358)	0	(1,292)	(6,650)	0	(191)	(6,841)
Other Earmarked Reserves (note 45)	(22,744)	5,850	(7,609)	(24,503)	3,595	(7,975)	(28,883)
<b>Total</b>	<b>(45,759)</b>	<b>14,411</b>	<b>(28,731)</b>	<b>(60,079)</b>	<b>15,594</b>	<b>(22,922)</b>	<b>(67,407)</b>
<b>Housing Revenue Account:</b>							
HRA Fund Balance	(15,505)	79	(6,917)	(22,343)	1,125	0	(21,218)

7. Other Operating Expenditure

Other operating expenditure is made up as follows:

	2014/2015 £000	2015/2016 £000
Community Council Precepts	643	655
Gwent Police Authority Precept	12,009	12,553
Levies	8,727	8,626
(Gains)/losses on the disposal of non-current assets	(1,317)	(1,390)
<b>Total</b>	<b>20,062</b>	<b>20,444</b>

**Notes to the Core Financial Statements (continued)**

<b>Levies</b>	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
South Wales Fire Authority	8,376	8,226
Gwent Coroners' Service	147	188
Glamorgan Archives' Service	75	75
Gwent Archives' Service	129	137
<b>Total Levies</b>	<b>8,727</b>	<b>8,626</b>

<b>Precepts</b>	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
<b>Community Councils:</b>		
Aber Valley Community Council	30	30
Argoed Community Council	10	10
Bargoed Town Council	58	58
Bedwas, Trethomas and Machen Community Council	62	65
Blackwood Community Council	49	49
Caerphilly Town Council	78	79
Darren Valley Community Council	12	12
Draethen, Waterloo and Rudry Community Council	10	12
Gelligaer Community Council	84	87
Llanbradach Community Council	27	29
Maesycwmmmer Community Council	17	18
Nelson Community Council	27	27
New Tredegar Community Council	17	17
Penyrheol, Trecenydd and Energlyn Community Council	56	56
Rhymney Community Council	35	35
Risca East Community Council	24	24
Risca West Community Council	27	27
Van Community Council	20	20
	<b>643</b>	<b>655</b>
<b>Gwent Police Authority</b>	<b>12,009</b>	<b>12,553</b>
<b>Total Precepts upon the Authority</b>	<b>12,652</b>	<b>13,208</b>

**8. Financing and Investment Income and Expenditure**

Financing and investment income and expenditure is made up as follows:

	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
Interest payable and similar charges	16,023	18,579
Pensions interest costs and expected return on pensions assets	12,016	12,685
Interest receivable and similar income	(747)	(159)
(Gains)/losses on direct labour/service organisations trading	(141)	268
(Gains)/losses on other trading accounts	247	1,611
<b>Total</b>	<b>27,398</b>	<b>32,984</b>

Notes to the Core Financial Statements (continued)

	2014/2015 (Surplus)/Deficit £000	Income £000	2015/2016 Expenditure £000	(Surplus)/ Deficit £000
Highway Maintenance	(235)	(5,174)	5,174	0
Building Cleaning	207	(3,278)	3,568	290
Vehicle Maintenance	(55)	(1,019)	908	(111)
Fleet Management	(58)	(4,002)	4,091	89
<b>Total (surplus)/deficit on direct service/labour organisations trading</b>	<b>(141)</b>	<b>(13,473)</b>	<b>13,741</b>	<b>268</b>

	2014/2015 (Surplus)/Deficit £000	Income £000	2015/2016 Expenditure £000	(Surplus)/ Deficit £000
Industrial Estates	204	(2,082)	3,598	1,516
Housing Agency	43	(371)	466	95
<b>Total (surplus)/deficit on other trading accounts</b>	<b>247</b>	<b>(2,453)</b>	<b>4,064</b>	<b>1,611</b>

9. Taxation and non-specific grant income

	2014/2015 £000	2015/2016 £000
Council tax income	(70,403)	(73,483)
Non domestic rates	(55,382)	(50,854)
Non-ringfenced government grants	(219,114)	(214,713)
Capital grants and contributions	(19,361)	(24,782)
<b>Total</b>	<b>(364,260)</b>	<b>(363,832)</b>

Council Tax Income

Council tax derives from charges raised according to the value of residential properties, which from 1st April 2005, have been classified into nine valuation bands, using 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required by the Authority, the Police and Crime Commissioner for Gwent and Community Councils for the forthcoming 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. The basic amount for a band D property, £992.02 in 2015/2016 (£954.78 in 2014/2015) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2015/2016 was £73.73m (£70.625m in 2014/2015).

**Notes to the Core Financial Statements (continued)**

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

<b>BAND</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>
<b>Multiplier</b>	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9
<b>Chargeable Dwellings</b>	8,489	18,131	14,545	8,361	7,115	3,081	1,139	175	117

**Analysis of the net proceeds from council tax:**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b><u>Council tax collectable</u></b>		
Caerphilly County Borough Council	(57,973)	(60,522)
Gwent Police Authority - see note 7	(12,009)	(12,553)
Community Councils - see note 7	(643)	(655)
<b>Total amount due</b>	(70,625)	(73,730)
Less: Bad Debt Provision	222	247
<b>Net proceeds from council tax</b>	<b><u>(70,403)</u></b>	<b><u>(73,483)</u></b>

**National Non Domestic Rates (NNDR) Income**

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate (48.2p in 2015/2016, 47.3p in 2014/2015) and subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government.

The Welsh Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population. The Authority's redistribution for 2015/2016 was £50.854m in total (£55.382m in 2014/2015).

The anticipated NNDR proceeds of £35.2m for 2015/2016 (£36.1m in 2014/2015) was based on a total rateable value at the year-end of £93.23m (£93.72m for 2014/2015).

**Analysis of the net proceeds from Non-Domestic Rates:**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
Anticipated proceeds	(36,121)	(35,277)
Less: Discretionary relief	258	402
Cost of collection	267	269
Bad and doubtful debts	447	628
Contribution to NNDR Pool	<b><u>(35,149)</u></b>	<b><u>(33,978)</u></b>
Redistributed amount due from NNDR Pool	(55,382)	(50,854)
<b>Amount received from NNDR Pool</b>	<b><u>(55,382)</u></b>	<b><u>(50,854)</u></b>

**Notes to the Core Financial Statements (continued)****Non ring-fenced government grants**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/2016:

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(217,202)	(212,837)
Outcome Agreement Grant	(1,912)	(1,876)
<b>Total</b>	<b>(219,114)</b>	<b>(214,713)</b>

The Authority received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require that the monies be returned to the giver.

The balances at the year-end are as follows:

<b>Capital Grants Receipts in Advance</b>	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance as at 1 April</b>	<b>(994)</b>	<b>(1,803)</b>
Planning	(470)	(23)
Education	40	0
Private Housing	(379)	(739)
<b>Closing balance as at 31 March</b>	<b>(1,803)</b>	<b>(2,565)</b>

Notes to the Core Financial Statements (continued)

10. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
<b>Investments</b>				
Loans and receivables	4	4	135,466	72,496
Available-for-sale assets	0	11,044	0	48,311
<b>Total investments</b>	<b>4</b>	<b>11,048</b>	<b>135,466</b>	<b>120,807</b>
<b>Debtors</b>				
Loans and receivables	418	351	40,963	39,979
<b>Total debtors</b>	<b>418</b>	<b>351</b>	<b>40,963</b>	<b>39,979</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(215,936)	(287,507)	(10,268)	(7,678)
<b>Total borrowings</b>	<b>(215,936)</b>	<b>(287,507)</b>	<b>(10,268)</b>	<b>(7,678)</b>
<b>Other long term liabilities</b>				
PFI and finance lease liabilities	(38,023)	(35,920)	(2,416)	(2,098)
Deferred Liabilities	(1,055)	(1,068)	0	0
<b>Total other long term liabilities</b>	<b>(39,078)</b>	<b>(36,988)</b>	<b>(2,416)</b>	<b>(2,098)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(60,708)	(55,587)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(60,708)</b>	<b>(55,587)</b>

Income, Expenses, Gains and Losses

	Financial Liabilities	Financial Assets	
2015/2016	Liabilities measured at amortised cost £000	Loans and receivables £000	Total £000
Interest expense	18,579	0	18,579
<b>Total expense in Surplus or Deficit on Provision of Services</b>	<b>18,579</b>	<b>0</b>	<b>18,579</b>
Interest income	0	(159)	(159)
<b>Total income in Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>(159)</b>	<b>(159)</b>
<b>Net (gain)/loss for the year</b>	<b>18,579</b>	<b>(159)</b>	<b>18,420</b>

**Notes to the Core Financial Statements (continued)**

<u>Income, Expenses, Gains and Losses</u>	<u>Financial Liabilities</u>	<u>Financial Assets</u>	
<b>2014/2015</b>	<b>Liabilities measured at amortised cost</b>	<b>Loans and receivables</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest expense	16,023	0	16,023
<b>Total expense in Surplus or Deficit on Provision of Services</b>	<b>16,023</b>	<b>0</b>	<b>16,023</b>
Interest income	0	(747)	(747)
<b>Total income in Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>(747)</b>	<b>(747)</b>
<b>Net (gain)/loss for the year</b>	<b>16,023</b>	<b>(747)</b>	<b>15,276</b>

**Fair Value of Financial Assets**

Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including valuation techniques used to measure them:

<b>Financial Assets measured at fair value</b>				
	Input level in		As at 31	As at 31
Recurring fair value measurements	fair value hierarchy	Valuation technique used to measure fair value	March 2015 £000	March 2016 £000
<i>Available-for-Sale:</i>				
Investment Bonds	Level 1	Quoted prices in active markets for identical assets	0	59,355
<b>Total</b>			<b>0</b>	<b>59,355</b>

**Transfers between Levels of the Fair Value Hierarchy** - There were no transfers between input levels 1 and 2 during the year.

**Changes in the Valuation Technique** - There was no change in the valuation technique used during the year for the financial instruments.

**Notes to the Core Financial Statements (continued)**

**Fair Values of Assets and Liabilities that are not measured at Fair Value**

Except for the financial assets carried at fair value described in the preceding paragraphs (available-for-sale financial assets) all other financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. The fair value of a financial instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments/receipts in the future in today's terms. For "other" loans the discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender, and is the rate applicable in the market on the date of valuation (31 March) for an instrument with the same duration.

The Code of Practice does not prescribe which method is to be applied. For 2015/2016 the Fair Value for PWLB loan debt has been arrived at using the PWLB new loan rate at 31 March 2016.

The fair values are as follows:

	<b>31 March 2015</b>		<b>31 March 2016</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities	(286,911)	(343,867)	(350,772)	(430,764)
PFI and Finance Lease liabilities	(40,439)	(65,979)	(38,018)	(61,057)
Long term creditors	(1,055)	(1,055)	(1,068)	(1,068)
	<b>(328,405)</b>	<b>(410,901)</b>	<b>(389,858)</b>	<b>(492,889)</b>

<b>Analysis of Liabilities by maturity</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Maturing within 1 year	(73,394)	(65,363)
Maturing in 1 - 2 years	(13,410)	(13,489)
Maturing in 2 - 5 years	(22,776)	(20,418)
Maturing in 5 - 10 years	(27,807)	(28,058)
Maturing in 10 - 15 years	(32,180)	(29,307)
Maturing in 15 - 20 years	(15,788)	(21,010)
Maturing in 20 - 25 years	(24,509)	(93,698)
Maturing in 25 - 30 years	(19,966)	(23,945)
Maturing in 30 - 35 years	(13,968)	(9,977)
Maturing in 35 - 40 years	(41,864)	(50,196)
Maturing in 40 - 45 years	(22,332)	(14,000)
Maturing in 45 - 50 years	0	0
Maturing in over 50 years	(20,411)	(20,397)
	<b>(328,405)</b>	<b>(389,858)</b>

The increase in liabilities of £61m is due to the Authority raising a PWLB loan of £76m for the purpose of the HRA Self Financing buyout. Maturing debt of £7m was repaid back to the PWLB during 2015-2016. There was a reduction in creditors of £5m and a reduction in PFI liabilities of £3m.



**Notes to the Core Financial Statements (continued)**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. The fair value of the financial liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

	<b>31 March 2015</b>		<b>31 March 2016</b>	
	<b>Carrying amount £000</b>	<b>Fair value £000</b>	<b>Carrying amount £000</b>	<b>Fair value £000</b>
Loans and receivables	176,433	176,433	112,479	112,479
Available for Sale Financial Assets	0	0	59,355	59,355
Long term debtors	418	418	351	351
	<b>176,851</b>	<b>176,851</b>	<b>172,185</b>	<b>172,185</b>

As at 31 March 2016, assets included fixed term deposits valued at nominal amounts plus accrued interest. These were classified as loans and receivables. The Authority also held investment bonds that were classified as Available-for-Sale measured at fair value and valued at prices quoted in the money markets as at 31 March 2016. The Authority had no Assets and Liabilities measured at Fair Value through Profit and Loss at 31 March 2016.

**Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value**

	<b>31 March 2016</b>			
	<b>Quoted prices in active markets for identical assets (level 1) £000</b>	<b>Other significant observable inputs (level 2) £000</b>	<b>Significant unobservable inputs (level 3) £000</b>	<b>Total £000</b>
<b><i>Recurring fair value measurements using:</i></b>				
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	(55,597)	(375,167)	0	(430,764)
Long term creditors	(1,068)	0	0	(1,068)
<i>PFI and finance lease liabilities</i>	0	(61,057)	0	(61,057)
<b>Total</b>	<b>(56,665)</b>	<b>(436,224)</b>	<b>0</b>	<b>(492,889)</b>
<b>Financial assets</b>				
<i>Loans and receivables:</i>				
Other loans and receivables	112,830	0	0	112,830
<b>Total</b>	<b>112,830</b>	<b>0</b>	<b>0</b>	<b>112,830</b>

**Notes to the Core Financial Statements (continued)**

31 March 2015				
<i><b>Recurring fair value measurements using:</b></i>	<b>Quoted prices in active markets for identical assets (level 1)</b>	<b>Other significant observable inputs (level 2)</b>	<b>Significant unobservable inputs (level 3)</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	(60,718)	(283,149)	0	(343,867)
Long term creditors	(1,055)	0	0	(1,055)
<i>PFI and finance lease liabilities</i>	0	(65,979)	0	(65,979)
<b>Total</b>	<b>(61,773)</b>	<b>(349,128)</b>	<b>0</b>	<b>(410,901)</b>
<b>Financial assets</b>				
<i>Loans and receivables:</i>				
Other loans and receivables	176,851	0	0	176,851
<b>Total</b>	<b>176,851</b>	<b>0</b>	<b>0</b>	<b>176,851</b>

The fair value for financial liabilities and financial assets that are not measured at fair value included in level 2 in the table above have been arrived at using other significant observable inputs. With respect to LOBO loans the observable inputs were the effective interest rate calculation, whereas PWLB loans were measured at cost plus accrued interest. For both liabilities there is no active market where a quoted price could be obtained.

The following assumptions have been used:

<p><b>Financial assets</b></p> <ul style="list-style-type: none"> <li>▪ no early repayment or impairment is recognised</li> <li>▪ for fixed term investments the carrying amount of assets is assumed to be the approximate to fair value, and the contractual interest rate is taken to be the discount rate, which ranged between 0.25% and 1.05%. Accrued interest has been included to the nominal amount in order to determine the fair value. These have been categorised as loans and receivables</li> <li>▪ the fair value of trade and other receivables is taken to be the invoiced or billed amount.</li> <li>▪ the fair value of available-for-sale investments that comprise various types of investment bonds have been valued at the mid-market price as quoted on 31 March 2016 and subsequently adjusted accordingly. Accrued interest has also been taken into consideration using the amortisation method.</li> </ul>	<p><b>Financial liabilities</b></p> <ul style="list-style-type: none"> <li>▪ no early repayment is recognised</li> <li>▪ Estimated ranges of discount rates for liabilities at 31 March 2016 were of 1.33% to 3.32% for loans from the PWLB and the Market, and applied with reference to the number of years outstanding to the maturity date.</li> <li>▪ The fair values for financial liabilities (PWLB debt and market debt) have been determined by reference to the PWLB redemption rules and prevailing PWLB new loan rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWLB debt have been calculated by way of valuing the embedded Swap option and includes accrued interest.</li> </ul>
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## **Notes to the Core Financial Statements (continued)**

### **Nature and Extent of Risks arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Authority may be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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 a central treasury team, under policies approved by Council in the annual treasury management strategy, and compliance with the CIPFA Prudential Code of Practice, the CIPFA Treasury Management Code of Practice, and Investment Guidance that is issued under the Local Government Act 2003. The Authority 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 (short-term and long-term). These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy and Investment Strategy ("the Annual Strategy") that outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members. The "2015/16 Annual Treasury Management Strategy and Investment Strategy (including Prudential Indicators)" was approved by Council on 25 February 2015 and is available on the Authority website.

#### **Credit risk**

Credit risk arises from deposits with banks, building societies and corporates, as well as credit exposures to the Authority's customers. Deposits are not made with counterparties unless they meet the minimum credit ratings as prescribed in the Annual Investment Strategy.

The strategy employed for 2015/2016 allowed officers to place surplus funds with banks, building societies, corporates, sovereign bonds, the Debt Management Office (DMO) (the UK Government) (T-Bills and the DMADF) and other local authorities using a credit criteria that coincided with the Authority's attitude to risk.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

Details of the Investment Strategy can be found on the Authority's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A- (Fitch or equivalent rating), and non-UK Sovereign rating of AAA
- Debt Management Office (Debt Management Account Deposit Facility) (DMADF)
- Debt Management Office – Treasury Bills
- Local Authorities
- AAA rated Money Market Funds

**Notes to the Core Financial Statements (continued)**

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions will vary according to credit ratings assigned by the three main credit rating agencies and cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The following analysis summarises the Authority's potential maximum exposure to credit risk on financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	<b>31 March 2015</b>	<b>31 March 2016</b>			
	<b>Estimated maximum exposure to default £000</b>	<b>Amount at 31 March 2016 £000</b>	<b>Historical experience of default %</b>	<b>Historic experience adjusted for market conditions at 31 March 2016 %</b>	<b>Estimated maximum exposure to default £000</b>
<b>Counterparties rated:</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>(A x C)</b>
<u>Long-term:</u>					
AAA	0	9,354	0.10%	0.10%	9
AA	40	2,524	0.06%	0.06%	2
Non-investment grade	0	4	0.00%	0.00%	0
<u>Short-term</u>					
AAA	0	15,190	0.07%	0.07%	11
AA+	0	61,146	0.03%	0.03%	18
AA	0	15,013	0.03%	0.03%	5
A+	0	10,789	0.06%	0.06%	6
A	0	8,906	0.06%	0.06%	5
A-	0	4,419	0.06%	0.06%	3
Non-investment grade	0	3,004	3.17%	3.17%	95
Debtors - past due but not impaired	24	3,152	0.94%	0.94%	30
<b>Total</b>	<b>64</b>	<b>133,501</b>			<b>184</b>

The Authority's deposits are placed either directly with the counterparty or indirectly with the counterparty via London money market brokers. At 31 March 2016, the Authority's long-term and short-term investments, and cash and cash equivalents were deposited with UK and non-UK counterparties in accordance with the approved treasury management Annual Investment Strategy. No credit limits were exceeded during the year and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers and the amount past due (but not impaired) as at the year-end can be analysed by age as follows:

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Three to six months	476	478
Six months to one year	627	544
More than one year	1,905	2,130
	<b>3,008</b>	<b>3,152</b>

## **Notes to the Core Financial Statements (continued)**

### **Liquidity risk**

As the Authority has ready access to borrowings from the Public Works Loans Board (PWLB), 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 Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure the maturity profile is as smooth as possible through a combination of careful planning of new loans taken out and (where economically advantageous to do so) making early repayments.

### **Refinancing and Maturity Risk**

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. The risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs and for monitoring the spread of longer term investments, to ensure stability of maturities and returns for longer term cash flow needs.

The maturity analysis of debt outstanding with the PWLB and market loans is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy 2015/2016):

<b>Prudential Indicator Analysis</b>						
<b>Period</b>	<b>Minimum</b>	<b>Maximum</b>	<b>31 March 2015</b>		<b>31 March 2016</b>	
			<b>£000</b>		<b>£000</b>	
<12 Months	0%	35%	9,410	4%	6,838	2%
1-2 Years	0%	40%	3,576	2%	4,354	2%
2-5 Years	0%	50%	9,282	4%	6,723	2%
5-10 Years	0%	75%	14,171	6%	13,729	5%
>10 Years	0%	95%	184,814	84%	259,443	89%
			221,253	100%	291,087	100%

## Notes to the Core Financial Statements (continued)

### Market risk

#### Interest rate risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority.

For illustration, a rise in interest rates would have the following effects:

- For borrowings at variable rates the interest expense charged to the Comprehensive Income and Expenditure Account will rise;
- For borrowings at fixed rates the fair value of the borrowings will fall (no impact on revenue balances);
- For investments at variable rates the interest income credited to the Comprehensive Income and Expenditure Account will rise;
- For investments at fixed rates the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value (but are carried on the Balance Sheet at amortised cost) so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance pound for pound. Movements in fair value of available-for-sale investments will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Its policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans when interest rate levels are favourable. However, as at 31 March 2016, the Authority had no variable rate loans or investments. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates for the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

## **Notes to the Core Financial Statements (continued)**

The change in the approved Treasury Management Strategy for 2015-2016 has enabled officers to place surplus cash flow funds with financial institutions and corporates and has resulted in enhanced investment returns in comparison to previous financial years. According to the investment strategy, if interest rates had been 1% higher at 31 March 2016, with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	nil
Increase in interest receivable on variable rate investments	nil
Increase in government grant receivable for financing costs	nil
Impact on Surplus or Deficit on the Provision of Services	0
Share of overall impact debited to the HRA	286
Increase in fair value of fixed rate investment assets	(293)
Impact on Other Comprehensive Income and Expenditure	<b>(293)</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>44,776</b>

The impact of a 1% fall in interest rates would result in a similar variance, but with the movements reversed. The calculation is based on the PWLB discount rate used in the original fair value calculation, plus or minus 1%. There is a nil effect on variable rate investments and borrowings as the Authority had no such variable rate instruments during the year.

### **11. Retirement Benefits**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, the Greater Gwent (Torfaen) Pension Scheme, is administered by Torfaen County Borough Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.
- The Teachers' Pension Scheme is a defined benefit scheme, which is administered by the Department for Education. The scheme is unfunded and as it is not possible for the Authority to identify its share of the underlying liabilities of the scheme attributable to its own employees, it is being accounted for as a defined contribution scheme, i.e. the cost charged to Cost of Services in the year is the cost of the employer contributions to the scheme. A "notional fund" is used as the basis for calculating the employers' contribution rate paid by each local education authority.

## Notes to the Core Financial Statements (continued)

### Greater Gwent (Torfaen) Pension Scheme

In 2015/2016, the Authority paid an employer's contribution of £21.76m, representing 20.8% of the pensionable pay of employees who are members of the scheme into the Greater Gwent (Torfaen) Pension Fund (£21.823m representing 20.8% in 2014/2015), which provides members with defined benefits related to pay and service. Contribution rates are set by the Superannuation Regulations to meet 100% of the overall liabilities of the Fund over a period of time, with necessary contribution increases being phased in. In addition, the Authority is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2015/2016 these amounted to £3.613m, representing 3.45% of pensionable pay (£1.364m representing 1.3% in 2014/2015).

### Teachers' Pension Scheme

In 2015/2016, the Authority paid £8.77m to Capita Teachers' Pensions in respect of teachers' pensions, which represents 16.48% of teachers' pensionable pay (a change on 1 September 2015 from 14.1%) (£7.978m and 14.1% - for the whole of 2014/2015). In addition, the Authority is responsible for all pension payments relating to added years that have been awarded, together with the related increases. In 2015/2016, these amounted to £1.729m, representing approximately 3.25% of pensionable pay (£1.734m and 3.06% for 2014/2015).

### Former Authorities' Liability

The former authorities' liability exists in respect of previous year's decisions to fund the pension benefits of employees of the former Glamorgan County Council, Mid Glamorgan County Council and Rhymney Valley District Council whose pension benefits are currently funded by the Rhondda Cynon Tâf County Borough Council Pension Fund. This has been included within the Authority's accounts as part of the required IAS 19 accounting disclosures. Actuarial assumptions are based upon the Rhondda Cynon Tâf County Borough Council Pension Fund.

Further information and the actuarial report is available on request from the Director of Finance, Rhondda Cynon Tâf County Borough Council, The Pavilions, Cambrian Park, Clydach Vale, Tonypany CF40 2XX.

### Unfunded Teachers Pensions Liability

This liability exists in respect of unfunded Teachers' Discretionary Benefits paid to the former Authority employees by the Greater Gwent (Torfaen) Pension Fund. This has been included within the Authority's accounts as part of the required IAS 19 accounting disclosures. Actuarial assumptions are based upon the Greater Gwent (Torfaen) Pension Fund.

### Transactions Relating to Post-employment Benefits

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



**Notes to the Core Financial Statements (continued)**

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2014/2015</b>	<b>2015/2016</b>	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement:</b>				
<b>Cost of Services</b>				
<i>Service cost comprising:</i>				
• current service cost	19,988	24,987	0	0
• past service costs	154	(1,785)	0	0
• (gain)/loss from settlements/curtailments	54	1,617	179	0
• administration expenses	417	418	0	0
<i>Financing and Investment Income and Expenditure</i>				
• net interest expense	10,658	11,639	1,358	1,046
<i>Total Post Employment Benefits charged to the Surplus or Deficit on Provision of Services</i>	<b>31,271</b>	<b>36,876</b>	<b>1,537</b>	<b>1,046</b>
<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• return on plan assets (excluding the amount included in the net interest expense)	(38,255)	35,175	0	0
• actuarial (gains) / losses arising on changes in demographic assumptions	0	0	0	0
• actuarial (gains) / losses arising on changes in financial assumptions	135,094	294	2,573	(201)
• actuarial (gains) / losses - experience	0	(10,142)	50	3,199
<i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>	<b>128,110</b>	<b>62,203</b>	<b>4,160</b>	<b>4,044</b>
<b>Movement in Reserves Statement:</b>				
• reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(31,271)	(36,876)	(1,537)	(1,046)
<i>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:</i>				
• employers' contributions payable to the scheme	22,397	22,579	2,185	2,177

Further information can be found in the Greater Gwent (Torfaen) Pension Fund's Annual Report, which is available upon request from the Director of Finance, County Borough of Torfaen, Civic Centre, Pontypool, NP4 6YB.

## Notes to the Core Financial Statements (continued)

### Actuarial Gains and (Losses) relating to Pensions

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2016 is a loss of £188.888m (£160.563m to 31 March 2015).

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

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

	2014/2015 £000	2015/2016 £000
<b>Present value of the defined benefit obligation:</b>		
• Local Government Pension Scheme	(933,729)	(962,678)
• Former Authorities' Liability	(8,720)	(7,990)
• Teachers' Unfunded Discretionary Pension	(26,111)	(28,708)
<b>Fair value of plan assets:</b>		
• Local Government Pension Scheme	580,807	570,132
<b>Net liability arising from defined benefit obligations</b>	<b>(387,753)</b>	<b>(429,244)</b>

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contribution that the Authority expects to make to the Local Government Pension Scheme in the year to 31 March 2017 is £20.387m.

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

	2015/2016			
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	Total £000
<b>Opening balance at 1 April</b>	930,427	8,720	26,111	965,258
Current service cost	25,405	0	0	25,405
Interest cost	30,892	260	786	31,938
Contributions by scheme participants	6,532	0	0	6,532
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	0	0	0	0
• Actuarial (gains) / losses arising from changes in financial assumptions	294	(210)	9	93
• Actuarial (gains) / losses - experience	(10,142)	(150)	3,349	(6,943)
Past service costs	357	0	0	357
Losses / (gains) on curtailment	1,617	0	0	1,617
Benefits paid	(23,864)	(630)	(1,547)	(26,041)
<b>Closing balance at 31 March</b>	<b>961,518</b>	<b>7,990</b>	<b>28,708</b>	<b>998,216</b>
Other pension liabilities from discontinued operations	1,160	0	0	1,160
<b>Closing balance at 31 March</b>	<b>962,678</b>	<b>7,990</b>	<b>28,708</b>	<b>999,376</b>

Notes to the Core Financial Statements (continued)

	<b>2014/2015</b>			
	<b>Greater Gwent Scheme</b>	<b>Former Authorities Liability</b>	<b>Unfunded Teachers' Pension</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	758,329	8,420	24,436	791,185
Current service cost	19,988	0	0	19,988
Interest cost	33,744	340	1,018	35,102
Contributions by scheme participants	6,522	0	0	6,522
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	0	0	0	0
• Actuarial (gains) / losses arising from changes in financial assumptions	135,094	550	2,023	137,667
• Actuarial (gains) / losses - experience	0	50	0	50
Past service costs	154	0	0	154
Losses / (gains) on curtailment	54	0	179	233
Benefits paid	(23,458)	(640)	(1,545)	(25,643)
<b>Closing balance at 31 March</b>	<b>930,427</b>	<b>8,720</b>	<b>26,111</b>	<b>965,258</b>
Other pension liabilities from discontinued operations	3,302	0	0	3,302
<b>Closing balance at 31 March</b>	<b>933,729</b>	<b>8,720</b>	<b>26,111</b>	<b>968,560</b>

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the Fund discounted to their present value.

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

	<b>Greater Gwent Scheme</b>		<b>Former Authorities Liability</b>		<b>Unfunded Teachers' Pension</b>	
	<b>2014/2015</b>	<b>2015/2016</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening fair value of scheme assets</b>	514,244	580,807	0	0	0	0
Interest Income	23,264	19,253	0	0	0	0
Remeasurement gain/(loss)						
• return on plan assets, excluding the amount included in net interest expense	38,255	(35,175)	0	0	0	0
• member contributions	6,522	6,532	0	0	0	0
Contributions from employer	22,397	22,065	640	630	1,545	2,061
Benefits paid	(23,458)	(23,350)	(640)	(630)	(1,545)	(2,061)
Administration expenses	(417)	0	0	0	0	0
<b>Closing fair value of scheme assets</b>	<b>580,807</b>	<b>570,132</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes to the Core Financial Statements (continued)

Local Government Pension Scheme assets comprised:

	Quoted Y/N	<u>Fair value of scheme assets</u>	
		31 March 2015 £000	31 March 2016 £000
<b>Cash and cash equivalents:</b>	N	3,194	4,008
<b>Equity instruments:</b>			
• UK Quoted	Y	112,677	110,043
<b>Investment Funds:</b>			
• UK Equities	N	95,833	93,070
• US Equities	N	54,596	57,219
• European Equities	N	74,924	80,479
• Global Equities	N	52,273	38,669
• Japanese Equities	N	17,424	19,576
• Far East Equities	N	30,202	28,728
• Emerging Market Equities	N	14,520	14,250
• Government Bonds	N	44,722	43,873
• Corporate Bonds	N	45,303	44,222
<b>Property:</b>			
• UK Property Funds	N	15,682	16,806
<b>Alternatives:</b>			
• Global	N	16,843	16,786
• UK	N	2,614	2,402
<b>Total assets</b>		<b>580,807</b>	<b>570,132</b>

**Basis for Estimating Scheme Assets and Liabilities**

The calculation of these assets, liabilities and costs requires the actuary to make a number of assumptions relating to returns on investments, future inflation, pay and pension levels and rates of mortality. For the year ended 31 March 2016, the discount rate has been calculated as a weighted average of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employer.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The actuaries assumed that 50% of employees retiring after 6 April 2015 would take advantage of this change to the pension scheme. The actuaries have advised that this has resulted in the pension liabilities being greater than if a higher take up of lump sums had occurred. The actuary has confirmed that each 5% increase (decrease) in the assumed commutation take-up rate would typically reduce (increase) the value of the liabilities by between 0.1% and 0.25%.

**Notes to the Core Financial Statements (continued)**

The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>		<b>Former Authorities' Liability</b>		<b>Teachers' Pension Scheme</b>	
	<b>2014/2015</b>	<b>2015/2016</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2014/2015</b>	<b>2015/2016</b>
Long-term expected rate of return on scheme assets:	3.3%	3.5%	n/a	n/a	3.3%	3.5%
<i>Mortality assumptions:</i>						
Longevity at 65 for current pensioners:						
- Men	23.0	23.0	23.0	23.1	23.0	23.0
- Women	25.5	25.4	25.9	26.0	25.5	25.4
Longevity at 65 for future pensioners:						
- Men	25.3	25.2	n/a	n/a	n/a	n/a
- Women	27.9	27.8	n/a	n/a	n/a	n/a
Rate of inflation	2.0%	2.2%	1.8%	1.7%	2.0%	2.2%
Rate of increase in salaries	3.5%	3.7%	n/a	n/a	3.5%	3.7%
Rate of increase in pensions	2.0%	2.2%	1.8%	1.7%	2.0%	2.2%
Rate for discounting scheme liabilities	3.3%	3.5%	3.1%	3.3%	3.1%	3.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a	n/a	n/a

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

<b>Impact on the Defined Benefit Obligation in the Greater Gwent (Torfaen) Pension Scheme</b>	<b>Increase in obligation £000</b>	<b>Decrease in obligation £000</b>
Longevity (increase in 1 year)	29,707	0
Rate of increase in pension rate (increase by 0.5%)	70,801	0
Rate of increase in salaries (increase by 0.5%)	51,848	0
Rate for discounting scheme liabilities (decrease by 0.5%)	125,421	0

**Notes to the Core Financial Statements (continued)**

**12. Private Finance Initiative (PFI) Transactions**

The Authority entered into two contracts under Private Finance Initiative arrangements, one with the Machrie Consortium for the provision of two replacement schools (Ysgol Gyfun Cwm Rhymni and Lewis School Pengam), and one with S.E.W. Ltd for the provision of a road (Sirhowy Enterprise Way).

Under both of these contracts, the relevant consortium has the responsibility for the design, build, finance and operation of the assets for a period of 30 years, commencing in September 2002 for the schools and December 2005 for the road. With regard to the schools, this includes the provision of all ancillary services, although the Authority retains responsibility for educational, pastoral and financial arrangements.

The Authority leases each school site to the Consortium and, upon expiry of the contract term (September 2032), has the option of re-tendering the provision of services. If the option is not taken, the assets will transfer to the Authority.

The Authority continues to own the land on which the road is built and, in consideration of a payment of £1, permits access to the land to S.E.W. Ltd, for the purposes of building and operating the road, for the lifetime of the contract. At the expiry of the contract term, the Authority has the option of extending the contract. If this option is not taken, the asset reverts to the ownership of the Authority.

The assets identified in the PFI contracts have been recognised in the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 22.

	31 March 2015			31 March 2016		
	Road	Schools	Total	Road	Schools	Total
	£000	£000	£000	£000	£000	£000
<b>Gross PFI Liabilities are due:</b>						
- not later than 1 year	3,527	1,955	5,482	3,317	1,681	4,998
- later than 1 year, not later than 5 years	11,691	6,262	17,953	10,966	6,535	17,501
- later than 5 years	24,559	22,437	46,996	21,968	20,484	42,452
<b>Total Gross Liabilities</b>	<b>39,777</b>	<b>30,654</b>	<b>70,431</b>	<b>36,251</b>	<b>28,700</b>	<b>64,951</b>
<b>Net PFI Liabilities are due:</b>						
- not later than 1 year	1,614	744	2,358	1,519	530	2,049
- later than 1 year, not later than 5 years	5,289	1,777	7,066	4,936	2,208	7,144
- later than 5 years	16,147	14,446	30,593	14,795	13,589	28,384
<b>Total Net Liabilities</b>	<b>23,050</b>	<b>16,967</b>	<b>40,017</b>	<b>21,250</b>	<b>16,327</b>	<b>37,577</b>
<b>Finance charges allocated to future periods</b>	<b>(16,727)</b>	<b>(13,687)</b>	<b>(30,414)</b>	<b>(15,001)</b>	<b>(12,373)</b>	<b>(27,374)</b>
<b>Reconciliation between Net Book Values of PFI Assets held under PFI schemes:</b>						
Net Liability (as above)	23,050	16,967	40,017	21,250	16,327	37,577
Revaluations and impairments	0	21,980	21,980	0	22,261	22,261
Repayments/ Amortisation of capital sum	13,714	4,235	17,949	15,513	4,875	20,388
Accumulated Depreciation	(8,270)	(5,918)	(14,188)	(9,189)	(5,918)	(15,107)
<b>Net Book value of PFI Assets</b>	<b>28,494</b>	<b>37,264</b>	<b>65,758</b>	<b>27,574</b>	<b>37,545</b>	<b>65,119</b>

## Notes to the Core Financial Statements (continued)

The Authority receives funding from the Welsh Government to meet the costs of the unitary charge payments. However, the scheduling of the funding is such that it differs annually during the period of the PFI contract, from that applying to the payments to the consortia.

Whilst the funding profile of the road scheme generally follows that of the unitary charge payments, that of the schools scheme differs markedly, with the funding reducing annually over the period of the contract, whilst unitary charge payments increase annually over the same period. The result of the variance in these funding and expenditure profiles means that the funding received by the Authority in the early years of the contracts will exceed that required to meet the unitary charge, whilst subsequently, until the expiry of the contract term, the opposite will be true. As a result, the Authority has agreed that the initial funding "surpluses" will be set aside, to provide for the subsequent funding shortfalls, and is holding such funds as an earmarked reserve to meet future PFI liabilities (see note 45).

The balance held on this reserve and the movements during the financial year are as detailed below:

	2014/2015 £000	2015/2016 £000
Balance brought forward	(12,953)	(12,878)
<b>Amounts (set aside) / taken in year:</b>		
Schools	28	135
Road	47	(590)
	<b><u>(12,878)</u></b>	<b><u>(13,333)</u></b>

### Future commitments for PFI Schemes

The Authority is committed to making the following payments for PFI obligations:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
<b><u>Road</u></b>				
Payable in 2016/2017	1,769	1,519	1,798	5,086
Payable within 2 to 5 years	8,045	4,936	6,030	19,011
Payable within 6 to 10 years	10,109	6,993	5,051	22,153
Payable within 11 to 15 years	11,127	7,380	2,022	20,529
Payable within 16 to 20 years	5,378	422	100	5,900
	<b><u>36,428</u></b>	<b><u>21,250</u></b>	<b><u>15,001</u></b>	<b><u>72,679</u></b>

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
<b><u>School</u></b>				
Payable in 2016/2017	2,557	530	1,151	4,238
Payable within 2 to 5 years	11,323	2,208	4,327	17,858
Payable within 6 to 10 years	16,063	4,208	4,265	24,536
Payable within 11 to 15 years	18,009	6,884	2,403	27,296
Payable within 16 to 20 years	5,545	2,497	227	8,269
	<b><u>53,497</u></b>	<b><u>16,327</u></b>	<b><u>12,373</u></b>	<b><u>82,197</u></b>

**Notes to the Core Financial Statements (continued)**

**13. Operating Leases**

**Authority as Lessee**

The Authority uses computer equipment, vehicles and plant and general office equipment that were previously financed under operating leases. Operating lease rentals in respect of the above, paid to lessors in 2015/2016 totalled £nil (£82,066 in 2014/2015) and were charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

The Authority also leases various buildings for the provision of services and for administrative purposes, which have been accounted for as operating leases. The rentals payable to lessors under such leases amounted to £1,344,504 in 2015/2016, (£1,367,386 in 2014/2015) and were charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

Minimum lease payments due under non-cancellable operating leases in future years are:

	<u>2014/2015</u>	<u>2015/2016</u>		
	<b>Total</b>	<b>Land &amp;</b>	<b>Vehicles,</b>	
	<b>£000</b>	<b>Buildings</b>	<b>Plant &amp;</b>	<b>Total</b>
		<b>£000</b>	<b>Equipment</b>	<b>£000</b>
			<b>£000</b>	
Not later than one year	1,023	1,032	0	1,032
Later than one year and not later than five years	3,404	3,527	0	3,527
Later than five years	13,237	12,486	0	12,486
	<u><b>17,664</b></u>	<u><b>17,045</b></u>	<u><b>0</b></u>	<u><b>17,045</b></u>

**Authority as Lessor**

The Authority has granted leases of land and buildings to various entities for periods of between 1 year and 30 years for the provision of community services, such as facilities, tourism services and community centres and for economic development purpose to provide suitable affordable accommodation for local businesses. Such arrangements have been accounted for as operating leases for which the assets have a gross value of £28,638,559 as at 31 March 2016 and have been subject to accumulated depreciation of £705,322. (Gross value at 31 March 2015 £41,720,060 with accumulated depreciation of £1,399,411).

In addition the Authority has also granted peppercorn leases (rentals of £1 per annum) of community halls, playing fields, pavilions etc. to voluntary organisations, community groups and other similar bodies for periods of between 1 year and 199 years. Such arrangements have been accounted for as operating leases. The gross book values of the assets concerned amount to £17,912,993 and are subject to accumulated depreciation of £407,814 (Gross book value of £17,868,517 at 31 March 2015 with accumulated depreciation of £421,258).

Minimum lease payments receivable under non-cancellable leases in future years are:

	<u>2014/2015</u>	<u>2015/2016</u>		
	<b>Total</b>	<b>Industrial</b>	<b>Other Land</b>	
	<b>£000</b>	<b>Units</b>	<b>&amp; Buildings</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	594	280	221	501
Later than one year and not later than five years	938	284	501	785
Later than five years	462	0	730	730
	<u><b>1,994</b></u>	<u><b>564</b></u>	<u><b>1,452</b></u>	<u><b>2,016</b></u>



**Notes to the Core Financial Statements (continued)**

**14. Finance Leases**

**Authority as a Lessee**

The Authority acquired computer and other equipment under finance leases. The rentals payable under the arrangements in 2015/2016 were £83,768 (£183,770 in 2014/2015), being finance costs of £11,528 (debited to interest payable) and £72,240 writing down obligations to lessors.

The following values of assets are held under finance leases by the Authority, which are accounted for as part of Property, Plant and Equipment at the following net amounts:

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Vehicles, Plant, Furniture & Equipment	72	103
	<b>72</b>	<b>103</b>

The Authority is committed to making payments under these finance leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years whilst the liability remains outstanding. The minimum lease payments comprise:

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Finance lease liabilities (net present value of minimum lease payments)		
• Current	52	44
• Non- current	34	78
Finance costs payable in future years	(14)	(19)
<b>Minimum lease payments</b>	<b>72</b>	<b>103</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
Not later than one year	52	44	45	36
Later than one year and not later than five years	34	78	27	67
Later than five years	0	0	0	0
	<b>86</b>	<b>122</b>	<b>72</b>	<b>103</b>

## **Notes to the Core Financial Statements (continued)**

The Authority has entered into a 35 year lease of a building for use in its social services provision. The land element of the lease has been accounted for as an operating lease and has been disclosed in Note 13 above, whilst the buildings element of the lease has been accounted for as a finance lease. The rentals payable under the arrangement in 2015/2016 were £58,519 (£58,519 in 2014/2015), being finance costs of £45,662 (debited to interest payable) and £12,857 writing down obligations to the lessor.

### **Future commitments for the finance lease**

The following analysis shows the payments the Authority is committed to making under the finance lease obligations, together with a reconciliation between the net liability and the net book value of the asset:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>Gross Finance lease Liabilities are due:</b>		
- not later than 1 year	59	59
- later than 1 year, not later than 5 years	234	234
- later than 5 years	1,305	1,247
<b>Total Gross Liabilities</b>	<b>1,598</b>	<b>1,540</b>
<b>Net Finance lease Liabilities are due:</b>		
- not later than 1 year	13	13
- later than 1 year, not later than 5 years	51	51
- later than 5 years	287	274
<b>Total Net Liabilities</b>	<b>351</b>	<b>338</b>
<b>Finance charges allocated to future periods</b>	<b>(1,247)</b>	<b>(1,202)</b>
<b>Reconciliation between Net Book Values of assets held under finance leases:</b>		
Net Liability (as above)	<b>351</b>	<b>338</b>
Revaluations and impairments	58	122
Repayments/ Amortisation of capital sum	99	112
Accumulated Depreciation	(97)	(110)
<b>Net Book Value of leased assets</b>	<b>411</b>	<b>462</b>

The Authority does not have any sub-leases or any finance leases that include rentals contingent on events taking place after the lease was entered into, such as secondary rentals.

### **15. Members' Allowances**

The total value of Members' Allowances payments in 2015/2016 was £1,191,579 (£1,211,214 in 2014/2015). More detailed information on Members' Allowances can be obtained from the Head of People Management & Development, Penallta House, Tredomen Park, Ystrad Mynach, Hengoed, CF82 7PG.

**Notes to the Core Financial Statements (continued)**

**16. Officers' Emoluments**

The number of employees (excluding those employees who are listed separately overleaf) whose remuneration, excluding employer's pension contributions, was £60,000 or more in bands of £5,000, during the year ended 31 March 2016 were:

<b>Remuneration Band</b>	<b><u>Number of employees</u></b>		<b>Total</b>	<b>Left in year</b>
	<b>School based</b>	<b>Non-School based</b>		
£60,000 - £64,999	23	3	26	0
£65,000 - £69,999	7	1	8	0
£70,000 - £74,999	1	1	2	0
£75,000 - £79,999	2	1	3	0
£80,000 - £84,999	8	1	9	0
£85,000 - £89,999	2	12	14	1
£90,000 - £94,999	0	1	1	0
£95,000 - £99,999	0	1	1	1
	<b>43</b>	<b>21</b>	<b>64</b>	<b>2</b>

*The leavers in the year were non-school based.*

<b>Remuneration Band</b>	<b><u>Number of employees</u></b>		<b>Total</b>	<b>Left in year</b>
	<b>School based</b>	<b>Non-School based</b>		
£60,000 - £64,999	21	3	24	0
£65,000 - £69,999	4	1	5	0
£70,000 - £74,999	5	0	5	1
£75,000 - £79,999	5	2	7	0
£80,000 - £84,999	3	12	15	0
£85,000 - £89,999	1	3	4	0
£90,000 - £94,999	2	0	2	0
	<b>41</b>	<b>21</b>	<b>62</b>	<b>1</b>

*The leaver in the year was school-based.*

*The above numbers include one employee employed by a Voluntary Aided School.*

**Notes to the Core Financial Statements (continued)**

In accordance with the Accounts and Audit (Wales) Regulations 2014, the following tables show the remuneration and components of remuneration for statutory chief officers and designated heads of paid service that have responsibility for the management of the Authority and have the ability to control the major activities of the Authority – particularly in relation to activities involving expenditure of money.

<b>2015/2016</b>			<b>Total Remuneration excluding Employer's Pension Contributions £</b>	<b>Employer's Pension Contributions at 20.8% £</b>	<b>Total Remuneration including Employer's Pension Contributions £</b>
<b>Post</b>	<b>Salary £</b>	<b>Expenses £</b>			
Chief Executive *a	137,000	0	<b>137,000</b>	28,496	<b>165,496</b>
Acting Chief Executive *b	132,920	0	<b>132,920</b>	26,989	<b>159,909</b>
Interim Chief Executive *c	142,524	0	<b>142,524</b>	29,645	<b>172,169</b>
Director of Social Services	115,693	679	<b>116,372</b>	23,667	<b>140,039</b>
Acting Deputy Chief Executive & Director of Education *d	10,673	0	<b>10,673</b>	2,220	<b>12,893</b>
Acting Director of Corporate Services & S151 Officer *e	116,183	0	<b>116,183</b>	22,941	<b>139,124</b>
Corporate Director - Communities *f	84,521	404	<b>84,925</b>	17,580	<b>102,505</b>
	<b>739,514</b>	<b>1,083</b>	<b>740,597</b>	<b>151,538</b>	<b>892,135</b>

\*a The Chief Executive was suspended on 8 March 2013 as a consequence of the police investigation in respect of Senior Manager remuneration awards during 2012/2013. Criminal proceedings were dismissed in October 2015 and the Authority is now progressing internal investigations in accordance with the Council's approved procedures and statutory requirements. The above total remuneration payment of £165,496 (inclusive of employer's pension contributions) was made in 2015/2016 by the Authority to the Chief Executive.

\*b The Deputy Chief Executive became the Acting Chief Executive in March 2013. The Acting Chief Executive was suspended on 3 July 2013 as a consequence of the aforementioned police investigation. Following the dismissal of criminal proceedings in October 2015 the Authority is now progressing internal investigations in accordance with the Council's approved procedures and statutory requirements. Remuneration payments of £159,909 (inclusive of employer's pension contributions) in the above table were made in 2015/2016 by the Authority to the Acting Chief Executive.

\*c In addition to those payments listed above, the Interim Chief Executive received Returning Officer expenses during the year to 31 March 2016 of £5,757 in respect of the General Election (which were paid by Central Government) and £1,426 in respect of by-elections.

\*d The Acting Deputy Chief Executive & Director of Education left the Authority on 30 April 2015. The full annualised salary of the post was £128,075.

\*e In addition to those payments listed above, the Acting Director of Corporate Services & S151 Officer received Returning Officer expenses during the year to 31 March 2016 of £350 in respect of the General Election. These expenses were paid by Central Government.

\*f The Corporate Director - Communities joined the Authority on 1 July 2015. The full annualised salary of the post is £112,363.

Notes to the Core Financial Statements (continued)

<b>2014/2015</b>			<b>Total Remuneration excluding Employer's Pension Contributions £</b>	<b>Employer's Pension Contributions at 20.8% £</b>	<b>Total Remuneration including Employer's Pension Contributions £</b>
<b>Post</b>	<b>Salary £</b>	<b>Expenses £</b>			
Chief Executive *d	137,000	0	<b>137,000</b>	28,496	<b>165,496</b>
Acting Chief Executive *e	133,340	0	<b>133,340</b>	26,418	<b>159,758</b>
Interim Chief Executive *a	43,193	0	<b>43,193</b>	0	<b>43,193</b>
Interim Chief Executive *b	83,139	0	<b>83,139</b>	17,293	<b>100,432</b>
Director of Social Services	112,210	1,347	<b>113,557</b>	22,386	<b>135,943</b>
Acting Deputy Chief Executive & Director of Education	123,662	0	<b>123,662</b>	25,722	<b>149,384</b>
Acting Director of Corporate Services & S151 Officer *c	112,210	0	<b>112,210</b>	22,114	<b>134,324</b>
	<b>744,754</b>	<b>1,347</b>	<b>746,101</b>	<b>142,429</b>	<b>888,530</b>

\*a The Interim Chief Executive left on 29 August 2014. The full annualised salary of the post was £92,151.

\*b The Interim Chief Executive who left on 29 August 2014 was replaced by a new Interim Chief Executive on 1 September 2014. The full annualised salary of the post was £142,524.

\*c In addition to those payments listed above, the Acting Director of Corporate Services received Returning Officer expenses during the year to 31 March 2015 of £400 in respect of European Parliamentary elections. These expenses were paid by Central Government.

\*d The Chief Executive was suspended on 8 March 2013 as a consequence of the police investigation in respect of Senior Manager remuneration awards during 2012/2013. The above total remuneration payment of £165,496 was made in 2014/2015 by the Authority whilst the Chief Executive has been suspended.

\*e The Deputy Chief Executive became the Acting Chief Executive in March 2013. The Acting Chief Executive was suspended on 3 July 2013 as a consequence of the aforementioned police investigation. Remuneration payments of £159,758 (inclusive of employer's pension contributions) in the above table were made in 2014/2015 by the Authority whilst the Acting Chief Executive has been suspended.

The annualised remuneration of the highest paid officer of the Authority (the Interim Chief Executive) in the financial year to 31 March 2016 was £142,524. This was 7.2 times the median remuneration of the workforce, which was £19,742. (The remuneration of the highest paid officer of the Authority (the Chief Executive) in the financial year to 31 March 2015 was £142,524. This was 7.2 times the median remuneration of the workforce, which was £19,742).

**Notes to the Core Financial Statements (continued)**

The numbers of exit packages with total cost per band and total cost of the compulsory redundancies, other redundancies and other departures are set out in the table below. The costs include redundancy costs, payments in lieu of notice and payments to staff for holidays not taken at time of departure. Where applicable, employers' national insurance contributions are included, as well as any strain costs for early retirement payable by the Authority to the Pension Fund.

(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 £	
	2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016	2014 / 2015	2015 / 2016
£0 - £20,000	10	22	42	107	52	129	401,915	869,075
£20,001 - £40,000	0	1	14	21	14	22	418,465	608,818
£40,001 - £60,000	0	0	0	4	0	4	0	204,081
£60,001 - £80,000	0	0	0	1	0	1	0	67,695
<b>Total</b>	<b>10</b>	<b>23</b>	<b>56</b>	<b>133</b>	<b>66</b>	<b>156</b>	<b>820,380</b>	<b>1,749,669</b>

**17. External Audit Costs**

In 2015/2016 Caerphilly County Borough Council incurred the following fees relating to external audit and inspection.

	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	306	250
Fees payable to the Auditor General for Wales in respect of statutory inspection	131	112
Fees payable to the Auditor General for Wales for the certification of grant claims and returns	107	86
Fees payable to the Auditor General for Wales in respect of the National Fraud Initiative	3	0
Refund in relation to 2013/2014 fees payable to the Auditor General for Wales	(74)	0
Fees payable to the Auditor General for Wales in respect of other services	4	0
	<b>477</b>	<b>448</b>

Notes to the Core Financial Statements (continued)

18. Pooled Budgets / Lead Commissioning Arrangements

In accordance with the provisions of the National Health Service (Wales) Act 2006, and the flexibilities arrangements permitted under that legislation, the Authority is involved with Aneurin Bevan Health Board (ABHB) in respect of the following projects.

<u>Lead Commissioning Arrangements</u>	2014/2015	2015/2016			
	Authority's Contribution	Total Funding	Other (ABHB) Contribution	Other LAs/WG Contribution	Authority's Contribution
Scheme	£000	£000	£000	£000	£000
Cancercareline	13	25	12	0	13
Age Concern	47	114	71	0	43
Care and Repair	12	33	21	0	12
Gwent Frailty	1,922	14,269	8,236	3,975	2,058
	<b>1,994</b>	<b>14,441</b>	<b>8,340</b>	<b>3,975</b>	<b>2,126</b>

**Cancercareline** - provides support to those affected by cancer, whether patients, families or carers.

**Age Concern** - provides timely support and safe discharge from acute services for older people, back into the community.

**Care and Repair** - provides a housing advice and agency service for elderly people with physical disabilities. The project fits adaptations and aids to daily living, deals with applications for grants, loans and welfare benefits, and arranges temporary accommodation.

**Gwent Frailty Programme** – provides a range of services to avoid hospital admissions, facilitate early discharge and to help individuals remain independent.

**Pooled budgets** - Gwent Wide Integrated Community Equipment Service Project – see Note 51 – Jointly Controlled Operations.

19. Related Party Transactions

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

***During the year, transactions with and year-end balances of related parties arose as follows:***

**Welsh Government**

Welsh Government has significant influence over the general operations of the Authority in respect of providing the statutory framework within which the Authority operates, providing the majority of funding in the form of revenue and capital grants, revenue support grant and NNDR. Further details of revenue support grant received and NNDR Pool transactions are summarised in Note 9.

## Notes to the Core Financial Statements (continued)

### Precepts and Levies

Note 7 provides details of precepts collected on behalf of other organisations and amounts levied on the Authority by Joint Committees.

### Members

Members of the council have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2015/2016 is shown in Note 15. During the year the majority of "declaration of interest" returns were received showing that there were no other material related party transactions identified involving these individuals.

### Chief Officers

Details of chief officers' emoluments are provided in Note 16. All "declaration of interest" returns were received from directors which did not identify any other material related party transactions.

### Other Public Bodies (subject to common control by central government)

The Authority has pooled budget arrangements with the Aneurin Bevan Health Board in respect of the Gwent Frailty Project. Details can be found in Note 18.

### Pension Contributions

Employer's contributions are made to the Teachers' Pension Agency and the Greater Gwent (Torfaen) Pension Fund in respect of the Authority's employees. Further details of amounts involved are shown on pages 62 to 68.

### *Other Entities Controlled or Significantly Influenced by the Authority:*

#### Groundwork Trust Caerphilly

The Authority is represented on the Board of the Trust.

#### Aneurin Bevan Health Board

The Authority is represented on the Board of this organisation.

#### Education Achievement Service (EAS)

EAS is a limited company that provides advisory and inspection services to the Local Education Authority and its schools. Activities of the company are funded by Caerphilly, Blaenau Gwent, Monmouthshire, Newport and Torfaen County Borough Councils.

*Transactions with the above three entities are summarised in the tables below:*

	In-year transactions		Balances outstanding at 31 March	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed to Authority (debtor) £000	Owed by Authority (creditor) £000
<b>2015/2016</b>				
<b>Related Party:</b>				
Groundwork Trust Caerphilly	241	nil	nil	30
Aneurin Bevan Health Board	5,610	9,212	5,222	262
<i>Included in above:</i>				
Section 28a Grant	n/a	2,674	nil	nil
NNDR	n/a	813	nil	nil
Education Achievement Service	1,656	1,200	318	36



**Notes to the Core Financial Statements (continued)**

	In-year transactions		Balances outstanding at 31 March	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed to Authority (debtor) £000	Owed by Authority (creditor) £000
<b>2014/2015</b>				
<b>Related Party:</b>				
Groundwork Trust Caerphilly	454	1	nil	17
Aneurin Bevan Health Board	7,035	7,294	3,315	5,484
<i>Included in above:</i>				
Section 28a Grant	n/a	2,674	nil	nil
NNDR	n/a	755	nil	nil
Education Achievement Service	2,062	461	nil	171

**20. Minimum Revenue Provision (MRP) Adjustment**

The Local Government Act 2003 requires the Authority to set aside a Minimum Revenue Provision for the redemption of debt in line with the regulations set out in the Local Authorities (Capital and Finance and Accounting) (Wales) Regulations 2003, as amended.

With effect from 2007/08, the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 revised the basis of charge in respect of Council Fund borrowing. The Regulations provide for a range of options as the basis of charge for MRP, within which authorities are permitted to adopt those most appropriate to their circumstances. However, in doing so, authorities must also take account of the requirement of the Regulations that MRP must be calculated in a prudent manner, ensuring that debt is charged to revenue over a period reasonably commensurate with that over which capital assets, to which the borrowing relates, provide benefits.

For Supported Borrowing (i.e. where provision for the associated capital financing costs is included in the revenue support grant settlement received from the Welsh Government), MRP has been calculated at 4% of the non-housing Capital Financing Requirement (CFR) balance at the commencement of the financial year and 2% for the HRA CFR balance. In doing so, MRP on any particular borrowing commences to be charged the year following that in which the borrowing has been incurred.

For Unsupported Borrowing (i.e. borrowing permitted in accordance with the Prudential Code for Capital Finance in Local Authorities, but for which no provision is made in the revenue settlement), MRP has been calculated on the basis of equal instalments over the life of the asset for which the borrowing has been undertaken. In these circumstances, the MRP commences to be charged from the year following that in which the asset to which the borrowing relates becomes operational.

Actual provisions made during each year match the calculated amounts.

The amount shown in the note of reconciling items for the Movement in Reserves Statement as "Minimum revenue provision for capital financing" represents the accounting entry necessary to ensure that there is no overall increase or decrease in the Council Tax arising from depreciation charges, impairment losses or amortisations.

**Notes to the Core Financial Statements (continued)**

**21. Movements on Reserves**

Movements in the Authority's Usable Reserves are detailed below, in the Movement in Reserves Statement and also in Notes 39 - 45, whilst details of the movements in Unusable Reserves are shown below and in Notes 33 - 38. Some reserves are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

<u>Usable Reserves</u>	<b>Balance</b>	<b>Net</b>	<b>Balance</b>	<b>Net</b>	<b>Balance</b>
<b>Reserve</b>	<b>1 April</b>	<b>Movement</b>	<b>31 March</b>	<b>Movement</b>	<b>31 March</b>
	<b>2014</b>	<b>in year</b>	<b>2015</b>	<b>in year</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Council Fund	(16,134)	1,519	(14,615)	2,000	(12,615)
Housing Revenue Account (note 7 HRA)	(15,505)	(6,838)	(22,343)	1,125	(21,218)
Direct Service Earmarked Reserves (note 39)	(17)	(71)	(88)	(120)	(208)
Capital Earmarked Reserves (note 40)	(8,201)	(7,761)	(15,962)	(1,812)	(17,774)
Service Over/Underspend Reserves (note 41)	(6,693)	(3,125)	(9,818)	(996)	(10,814)
Schools Earmarked Reserves (note 43)	(2,746)	(312)	(3,058)	171	(2,887)
Insurance Earmarked Reserves (note 42)	(5,358)	(1,292)	(6,650)	(191)	(6,841)
Other Earmarked Reserves (note 45)	(22,744)	(1,759)	(24,503)	(4,380)	(28,883)
Usable Capital Receipts	(9,857)	(736)	(10,593)	(1,317)	(11,910)
Capital Grants Unapplied	(9,909)	78	(9,831)	359	(9,472)
<b>Total Usable Reserves</b>	<b>(97,164)</b>	<b>(20,297)</b>	<b>(117,461)</b>	<b>(5,161)</b>	<b>(122,622)</b>

Notes to the Core Financial Statements (continued)

**Unusable Reserves**

Reserve	Balance 1 April 2014 £000	Net Movement in year £000	Balance 31 March 2015 £000	Net Movement in year £000	Balance 31 March 2016 £000	Purpose of Reserve	Further details of movements
Financial Instruments Adjustment Account	(1,162)	274	(888)	274	(614)	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	Note 33
Available-for-Sale Financial Instruments Reserve	0	0	0	481	481	Store of gains on revaluation of investments not yet realised through sales.	Note 34
Revaluation Reserve	(292,072)	(97,933)	(390,005)	(149,921)	(539,926)	Gains on revaluation of fixed assets not yet realised through sales.	Note 35
Capital Adjustment Account (CAA)	(456,416)	667	(455,749)	79,178	(376,571)	Capital resources set aside to meet past capital expenditure	Note 36
Deferred Capital Receipts	(26)	9	(17)	3	(14)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	
Pensions Reserve	280,065	107,688	387,753	41,491	429,244	Reserve set aside to mitigate the impact of pension liabilities on Council Tax as required by statute	Note 37
Accumulated Absences Account	3,855	(640)	3,215	(496)	2,719	Account to absorb differences arising on the Council Fund balance from accruing for compensated absences earned but not taken in the year.	Note 38
<b>Total Unusable Reserves</b>	<b>(465,756)</b>	<b>10,065</b>	<b>(455,691)</b>	<b>(28,990)</b>	<b>(484,681)</b>		

Notes to the Core Financial Statements (continued)

22. Property, Plant and Equipment

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost or valuation:</b>									
At 1 April 2015	181,001	692,831	40,980	299,010	2,074	16,084	161	1,232,141	79,948
Additions	28,860	21,500	1,158	6,645	0	0	0	58,163	0
Revaluation Increases/(decreases) to Revaluation Reserve	143,830	7,259	1,287	(30)	446	(400)	0	152,392	281
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	0	(1,805)	0	0	(10)	(863)	(161)	(2,839)	0
Derecognitions - Disposals	0	(1,070)	0	0	0	(115)	0	(1,185)	0
Impairments	0	0	0	0	0	0	0	0	0
Other movements in cost or valuations	(34,895)	(2,481)	(1,865)	28	587	(14,706)	0	(53,332)	0
<b>At 31 March 2016</b>	<b>318,796</b>	<b>716,234</b>	<b>41,560</b>	<b>305,653</b>	<b>3,097</b>	<b>0</b>	<b>0</b>	<b>1,385,340</b>	<b>80,229</b>
<b>Accumulated Depreciation and impairment:</b>									
At 1 April 2015	0	(8,207)	(27,905)	(86,724)	(40)	(42)	0	(122,918)	(14,190)
Depreciation Charge	(6,034)	(13,140)	(1,153)	(9,707)	(23)	(6)	0	(30,063)	(920)
Other movements in Depreciation	6,034	8,928	1,566	0	8	48	0	16,584	0
<b>At 31 March 2016</b>	<b>0</b>	<b>(12,419)</b>	<b>(27,492)</b>	<b>(96,431)</b>	<b>(55)</b>	<b>0</b>	<b>0</b>	<b>(136,397)</b>	<b>(15,110)</b>
<b>Net Book Value at 31 March 2016</b>	<b>318,796</b>	<b>703,815</b>	<b>14,068</b>	<b>209,222</b>	<b>3,042</b>	<b>0</b>	<b>0</b>	<b>1,248,943</b>	<b>65,119</b>
Net Book Value at 31 March 2015	181,001	684,624	13,075	212,286	2,034	16,041	161	1,109,222	65,758

Notes to the Core Financial Statements (continued)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost or valuation:</b>									
At 1 April 2014	190,101	582,256	39,292	292,705	2,089	16,510	5,010	1,127,963	73,173
Additions	15,311	15,565	1,829	6,395	0	0	0	39,100	0
Revaluation Increases/(decreases) to Revaluation Reserve	(2,895)	106,387	0	0	3	0	0	103,495	6,775
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	0	6,951	0	0	0	(465)	0	6,486	0
Derecognitions - Disposals	(72)	(247)	0	0	0	0	0	(319)	0
Other movements in cost or valuations	(21,444)	(18,081)	(141)	(90)	(18)	39	(4,849)	(44,584)	0
<b>At 31 March 2015</b>	<b>181,001</b>	<b>692,831</b>	<b>40,980</b>	<b>299,010</b>	<b>2,074</b>	<b>16,084</b>	<b>161</b>	<b>1,232,141</b>	<b>79,948</b>
<b>Accumulated Depreciation and impairment:</b>									
At 1 April 2014	(1)	(11,288)	(26,621)	(78,957)	(13)	(1)	0	(116,881)	(12,562)
Depreciation Charge	(6,133)	(14,788)	(1,284)	(7,767)	(28)	(47)	0	(30,047)	(1,628)
Impairment losses/reversals to Revaluation Reserve	6,134	17,869	0	0	1	5	0	24,009	0
<b>At 31 March 2015</b>	<b>0</b>	<b>(8,207)</b>	<b>(27,905)</b>	<b>(86,724)</b>	<b>(40)</b>	<b>(43)</b>	<b>0</b>	<b>(122,919)</b>	<b>(14,190)</b>
<b>Net Book Value at 31 March 2015</b>	<b>181,001</b>	<b>684,624</b>	<b>13,075</b>	<b>212,286</b>	<b>2,034</b>	<b>16,041</b>	<b>161</b>	<b>1,109,222</b>	<b>65,758</b>

## Notes to the Core Financial Statements (continued)

### Assets under Construction

Assets under construction is analysed as follows:  
Bargoed Cinema Development

<u>31 March 2016</u>	<u>31 March 2015</u>
£nil	£0.162m
<u>£nil</u>	<u>£0.162m</u>

### Assets due for closure

As at 31 March 2016, the Authority had taken the decision to close the following assets, which have a combined net book value of £2,972,777:

- Ty Dyffryn, Ystrad Mynach
- Oxford House, Risca
- Meals on Wheels Depot, Tir Y Berth
- Former Newbridge Library

### Capital Commitments

At 31 March 2016, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/2017 and subsequent years budgeted to cost £4.549m. Similar commitments at 31 March 2015 were £6.054m. The major commitments are:

		<u>31 March 2015</u>	<u>31 March 2016</u>
		£000	£000
<b>Highways and Transportation:</b>	Bargoed By Pass	227	292
	Historical Schemes	484	377
	Bridge Strengthening	100	249
	Land Drainage	145	0
	Infrastructure Retaining Walls	383	304
	Major Highways Improvements	559	197
<b>Education:</b>	St James Primary School	130	0
	Cwm Ifor Primary School	131	0
	St Ilans Comprehensive School	1,233	455
	Islwyn West High School	0	157
	Greenhill Primary School	100	0
	New Oakdale School	171	0
	Flying Start Schemes	297	0
	Asset Management	114	0
<b>Property:</b>	Risca Flood Alleviation	0	900
<b>Economic Regeneration:</b>	Llancaiach Fawr	122	0
<b>Private Housing:</b>	Home Improvement Loans	379	1,118
<b>Public Protection:</b>	Coed Top Landfill	150	0
<b>Urban Renewal:</b>	Newbridge Regeneration	617	0
	Bargoed Regeneration	712	0
	Town Centre Loan Scheme	0	500
		<u>6,054</u>	<u>4,549</u>

## Notes to the Core Financial Statements (continued)

### Revaluations

The Authority carries out a revaluation exercise at least every five years of all Property, Plant and Equipment required to be measured at current value. Property, Plant and Equipment is also reviewed on an annual basis to ensure that the carrying amount is not materially different from the current value at the year end. Valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of Royal Institution of Chartered Surveyors. Valuation of vehicles, plant, furniture and equipment are valued at cost as a proxy for current value as these assets tend to be of low value and have a short asset life.

### Surplus Assets

As at 31 March 2015 the Authority held £16.04m of surplus assets. A review of these assets was undertaken during 2015/16 financial year that resulted in £14.38m of surplus assets being reclassified between land and buildings, community assets and infrastructure assets. A further £1.66m of assets were reclassified as assets held for sale. Therefore as at 31 March 2016 the Authority had no surplus assets.

### 23. Heritage Assets

<u>Reconciliation of the carrying Value of Heritage Assets held by the Authority</u>	Other Land and Buildings	Civic Regalia	Total Heritage Assets
	£000	£000	£000
<b>Cost or Valuation</b>			
1 April 2014	9,042	217	9,259
Opening balance adjustment / reclassification	56	0	56
Revaluations	664	0	664
<b>31 March 2015</b>	<b>9,762</b>	<b>217</b>	<b>9,979</b>
<b>Cost or Valuation</b>			
1 April 2015	9,762	217	9,979
Additions	18	0	18
Impairment (losses)/reversals recognised in the Revaluation Reserve	303	11	314
Other movements	116	0	116
<b>31 March 2016</b>	<b>10,199</b>	<b>228</b>	<b>10,427</b>

### Other Land and Buildings

The collection of Heritage Assets includes a semi fortified manor house, mining museum, ancient chapel and a handball court. Details of valuations, additions and disposals of Land and Buildings Heritage Assets are recorded on the Authority's Fixed Asset Register, whilst details of Civic Regalia are kept on a separate register by the Mayor's assistant. Members of the public can gain access to the museums and other buildings on a daily basis.

## Notes to the Core Financial Statements (continued)

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property plant and equipment. 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 Authority's general policies on impairment – see note 1 - summary of significant accounting policies. The trustees of the Authority's Museum 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 Authority'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 1 - summary of significant accounting policies).

### **Babell Chapel**

This asset is a small Welsh Calvinistic Methodist Chapel built in 1827 and houses the grave of the 19<sup>th</sup> Century Welsh Language poet, Islwyn. The asset was valued at 31 March 2016 using the existing use value. The internal valuers carried out this valuation.

### **Elliot Colliery Winding House**

This asset is an historical mining museum. It was valued at 31 March 2016 using depreciated replacement cost. The Authority's Museum also holds a collection of historical items which are not recognised on the Balance Sheet as cost information is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 each and as far as the Authority is aware no individual item is worth more than £500.

### **Llancaich Fawr**

Llancaich Fawr is a fortified Manor House. This was valued at 31 March 2016 using existing use value. The Manor House also holds a small collection of items which are not recognised on the Balance Sheet as cost information is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 each and as far as the Authority is aware no individual item is worth more than £500.

### **Handball Court, Nelson**

This is a traditional Handball Court that is the last remaining in Wales. This has been valued on a depreciated replacement cost basis.

### **Gelligroes Mill**

This watermill was built in the 17<sup>th</sup> Century and houses a radio museum and a candle making workshop, which has a Royal Warrant to make candles for HRH Prince Charles. The mill is also home to the Arthur Moore Amateur Radio Society. Arthur Moore was a Welsh wireless operator who, in 1912, heard the distress signal from RMS Titanic at the mill and two days before news of the disaster had arrived in the UK.

### **War Memorials**

The Authority is responsible for maintaining a number of War Memorials honouring local people who fell in two world wars and other conflicts, which are situated in parks and streets. These have been valued on a depreciated replacement cost basis.



**Notes to the Core Financial Statements (continued)**

**Civic Regalia**

The Authority has a collection of civic chains relating to Caerphilly County Borough Council and a number of former authorities. These chains were valued by Thomas Fattorini Limited, a firm of specialist jewellers, in 1999 at £66,848. The collection was valued by Thomas Fattorini Limited in 2016 at £227,378 (£216,550 in 2015).

The Authority also holds a number of Civic gifts. It is considered that none of these gifts are of significant value warranting disclosure within the Authority's accounts or recognising in the balance sheet.

**Heritage Assets: Summary of transactions**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b>Revaluation of Heritage Assets:</b>		
Land and Buildings	664	303
Civic Regalia	0	11
<b>Total Revaluations</b>	<b>664</b>	<b>314</b>
<b>Other Movements:</b>		
Additions	0	18
Reclassification	56	116
<b>Total Other Movements</b>	<b>56</b>	<b>134</b>

*The Authority has not received any donations of heritage assets in the years shown above.*

**24. Assets Held for Sale**

	<b>Current</b>	
	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance outstanding at start of year</b>	0	0
Assets newly classified as held for sale:		
▪ Property, Plant and Equipment	0	3,045
Revaluation losses	0	(470)
Revaluation gains	0	71
Impairment losses	0	(869)
Assets declassified as held for sale:		
▪ Property, Plant and Equipment	0	0
Assets sold	0	(115)
Transfers from non-current to current	0	0
<b>Balance outstanding at end of year</b>	<b>0</b>	<b>1,662</b>

**Notes to the Core Financial Statements (continued)**

**25. Capital Expenditure and Capital Financing**

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

	<b>31 March</b>	
	<b>2015</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>272,241</b>	<b>273,485</b>
<b>Capital Investment:</b>		
Operational Assets	39,100	58,180
Invest to Save	697	(640)
Intangible Assets	304	255
Revenue Expenditure funded from Capital Under Statute	3,749	2,650
HRA Buyout	0	75,997
<b>Sources of Finance:</b>		
Grants and Other Contributions	(20,000)	(25,830)
Capital Expenditure Funded from Revenue	(10,981)	(27,129)
Capital Receipts Set Aside	(884)	(1,226)
Minimum Revenue Provision	(10,741)	(11,172)
<b>Closing Capital Financing Requirement</b>	<b>273,485</b>	<b>344,570</b>

**26. Long Term Debtors**

	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Car Loans	25	6
Housing - Right to Buy	2	7
Housing Advances	22	33
Transferred Debt - Former Authorities	147	147
Other	222	158
	<b>418</b>	<b>351</b>

Notes to the Core Financial Statements (continued)

27. Debtors

	31 March 2015			31 March 2016		
	Gross £000	Provision £000	Net £000	Gross £000	Provision £000	Net £000
<b>Debtors</b>						
Central Government Bodies	11,177	0	11,177	10,912	0	10,912
Other Local Authorities/public bodies	13,792	0	13,792	10,197	0	10,197
NHS Bodies	3,348	0	3,348	5,081	0	5,081
Other Entities and Individuals	18,892	(6,246)	12,646	20,222	(6,433)	13,789
	<b>47,209</b>	<b>(6,246)</b>	<b>40,963</b>	<b>46,412</b>	<b>(6,433)</b>	<b>39,979</b>

28. Cash and Cash Equivalents

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

	31 March 2015 £000	31 March 2016 £000
Cash in hand	85	71
Cash at Bank	1,596	1,434
<b>Total cash and cash equivalents</b>	<b>1,681</b>	<b>1,505</b>

29. Creditors

	31 March 2015 £000	31 March 2016 £000
<b>Creditors</b>		
Central Government Bodies	(4,667)	(4,107)
Other Local Authorities	(10,050)	(4,781)
Bodies External to Central Government	(4,079)	(3,883)
NHS Bodies	(5,484)	(4,096)
Other Entities and Individuals	(38,844)	(40,818)
<b>Total Creditors excluding loans</b>	<b>(63,124)</b>	<b>(57,685)</b>
Loans repayable within one year	(10,258)	(7,668)
Local bonds repayable within one year	(10)	(10)
<b>Total Creditors</b>	<b>(73,392)</b>	<b>(65,363)</b>

Notes to the Core Financial Statements (continued)

30. Movements in Provisions

<u>Short Term Provisions</u>	Social Services Provision £000	Corporate Provision £000	Insurance Provision £000	Total £000
Balance at 1 April 2015	(380)	(1,644)	(815)	(2,839)
Additional provisions made in 2015/2016	(22)	(523)	(363)	(908)
Amounts used in 2015/2016	325	608	1,261	2,194
Unused amounts reversed in 2015/2016	0	672	(64)	608
Transfer to/from short term provisions in 2015/2016	0	(113)	(946)	(1,059)
<b>Balance at 31 March 2016</b>	<b>(77)</b>	<b>(1,000)</b>	<b>(927)</b>	<b>(2,004)</b>

<u>Long Term Provisions</u>	Corporate Provision £000	Economic Development Provision £000	Insurance Provision £000	Total £000
Balance at 1 April 2015	(199)	(32)	(2,445)	(2,676)
Additional provisions made in 2015/2016	0	0	(1,281)	(1,281)
Amounts used in 2015/2016	86	0	0	86
Transfer to/from short term provisions in 2015/2016	113	0	946	1,059
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>(32)</b>	<b>(2,780)</b>	<b>(2,812)</b>

**Insurance provision** - exists to cover assessed outstanding self-insured liabilities in respect of existing claims. A separate insurance earmarked reserve also exists to meet potential insurance liabilities, as detailed on page 97.

**Corporate provision** – exists to cover the Authority's potential liabilities in respect of Equal Pay and Job Evaluation back pay settlements. It is anticipated that these liabilities will be settled in future years.

Included within the short term Corporate Provision is a provision of £498,044 in respect of the Carbon Reduction Commitment (CRC). This has been set up to ensure that costs are recognised in the year in which the energy has been used.

31. Contingent Liabilities

**Programme of Works**

The Authority has received a claim in respect of its programme of works. The Authority is currently taking legal advice in respect of this claim. Discussions around this potential liability are still at an early stage and any liability that may fall on the Authority is not quantifiable at present.

## Notes to the Core Financial Statements (continued)

### Personal Search Fees

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

### 32. Other Funds

The Authority holds a number of accounts on behalf of clients on a trustee basis, which are not consolidated in the balance sheet.

***The total value of these accounts as at 31 March 2016 was:***

£168,758 - relating to Education Trust Funds administered by the Interim Head of Corporate Finance, (£166,175 in 2014/2015), which are held to provide prizes and awards to pupils in the Authority's schools. Of these funds, £42 is vested in shareholdings and £168,716 is held in bank deposits (£172 and £166,003 respectively in 2014/2015). There are no other underlying assets or liabilities. The Trust Funds received £1,587 in dividends and interest during the year (£1,067 in 2014/2015) and incurred expenditure of £nil (£100 in 2014/2015).

In addition, the Director of Social Services administers funds on behalf of clients in residential homes. These accounts do not have official trustee status. The total value of these accounts as at 31 March 2016 was £5,134,634 (£5,285,245 as at 31 March 2015).

### 33. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is required to balance the differences between gains and losses such as discounts or premia on the early repayment of debt recognised under the Code requirements and those that are required to be met under statute from the Council Fund or Housing Revenue Account. The balance is reduced to nil over the life of the loans.

	2014/2015 £000	2015/2016 £000
<b>Balance as at 1 April</b>	<b>(1,162)</b>	<b>(888)</b>
Amortised to revenue in the year	284	284
Effective interest rate adjustment	(10)	(10)
<b>Balance at 31 March</b>	<b>(888)</b>	<b>(614)</b>

**Notes to the Core Financial Statements (continued)**

**34. Available-for-Sale Financial Instruments Reserve**

The Available-for-Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Disposed of and the gains are realised

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000      £000</b>
<b>Balance as at 1 April</b>	<b>0</b>	<b>0</b>
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	481
	0	481
<b>Balance as at 31 March</b>	<b>0</b>	<b>481</b>

**35. Revaluation Reserve**

The Revaluation Reserve replaced the Fixed Asset Restatement Account (FARA) on 1 April 2007 and was included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2016 therefore only shows revaluation gains accumulated since 1 April 2007.

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000      £000</b>
Balance as at 1 April	<b>(292,072)</b>	<b>(390,005)</b>
Downward revaluation of assets and impairment losses not charged to the Surplus and Deficit on the Provision of Services	22,214	21,329
Surplus on Revaluation of Assets	(126,374)	(174,034)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(104,160)	(152,705)
Difference between fair value depreciation and historical cost depreciation	6,227	2,784
Amount written off to the Capital Adjustment Account	6,227	2,784
<b>Balance as at 31 March</b>	<b>(390,005)</b>	<b>(539,926)</b>

**Notes to the Core Financial Statements (continued)**

**36. Capital Adjustment Account**

The Capital Adjustment Account was implemented on 1 April 2007 from the closing balances on both the FARA and the Capital Financing Account, (as mentioned in note 34 above). The account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans, the amount of revenue and capital receipts used to finance capital expenditure and compensatory adjustments from the above-mentioned Revaluation Reserve to convert current value depreciation/impairment loss debits to historical cost.

	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April</b>		<b>(456,416)</b>		<b>(455,749)</b>
Set Aside - Capital Receipts		(884)		(1,226)
<b>Funding:</b>				
Revenue funding applied	(10,981)		(27,129)	
Capital receipts applied	0		0	
Capital grants and contributions applied	(19,439)		(25,141)	
<b>Total Funding</b>		<b>(30,420)</b>		<b>(52,270)</b>
MRP		(10,741)		(11,172)
Depreciation:				
In year charge	30,047		30,062	
Attributable to revaluations	(6,227)		(2,784)	
Written back on revaluations	(586)		(1,948)	
Written back on disposals	0		(1)	
		23,234		25,329
Amortisation of non-enhancing expenditure		21,105		36,917
Asset Revaluations / Impairments:				
Price adjustments	(6,486)		2,841	
		(6,486)		2,841
Disposals - Council Fund	248		1,185	
Disposals - HRA	72		0	
		320		1,185
Revenue Expenditure funded from Capital	3,749		2,653	
Funding of revenue expenditure funded from capital	(562)		(690)	
		3,187		1,963
Invest to save		697		(640)
Other adjustments - HRA Buyout		351		75,996
Amortisation of Intangible Assets		304		255
Total capital costs		31,971		132,674
<b>Balance as at 31 March</b>		<b>(455,749)</b>		<b>(376,571)</b>

**Notes to the Core Financial Statements (continued)**

**37. Pensions Reserve**

The Pensions Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority 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 Authority 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.

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April</b>	<b>280,065</b>	<b>387,753</b>
Actuarial gains or (losses) on pensions assets and liabilities	99,462	28,325
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	32,808	37,922
Employer's pension contributions and direct payments to pensioners payable in the year	(24,582)	(24,756)
<b>Balance at 31 March</b>	<b>387,753</b>	<b>429,244</b>

**38. Accumulated Absences Account**

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

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000      £000</b>
<b>Balance at 1 April</b>	<b>3,855</b>	<b>3,215</b>
Settlement or cancellation of accrual made at the end of the preceding year	(3,855)	(3,215)
Amounts accrued at the end of the current year	3,215	2,719
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(640)	(496)
<b>Balance at 31 March</b>	<b>3,215</b>	<b>2,719</b>



**Notes to the Core Financial Statements (continued)**

**39. Movements in Direct Services Organisation Reserves**

These reserves represent the cumulative surplus carried forward by the Authority's trading organisations. The reserves are used to fund future expenditure, and its use is under the control of individual direct service organisations.

	Balance at 1 April 2015 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2016 £000
<b>Reserve:</b>				
Highways Maintenance	(88)	0	(120)	(208)
	<b>(88)</b>	<b>0</b>	<b>(120)</b>	<b>(208)</b>

**40. Movements in Capital Earmarked Reserves**

These reserves represent amounts set aside to finance the Authority's Council Fund capital programme, the majority of which are earmarked to specific schemes.

	Balance at 1 April 2015 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2016 £000
<b>Reserve:</b>				
Housing Earmarked Capital	(38)	0	0	(38)
Corporate - All Authority	(4,823)	2,571	(6,352)	(8,604)
Lifelong Learning	(156)	0	0	(156)
Planning	(20)	0	(11)	(31)
Social Services	(160)	100	0	(60)
Education	(6,721)	85	0	(6,636)
Highways and Transportation	(1,906)	770	0	(1,136)
Property	(849)	771	0	(78)
Corporate Services	(95)	0	0	(95)
Economic Development & Tourism	(112)	46	0	(66)
Environmental Health	(150)	90	0	(60)
Community & Leisure	(932)	118	0	(814)
	<b>(15,962)</b>	<b>4,551</b>	<b>(6,363)</b>	<b>(17,774)</b>

Notes to the Core Financial Statements (continued)

41. Movements in Service Under / Overspend Earmarked Reserves

These reserves represent the cumulative under and overspend balances carried forward by the Authority's services in accordance with its Financial Regulations. The reserves are used to fund future expenditure, and their use is under the control of the individual service areas.

	Balance at 1 April 2015 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2016 £000
<b>Reserve:</b>				
Lifelong Learning	(772)	0	0	(772)
Economic Development and Tourism	(199)	160	(8)	(47)
Education	(3,322)	1,009	(1,924)	(4,237)
Corporate Services	(1,025)	589	(1,169)	(1,605)
Policy and Central Services	(289)	0	0	(289)
Social Services	(3,391)	2,349	(2,086)	(3,128)
Housing Non HRA	(341)	105	(13)	(249)
Directorate of the Environment	(479)	1,920	(1,928)	(487)
	<b>(9,818)</b>	<b>6,132</b>	<b>(7,128)</b>	<b>(10,814)</b>

42. Movements in Insurance Earmarked Reserves

These reserves are established to meet assessed self-insured possible liabilities associated with potential claims, and also to fund risk management initiatives aimed at minimising the potential cost of future claims.

	Balance at 1 April 2015 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2016 £000
<b>Reserve:</b>				
Insurance Reserve	(5,938)	0	(108)	(6,046)
Risk Management Reserve	(712)	0	(83)	(795)
	<b>(6,650)</b>	<b>0</b>	<b>(191)</b>	<b>(6,841)</b>

**Notes to the Core Financial Statements (continued)**

**43. Movement in Schools Earmarked Reserves**

These reserves represent the cumulative balances carried forward by individual schools in accordance with the scheme of delegation. The reserves are used to fund future expenditure, and their use is under the control of the individual schools, and is not available for the Authority to use for other purposes.

<b>Reserve:</b>	<b>Balance at 1 April 2015 £000</b>	<b>Transfers from Reserves £000</b>	<b>Transfers to Reserves £000</b>	<b>Balance at 31 March 2016 £000</b>
<b>Comprehensive Schools:</b>				
Cwmcam High School	271	78	0	349
Heolddu Comprehensive School	(147)	0	(33)	(180)
Lewis School Pengam	(128)	87	0	(41)
Ysgol Gyfun Cwm Rhymni	(46)	0	(93)	(139)
Rhymney Comprehensive School	(318)	1	0	(317)
Risca Comprehensive School	(111)	76	0	(35)
St Martin Comprehensive School	(272)	232	0	(40)
<b>Trinity Fields Special School</b>	(573)	186	0	(387)
<b>Other Comprehensive and Primary Schools with balances under £100,000 each</b>	(1,734)	656	(1,019)	(2,097)
<b>Total Schools Balances</b>	<b>(3,058)</b>	<b>1,316</b>	<b>(1,145)</b>	<b>(2,887)</b>

**44. Movement in Other Housing Reserves**

Details of the movement upon Housing reserves are included with the Notes to the Housing Revenue Account Summary on page 118, Note 7.

**Notes to the Core Financial Statements (continued)**

**45. Movement in Other Earmarked Reserves**

<b>Reserve:</b>	<b>Balance at 1 April 2015 £000</b>	<b>Transfers from Reserves £000</b>	<b>Transfers to Reserves £000</b>	<b>Balance at 31 March 2016 £000</b>
Waste Management Reserve	(585)	0	0	(585)
PFI Equalisation Reserve (Schools)	(10,016)	135	0	(9,881)
PFI Equalisation Reserve (Roads)	(2,861)	328	(919)	(3,452)
Service Initiative Reserves	(6,249)	2,608	(5,196)	(8,837)
Carbon Trust Fund Reserve	(153)	75	(125)	(203)
Area Forum Reserve	(171)	55	0	(116)
Community Regeneration Fund Reserve	(190)	0	(20)	(210)
Cemeteries Reserve	(659)	166	(490)	(983)
Electoral Admin Reserve	(399)	0	(43)	(442)
PFI Schools Earmarked Reserve	(673)	0	(83)	(756)
Health & Safety Initiatives Reserve	(683)	31	0	(652)
Corporate PC Replacement Reserve	(1,133)	0	(127)	(1,260)
Social Services Partnership Reserve	0	0	(807)	(807)
Invest to Save Reserve	(681)	196	(115)	(600)
Other Reserves	(50)	1	(50)	(99)
	<b>(24,503)</b>	<b>3,595</b>	<b>(7,975)</b>	<b>(28,883)</b>

A summary of the purposes of these reserves is provided below:

**Waste Management Reserve** exists to meet any future costs in respect of landfill sites.

**PFI Equalisation Reserves** exist to match PFI funding and unitary charge payments over the period of the contract and is described in greater detail elsewhere (see note 12 on page 69).

**Service Initiatives Reserve** exists to fund expenditure upon service specific initiatives.

**Carbon Trust Fund Reserve** exists to provide match funding to draw down grant from the Carbon Trust, to fund major works implementing energy efficiency measures.

**Area Forum Reserve** exists to meet any costs incurred associated with environmental works undertaken by the Authority as identified by the local area partnerships.

**Community Regeneration Fund Reserve** represents unclaimed funds from the Community Regeneration Fund voluntary sector allocations.

**Cemeteries Reserve** exists to meet any costs incurred with the general upkeep and maintenance of Authority owned cemeteries.

**Electoral Admin Reserve** exists to meet the implementation of the Electoral Administration Act 2006.

**PFI Schools Earmarked Reserve** exists for reinvestment into the PFI schools for additional works that are outside the scope of the PFI projects.

**Health and Safety Initiatives Reserve** exists to promote health and safety across the authority.

**Notes to the Core Financial Statements (continued)**

**Corporate PC Replacement Reserve** exists to fund the replacement of computers throughout the authority.

**Social Services Partnership Reserve** exists to support collaborative initiatives with other local authorities and public bodies.

**Invest to Save Reserve** exists to promote savings initiatives across the authority.

**Other Reserves** represents a number of smaller reserves, held for a variety of purposes, none of which are individually significant enough to be separately identified.

**46. Cash Flow Statement – Adjustments to Surplus or Deficit**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b>Adjustment to surplus or deficit on provision of services for non-cash movements</b>		
Depreciation and Impairment	44,431	67,871
Exceptional Item: HRA Buyout	0	75,997
IAS19 Pensions Adjustment	8,226	13,166
Revenue Expenditure funded from Capital under Statute	3,884	1,323
Amortisation of Intangible Assets	304	255
Movements on Provisions	(5,064)	(699)
Contributions to / from Reserves	(38,351)	(44,888)
(Increase) / Decrease in Stocks	182	8
(Increase) / Decrease in Debtors	333	864
Increase / (Decrease) in Provision for Bad Debt	667	187
Increase / (Decrease) in Creditors	11,653	(5,935)
	<b>26,265</b>	<b>108,149</b>
	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Capital grants credited to surplus or deficit on provision of services	(19,361)	(24,782)
Proceeds from the sale of property plant and equipment	(1,291)	(1,359)
	<b>(20,652)</b>	<b>(26,141)</b>

**47. Cash Flow Statement – Operating Activities**

The cash flows from operating activities include the following items:

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
Interest received	(309)	(623)
Interest paid	9,361	14,011
	<b>9,052</b>	<b>13,388</b>

**Notes to the Core Financial Statements (continued)**

**48. Cash Flow Statement – Investing Activities**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant and equipment and intangible assets	(22,406)	(136,456)
Purchase of short-term and long-term investments	(1,834,994)	(1,802,897)
Proceeds from the sale of property, plant and equipment and intangible assets	1,610	2,543
Proceeds from the sale of short-term and long-term investments	1,776,062	1,806,338
Other receipts from investing activities	33,739	68,626
	<b><u>(45,989)</u></b>	<b><u>(61,846)</u></b>

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

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(160)	(72)
Repayments of short-term and long-term borrowing	(811)	(6,917)
Cash receipts of short-term and long-term borrowing	36,523	76,396
	<b><u>35,552</u></b>	<b><u>69,407</u></b>

**50. Amounts Reported For Resource Allocation Decisions**

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

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

Notes to the Core Financial Statements (continued)

<b>2015/2016 Service Information</b>	<b>Education &amp; Leisure Directorate £000</b>	<b>Social Services Directorate £000</b>	<b>Directorate of Environment £000</b>	<b>Corporate Services £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
Fees, charges & other service income	(18,494)	(33,211)	(36,839)	(32,656)	(64,964)	(186,164)
Government Grants	(28,190)	(7,945)	(11,894)	(64,084)	0	(112,113)
<b>Total income</b>	<b>(46,684)</b>	<b>(41,156)</b>	<b>(48,733)</b>	<b>(96,740)</b>	<b>(64,964)</b>	<b>(298,277)</b>
Employee expenses	114,611	37,643	38,898	22,864	14,016	228,032
Other operating expenses	57,845	77,676	61,777	136,246	30,843	364,387
<b>Total operating expenses</b>	<b>172,456</b>	<b>115,319</b>	<b>100,675</b>	<b>159,110</b>	<b>44,859</b>	<b>592,419</b>
<b>Net Cost of Services</b>	<b>125,772</b>	<b>74,163</b>	<b>51,942</b>	<b>62,370</b>	<b>(20,105)</b>	<b>294,142</b>

**Restated Reconciliation to Surplus or Deficit on Provision of Services:**

<b>Cost of Services in Service Analysis</b>	<b>294,142</b>
Taxation and Non-Specific Grant Income	(339,050)
Precepts	13,208
<b>Add amounts not reported to Management:</b>	
Depreciation, Amortisation and Impairment	68,127
Exceptional Item: HRA Buyout	75,997
Net Gain or Loss on Disposal of Assets	(1,359)
Capital Grants and Contributions	(24,782)
Minimum Revenue Provision	(11,172)
IAS 19 Pension adjustment	13,167
Accumulated Absence adjustment	(496)
Revenue Expenditure funded from Capital under Statute	1,963
<b>Surplus or Deficit on Provision of Services</b>	<b>89,745</b>

<b>Reconciliation to Subjective Analysis 2015/2016:</b>	<b>Service Analysis £000</b>	<b>Not reported to Management £000</b>	<b>Corporate Amounts £000</b>	<b>Internal Recharge £000</b>	<b>Support Service Recharges £000</b>	<b>Total £000</b>
Fees, charges & other service income	(186,164)	(3,233)	0	35,392	30,805	(123,200)
Government Grants	(112,113)	(24,782)	(265,567)	0	0	(402,462)
Council Tax income	0	0	(73,483)	0	0	(73,483)
<b>Total income</b>	<b>(298,277)</b>	<b>(28,015)</b>	<b>(339,050)</b>	<b>35,392</b>	<b>30,805</b>	<b>(599,145)</b>
Employee expenses	228,032	0	0	0	0	228,032
Other operating expenses	364,387	149,460	13,208	(35,392)	(30,805)	460,858
<b>Total operating expenses</b>	<b>592,419</b>	<b>149,460</b>	<b>13,208</b>	<b>(35,392)</b>	<b>(30,805)</b>	<b>688,890</b>
<b>Net Cost of Services</b>	<b>294,142</b>	<b>121,445</b>	<b>(325,842)</b>	<b>0</b>	<b>0</b>	<b>89,745</b>

Notes to the Core Financial Statements (continued)

<b>2014/2015 Service Information</b>	<b>Education &amp; Leisure Directorate £000</b>	<b>Social Services Directorate £000</b>	<b>Directorate of Environment £000</b>	<b>Corporate Services £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
Fees, charges & other service income	(32,533)	(30,057)	(39,505)	(34,312)	(60,120)	(196,527)
Government Grants	(23,473)	(15,688)	(12,482)	(62,094)	0	(113,737)
<b>Total income</b>	<b>(56,006)</b>	<b>(45,745)</b>	<b>(51,987)</b>	<b>(96,406)</b>	<b>(60,120)</b>	<b>(310,264)</b>
Employee expenses	114,654	38,216	40,043	23,963	12,650	229,526
Other operating expenses	66,100	82,564	67,748	134,299	32,625	383,336
<b>Total operating expenses</b>	<b>180,754</b>	<b>120,780</b>	<b>107,791</b>	<b>158,262</b>	<b>45,275</b>	<b>612,862</b>
<b>Net Cost of Services</b>	<b>124,748</b>	<b>75,035</b>	<b>55,804</b>	<b>61,856</b>	<b>(14,845)</b>	<b>302,598</b>

**Reconciliation to Surplus or Deficit on Provision of Services:**

<b>Cost of Services in Service Analysis</b>	<b>302,598</b>
Taxation and Non-Specific Grant Income	(344,899)
Precepts	12,652
<b>Add amounts not reported to Management:</b>	
Depreciation, Amortisation and Impairment	44,735
Net Gain or Loss on Disposal of Assets	(1,291)
Capital Grants and Contributions	(19,360)
Minimum Revenue Provision	(10,741)
IAS 19 Pension adjustment	8,226
Accumulated Absence adjustment	(641)
Revenue Expenditure funded from Capital under Statute	3,187
<b>Surplus or Deficit on Provision of Services</b>	<b>(5,534)</b>

<b>Reconciliation to Subjective Analysis 2014/2015:</b>	<b>Service Analysis £000</b>	<b>Not reported to Management £000</b>	<b>Corporate Amounts £000</b>	<b>Internal Recharge £000</b>	<b>Support Service Recharges £000</b>	<b>Total £000</b>
Fees, charges & other service income	(196,527)	(2,173)	0	40,897	26,238	(131,565)
Government Grants	(113,737)	(19,360)	(274,496)	0	0	(407,593)
Council Tax income	0	0	(70,403)	0	0	(70,403)
<b>Total income</b>	<b>(310,264)</b>	<b>(21,533)</b>	<b>(344,899)</b>	<b>40,897</b>	<b>26,238</b>	<b>(609,561)</b>
Employee expenses	229,526	0	0	0	0	229,526
Other operating expenses	383,336	45,648	12,652	(40,897)	(26,238)	374,501
<b>Total operating expenses</b>	<b>612,862</b>	<b>45,648</b>	<b>12,652</b>	<b>(40,897)</b>	<b>(26,238)</b>	<b>604,027</b>
<b>Net Cost of Services</b>	<b>302,598</b>	<b>24,115</b>	<b>(332,247)</b>	<b>0</b>	<b>0</b>	<b>(5,534)</b>



**Notes to the Core Financial Statements (continued)**

**51. Jointly Controlled Operations**

A joint arrangement is defined as “a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity”.

The Code states that where such joint arrangements exist, each participant should account directly for its share of the assets, liabilities, income, expenditure and cash flows held within or arising from the arrangements. A review of shared practices within the Authority identified that the following should be regarded as joint arrangements:

- Catalogue Supplies Service Joint Committee (County Borough Supplies)
- Glamorgan Archive Joint Committee
- Greater Gwent Cremation Joint Committee
- Gwent Joint Records Committee
- Gwent Wide Integrated Community Equipment Service Project (GWICES)
- Project Gwyrdd
- Welsh Purchasing Consortium

The Authority's share of the Income and Expenditure Account and Balance Sheet of each of the seven committees is given below:

**Catalogue Supplies Service Joint Committee**

The Catalogue Supplies Service Joint Committee (County Borough Supplies) is a joint supplies service, established in 1996, by the County Borough Councils of Bridgend, Caerphilly, Merthyr and Rhondda Cynon Taf. The organisation forms part of the purchasing and supplies structures of each respective authority, providing a local supplies facility for a comprehensive range of goods required by schools, direct services and all other authority corporate services. The Joint Service is a self-standing organisation, working in a collaborative partnership with the procurement units of the participating authorities.

<b><u>Catalogue Supplies Service Joint Committee</u></b>	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	6,252	1,197	6,867	1,315
Income	(6,552)	(1,255)	(6,276)	(1,202)
<b>(Surplus) / Deficit for the Year</b>	<b>(300)</b>	<b>(58)</b>	<b>591</b>	<b>113</b>
<b><u>Balance Sheet</u></b>				
Current assets	1,660	318	1,402	268
Current liabilities	(354)	(68)	(664)	(127)
<b>Total Assets less Liabilities</b>	<b>1,306</b>	<b>250</b>	<b>738</b>	<b>141</b>
Usable Reserves	1,304	250	744	142
Unusable Reserves	2	0	(6)	(1)
	<b>1,306</b>	<b>250</b>	<b>738</b>	<b>141</b>

**Notes to the Core Financial Statements (continued)**

**Glamorgan Archive Joint Committee**

The Glamorgan Archives Joint Committee comprises elected member representation from the City and County Borough Councils of Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Rhondda Cynon Tâf and Vale of Glamorgan. The committee manages and administers the Glamorgan Record Office, which collects, preserves and makes accessible to the public, documents relating to the area it serves and maintains the corporate memory of its constituent authorities.

<b><u>Glamorgan Archive Joint Committee</u></b>	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	1,167	128	975	107
Income	(1,387)	(153)	(1,377)	(151)
<b>Net Cost of Service</b>	<b>(220)</b>	<b>(25)</b>	<b>(402)</b>	<b>(44)</b>
Interest and investment income	285	31	272	30
<b>(Surplus) / Deficit for the Year</b>	<b>65</b>	<b>6</b>	<b>(130)</b>	<b>(14)</b>
<b><u>Balance Sheet</u></b>				
Long term assets	7,938	873	9,614	1,058
Current assets	326	36	322	35
Current liabilities	(22)	(2)	(14)	(2)
Long term liabilities	(5,289)	(582)	(5,011)	(551)
<b>Total Assets less Liabilities</b>	<b>2,953</b>	<b>325</b>	<b>4,911</b>	<b>540</b>
Usable reserves	(306)	(34)	(310)	(34)
Unusable reserve	(2,647)	(291)	(4,601)	(506)
	<b>(2,953)</b>	<b>(325)</b>	<b>(4,911)</b>	<b>(540)</b>

**Notes to the Core Financial Statements (continued)**

**Greater Gwent Cremation Joint Committee**

The Greater Gwent Cremation Committee is made up of representatives from the City and County Borough Councils of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen. The Joint Committee has the responsibility for administering the business of the Gwent Crematorium, together with providing services for bereaved families within the boundaries of the above-mentioned authorities.

<b><u>Greater Gwent Cremation Joint Committee</u></b>	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	864	131	797	121
Income	(1,727)	(262)	(1,722)	(261)
<b>Net Cost of Service</b>	<b>(863)</b>	<b>(131)</b>	<b>(925)</b>	<b>(140)</b>
Financing and Investment Income and Expenditure	753	114	757	115
<b>Surplus/Deficit on Provision of Services</b>	<b>(110)</b>	<b>(17)</b>	<b>(168)</b>	<b>(25)</b>
Actuarial Gains/Losses on Pensions Assets/Liabilities	105	16	39	6
<b>Total Comprehensive Income and Expenditure</b>	<b>(5)</b>	<b>(1)</b>	<b>(129)</b>	<b>(19)</b>
<b><u>Balance Sheet</u></b>				
Long term assets	2,362	359	2,260	343
Current assets	1,044	158	1,343	204
Current liabilities	(14)	(2)	(18)	(3)
Long term liabilities	(947)	(144)	(1,012)	(154)
<b>Total Assets less Liabilities</b>	<b>2,445</b>	<b>371</b>	<b>2,573</b>	<b>391</b>
Usable Reserves	(1,638)	(248)	(1,881)	
Unusable Reserves	(807)	(123)	(692)	(105)
	<b>(2,445)</b>	<b>(371)</b>	<b>(2,573)</b>	<b>(105)</b>

**Notes to the Core Financial Statements (continued)**

**Gwent Joint Records Committee**

The Gwent Joint Records Committee manages the Gwent Records Office, which collects, preserves and makes accessible to the public, documents relating to the area it serves and maintains the corporate memory of its constituent authorities, namely the City and County Borough Councils of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen. The Gwent Joint Archives Committee has been reclassified as a smaller body and is only required to produce summary accounts. Consequently there is no longer a requirement to disclose any pensions' information in the accounts.

<b><u>Gwent Joint Records Committee</u></b>	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	1,101	161	946	138
Income	(942)	(138)	(1,004)	(147)
<b>Net Cost of Service</b>	<b>159</b>	<b>23</b>	<b>(58)</b>	<b>(9)</b>
Pension interest cost / expected return on assets	6	1	0	0
<b>Net Operating Cost</b>	<b>165</b>	<b>24</b>	<b>(58)</b>	<b>(9)</b>
Actuarial gains/losses on pension assets/liabilities	212	31	0	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>377</b>	<b>55</b>	<b>(58)</b>	<b>(9)</b>
<b><u>Balance Sheet</u></b>				
Current assets	318	46	392	57
Current liabilities	(131)	(19)	(148)	(22)
Pension liability	(407)	(59)		0
<b>Balance carried forward</b>	<b>(220)</b>	<b>(32)</b>	<b>244</b>	<b>35</b>
Pension Reserve	407	59	0	0
General Reserve	(187)	(27)	(244)	(35)
	<b>220</b>	<b>32</b>	<b>(244)</b>	<b>(35)</b>

**Gwent Wide Integrated Community Equipment Service Project**

The Gwent Wide Integrated Community Equipment Service Project (GWICES) is a partnership agreement between the five Local Authorities and Local Health Boards (Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen) for the provision of an efficient and effective integrated equipment service to the service users who are resident in the partner authorities. The GWICES is classed as a smaller body and is only required to produce summary accounts. Consequently no balance sheet has been produced.

<b><u>Gwent Wide Integrated Community Equipment Service Project</u></b>	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	3,589	745	2,681	557
Income	(3,589)	(745)	(2,681)	(557)
<b>(Surplus) / Deficit for the Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes to the Core Financial Statements (continued)

**Project Gwyrdd**

Project Gwyrdd is a joint committee comprising the county borough councils of Caerphilly, Cardiff, Monmouthshire, Newport and the Vale of Glamorgan. It was established in 2009/2010 to deliver the best long-term, environmental, sustainable and cost-effective solution for waste after recycling and composting has been maximised.

<b>Project Gwyrdd</b>	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	205	41	157	31
Income	(131)	(26)	(271)	(54)
<b>Net Cost of Service</b>	<b>74</b>	<b>15</b>	<b>(114)</b>	<b>(23)</b>
Interest and investment income	0	0	0	0
<b>(Surplus) / Deficit for the Year</b>	<b>74</b>	<b>15</b>	<b>(114)</b>	<b>(23)</b>
Net (Increase) / Decrease in General reserve balance	<b>74</b>	<b>15</b>	<b>(114)</b>	<b>(23)</b>
<b><u>Balance Sheet</u></b>				
Current assets	198	40	308	62
Current liabilities	(13)	(3)	(4)	(1)
<b>Total Assets less Liabilities</b>	<b>185</b>	<b>37</b>	<b>304</b>	<b>61</b>
Accumulated Absences Reserve	2	0	1	0
Joint Committee Reserves	(187)	(37)	(305)	(61)
<b>Net Worth</b>	<b>(185)</b>	<b>(37)</b>	<b>(304)</b>	<b>(61)</b>

**Welsh Purchasing Consortium**

The Welsh Purchasing Consortium ("the consortium") is a partnership between sixteen County Borough and City Councils of South Wales. The Consortium exists to increase economies of scale by combining the purchasing requirements of the sixteen authorities.

<b>Welsh Purchasing Consortium</b>	<b>2014/2015</b>		<b>2015/2016</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	226	12	428	23
Income	(243)	(13)	(8)	(0)
<b>Net Expenditure / (Income)</b>	<b>(17)</b>	<b>(1)</b>	<b>420</b>	<b>23</b>
Appropriations (to)/from Reserves:	(11)	(1)	3	0
<b>Net (Surplus) / Deficit</b>	<b>(28)</b>	<b>(2)</b>	<b>423</b>	<b>23</b>
<b><u>Balance Sheet</u></b>				
Current assets	437	23	155	10
Current Liabilities	(17)	(1)	(155)	(10)
<b>Total Assets less Liabilities</b>	<b>420</b>	<b>22</b>	<b>0</b>	<b>0</b>
General Reserves	(423)	(22)	0	0
Accumulated Absences Account	3	0	0	0
<b>Net Worth</b>	<b>(420)</b>	<b>(22)</b>	<b>0</b>	<b>0</b>

**Notes to the Core Financial Statements (continued)**

**52. Related Businesses and Companies**

Authorities must consider whether they need to produce group accounts for interests held in other organisations where they meet the definition of subsidiaries, associates and joint ventures. The Authority has reviewed all of its relationships in this regard and although the Authority has interests in the following companies, they do not meet the requirements for the preparation of group accounts.

**Education Achievement Service (EAS)**

The five local authorities of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen have formed an Education Achievement Service (EAS). The integrated service has been designed to raise education standards in South East Wales.

The EAS became operational in September 2012. It is a joint company limited by guarantee and wholly owned and completely controlled by the five local authorities, but operating at arms-length. It is not a profit making company and it is a separate legal entity. There is no lead authority with each being represented equally with a 20% interest and having equal voting rights. The company has a board consisting of the Lead Director and elected member representatives from the partner authorities. The collaboration agreement commits the Authority to participate in the EAS company for a minimum period of four years.

The company's latest unaudited trading results for the year ending 31 March 2016 are:

	Year Ended 31 March 2015 £000	Year Ended 31 March 2016 £000
<b><u>Statement of Profit or Loss</u></b>		
Revenue	9,104	8,890
Cost of sales	(7,932)	(7,303)
<b>Gross Surplus</b>	<b>1,172</b>	<b>1,587</b>
Other operating income and expenditure	(1,096)	(1,302)
<b>Operating Surplus</b>	<b>76</b>	<b>285</b>
Financing costs	(115)	(183)
<b>Surplus before Tax</b>	<b>(39)</b>	<b>102</b>
<b>Other Comprehensive Income</b>		
Actuarial gain/(loss) on pension scheme	(2,156)	87
Adjustment to underwritten balance	2,291	(87)
Other Comprehensive Income net of income tax	135	0
<b>Total Comprehensive Income for the year</b>	<b>96</b>	<b>102</b>

Notes to the Core Financial Statements (continued)

	Year Ended 31 March 2015 £000	Year Ended 31 March 2016 £000
<b><u>Statement of Financial Position</u></b>		
Non-Current Assets	5,189	5,596
Current Assets	2,741	2,582
<b>Total Assets</b>	<b>7,930</b>	<b>8,178</b>
<b>Total Equity</b>	<b>(96)</b>	<b>(231)</b>
Non-Current Liabilities	(5,133)	(5,563)
Current Liabilities	(2,701)	(2,384)
<b>Total Liabilities</b>	<b>(7,834)</b>	<b>(7,947)</b>
<b>Total Equity and Liabilities</b>	<b>(7,930)</b>	<b>(8,178)</b>

**Capita Gwent Consultancy**

The principal activity of the company is that of transport consultancy. The Authority holds a 12% shareholding in the company. The company's most recent audited trading results show:

	Year Ended 31 December 2012 £000
Turnover	7,062
Cost of sales	(5,236)
<b>Gross Profit</b>	<b>1,826</b>
Administrative expenses	(1,930)
<b>Operating loss</b>	<b>(104)</b>
Other operating income and expenditure	(2)
<b>Loss on ordinary activities before taxation</b>	<b>(106)</b>
Taxation	12
<b>Loss for the year</b>	<b>(94)</b>

**Notes to the Core Financial Statements (continued)**

	Year Ended 31 December 2012 £000
<b><u>Balance Sheet</u></b>	
<b>Non-Current Assets</b>	44
Current Assets	4,584
Current Liabilities	(239)
<b>Net current assets</b>	4,345
Total assets less current liabilities	4,389
Provision for liabilities	(200)
<b>Total Liabilities</b>	<b>4,189</b>
<b>Capital and Reserves</b>	
Share premium account	1,000
Profit and loss account	3,189
<b>Shareholders' funds</b>	<b>4,189</b>

The Authority no longer receives any profit distribution, having previously extinguished these rights in return for a one-off payment in lieu of anticipated future lost profits. The Authority still retains its interest in the company. No assets or liabilities of the company are reflected in the consolidated balance sheet. The company's immediate parent undertaking is Capita Symonds Group Limited (formerly Capita Property Consultancy Limited) with a holding of 51%. The remaining 49% holding of the company is shared equally between Blaenau Gwent, Caerphilly, Monmouthshire and Torfaen County Borough Councils. The original 10-year contract services framework ended on 31 August 2012. The ultimate parent company of Capita Symonds Group Limited is the Capita Group Plc. Further information can be found in Capita Gwent Consultancy Limited's Financial Statements, which are available from the Company Secretary, Capita Gwent Consultancy Limited, St David's House, Pascal Close, St Mellons, Cardiff CF3 0LW.

**53. Post Balance Sheet Event**

A non-adjusting post balance sheet event i.e. not requiring values to be altered in the accounts, is the impact of the EU referendum outcome. With the vote to leave the EU confirmed on 24 June 2016, global stock markets have, as expected, responded with some significant fluctuations. Whilst these significant fluctuations are expected to ease in the coming weeks, the Authority will need to consider the impact of these events on its financial statements at the time of their approval. As an authority and a participant of local government pension funds with balances held in investments and other liabilities held at fair value, these events may have an impact. In this case the values reported may be significantly lower, or possibly higher, than the position reported at 31 March 2016.

**54. Authorisation for Issue**

The Acting Director of Corporate Services, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 28 September 2016. In doing so, the Financial Accounts include all material events, relating to the financial year, but occurring after the date of the balance sheet.



**Housing Revenue Account  
for the year ended 31 March 2016**

# Caerphilly County Borough Council

## Housing Revenue Account

2014/2015		2015/2016		
£000		£000	£000	Note
<b>Income</b>				
(41,704)	Dwelling rents	(43,238)		1
(341)	Non-dwelling rents	(298)		
(1,575)	Charges for services and facilities	(1,382)		
(2,491)	Contributions towards expenditure	(4,020)		
<b>(46,111)</b>	<b>Total Income</b>		<b>(48,938)</b>	
<b>Expenditure</b>				
12,467	Repairs and maintenance	12,308		
5,755	Supervision and management	6,639		
2,557	Special Services	2,228		
1,026	Rents, rates, taxes and other charges	1,027		
5,745	Negative housing revenue account subsidy payable	(7)		
6,293	Depreciation and impairment of non-current assets	7,046		2
15,311	Non-Enhancing capital expenditure	28,860		2
0	Exceptional Item : HRA Buyout	75,997		
16	Debt Management Costs	51		
483	Increase in bad debt provision	413		
<b>49,653</b>	<b>Total Expenditure</b>		<b>134,562</b>	
3,542	<b>Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		85,624	
251	HRA services share of Corporate and Democratic Core Costs		265	
<b>3,793</b>	<b>Net Expenditure of HRA Services</b>		<b>85,889</b>	
1,813	Interest payable and similar charges	5,709		
(7,330)	Major Repairs Allowance and other grants	(7,574)		8
(1,223)	(Gain) / Loss on sale of HRA non-current assets	(1,688)		
(53)	Interest and investment income	(172)		
(6,793)			(3,725)	
<b>(3,000)</b>	<b>(Surplus)/deficit for the year on HRA services</b>		<b>82,164</b>	

**Movement on the Housing Revenue Account Statement**

2014/2015		2015/2016		
£000		£000	£000	Note
(15,505)	Balance on the HRA at the end of the previous year		(22,343)	
(3,000)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	82,164		
(4,055)	Adjustments between accounting basis and funding basis under statute	(80,885)		
(7,055)	Net (increase)/decrease before transfers to or from reserves	1,279		
217	Transfers to or (from) reserves	(154)		
(6,838)	(Increase) or decrease in year on the HRA		1,125	
<b>(22,343)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(21,218)</b>	<b>7</b>

**Notes to the Movement on the HRA Statement**

2014/2015		2015/2016		
£000		£000	£000	Note
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>				
(58)	Difference between amounts charged to income and expenditure for amortisation of premia and discounts and the charge for the year determined in accordance with statute	(57)		
(6,293)	Depreciation and Impairment of non-current assets	(7,046)		2
(15,311)	Non-enhancing Capital Expenditure	(28,860)		2,5
0	Exceptional Item : HRA Buyout	(75,997)		
1,223	Gain on sale of HRA non-current assets	1,688		
(1,803)	Net charges made for retirement benefits in accordance with IAS 19	(1,810)		9
7,330	Capital Grants and Contributions Applied (including Major Repairs Allowance)	7,574		
(14,912)			(104,508)	
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>				
1,957	Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	1,486		9
887	HRA Minimum Revenue Provision	852		
8,014	Capital expenditure funded by the HRA	21,287		5
(1)	Adjustment involving the Accumulated Absences Account	(2)		
217	Transfers (to) / from Reserves	(154)		
11,074			23,469	
(3,838)	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>		<b>(81,039)</b>	

**Notes to the Housing Revenue Account**

**1. Rent of Dwellings**

This is the total rent income collectable for the year after allowance is made for voids on empty properties. During the year 1.24% of lettable properties were void (an increase on 1.13% in 2014/2015). The average weekly rent at 31 March 2016 was £83.77 (£80.78 in 2014/2015), based on a 48-week collection period.

**2. Depreciation and Impairment**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
Operational assets comprising:		
Dwellings (refer to Note 22 Core Financial Statements)	6,133	6,034
Other Land & Buildings	131	133
Depreciation written back on revaluation of council dwellings	0	(6,034)
Asset Impairments/revaluations	29	6,913
<b>Total HRA Depreciation and Impairment of Fixed Assets</b>	<b>6,293</b>	<b>7,046</b>
Write off of non-enhancing expenditure	15,311	28,860
<b>Total HRA depreciation, impairment and non-enhancing expenditure</b>	<b>21,604</b>	<b>35,906</b>

**3. Rent Arrears**

The rent arrears encompass monies owed by both current and former council tenants. During the year, total rent arrears increased by £9,119. The total of current rent arrears represents 3.21% of Gross Rent Income.

	<b>£000</b>
Arrears at 31 March 2015	1,875
Bad Debt Provision 31 March 2015	(1,177)
<b>Net Arrears at 31 March 2015</b>	<b>698</b>
Arrears at 31 March 2016	2,018
Bad Debt Provision 31 March 2016	(1,311)
<b>Net Arrears at 31 March 2016</b>	<b>707</b>

**Notes to the Housing Revenue Account (continued)**

**4. Housing Stock**

The Authority was responsible for managing an average of 10,868 dwellings during 2015/2016. The type of stock managed by the Authority is made up of approximately 60% houses, 26% flats and 14% bungalows.

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>Number</b>	<b>Number</b>
Stock at 1 April	10,895	10,881
Acquisitions/New Build	10	4
Sales/Demolitions/Expired Leases	(24)	(31)
<b>Stock at 31 March</b>	<b>10,881</b>	<b>10,854</b>

**5. Capital Expenditure and Financing**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>Assets</b>	<b>Assets</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Expenditure:</b>		
Operational Assets : Houses	15,311	28,860
HRA Buyout	0	75,997
Vehicles, Plant & Equipment	33	1
<b>Total Expenditure</b>	<b>15,344</b>	<b>104,858</b>
<b>Capital Financing :</b>		
Capital Grants	0	(229)
Major Repairs Allowance	(7,330)	(7,345)
Borrowing	0	(75,997)
Revenue Reserves	(8,014)	(21,287)
<b>Total Income</b>	<b>(15,344)</b>	<b>(104,858)</b>

**6. Capital Receipts and Unapplied Capital Income**

	<b>2014/2015</b>	<b>2015/2016</b>
	<b>£000</b>	<b>£000</b>
Balance at 1st April	(1,695)	(2,113)
Amounts received - Right to Buy	(1,173)	(1,634)
Amounts received - Other	(122)	(54)
Less Statutory Set aside for debt repayment	877	1,225
<b>Balance at 31st March</b>	<b>(2,113)</b>	<b>(2,576)</b>

**Notes to the Housing Revenue Account (continued)**

**7. Balance Carried Forward**

The working balance at 31 March 2016 was £21.218m, a net decrease of £1.125m over the year.

<b><u>Reserve:</u></b>	<b>Balance at 1 April 2015 £000</b>	<b>Appropriations From Reserves £000</b>	<b>Appropriations To Reserves £000</b>	<b>Balance at 31 March 2016 £000</b>
Housing Fund Balances	(21,053)	1,094	0	(19,959)
Supporting People	(306)	0	0	(306)
Week 53 Debit	(671)	0	0	(671)
HRA Earmarked Reserve	(313)	31	0	(282)
	<b>(22,343)</b>	<b>1,125</b>	<b>0</b>	<b>(21,218)</b>

*A summary of the purposes of these reserves is provided below:*

**Housing Fund Balances** – represents the general, unallocated balances associated with the Housing Revenue Account.

**Supporting People** – represents funds ring fenced for use in accordance with the Supporting People initiative.

**Week 53 Debit** – represents the additional week's rent collection during 2007/2008 that is intended to be released back to revenue in future years, as appropriate.

**HRA Earmarked Reserve** – exists to meet future commitments in respect of planned programme works.

**8. Major Repairs Allowance**

	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
Amount Received in Year	(7,330)	(7,345)
Amounts Applied in Year	7,330	7,345
<b>Amounts Carried Forward</b>	<b>0</b>	<b>0</b>

**9. HRA share of contributions to or from the Pension Reserve**

	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,803)	(1,810)
Employer's pension contributions and direct payments to pensioners payable in the year	1,957	1,486
<b>Total Contribution (to) / from the Pension Reserve</b>	<b>154</b>	<b>(324)</b>

## GLOSSARY OF TERMS

The Statement of Accounts contains a number of technical terms which will not be familiar to the lay person. To assist the reader of the accounts, a number of these terms have been explained using non-technical terminology.

**Accruals basis** – An accounting concept in which transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or received.

**Actuary** - A qualified person who works out insurance and pension fund valuations, taking into account factors such as trends in insurance claims and life expectancy.

**Amortisation** – The reduction in value of an intangible asset (e.g. computer software) by pro-rating its cost over a period of years.

**Authority** - Caerphilly County Borough Council.

**Balance Sheet** - A statement listing all assets and liabilities of the Authority at the 31 March.

**Borrowing** - Can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represents money loaned to the Authority by third parties.

**Budget** - A budget is the spending plan for the financial year in question i.e. 2014/15.

**Capital Adjustment Account** - An account that relates to capital and non-current asset transactions. This includes the application of capital monies e.g. capital grants to finance the capital schemes of the Authority and to manage the disposal of non-current assets.

**Capital Expenditure** - Expenditure on non-current assets which will be used by the Authority over many years to provide services e.g. buildings.

**Capital Receipts** - Proceeds from the sale of non-current assets e.g. land or buildings.

**Cash Flow Statement** - A statement recording all movements in cash during the year for both revenue activities and capital activities.

**Comprehensive Income and Expenditure Statement** – A statement recording day to day spending and income e.g. salaries, running costs etc. on all revenue services of the Authority.

**Contingent Asset** - A possible asset that arises from a past event but whose existence will only be confirmed after an uncertain future event e.g. the outcome of a court case.

**Contingent Liability** - A possible financial cost of a past event but which will only be confirmed by the occurrence of one or more uncertain future events e.g. the outcome of a legal case. Unlike a provision, no amounts are set aside in the accounts, only a note explaining the relevant facts.

**Creditor** - Someone who is owed money for goods or services provided to the Authority.

**Current Assets** - Assets that are short term and are considered to be liquid by nature i.e. cash, inventories, debtors.

**Current Liabilities** - Liabilities that are short term (less than one year).

**Debt Management Office (DMO)** - An executive agency of HM Treasury with responsibilities for debt and cash management for the UK Government, lending to local authorities (via the PWLB (see below) and managing certain public sector funds.

**Debtor** - Someone who owes money for goods or services provided by the Authority.

**Depreciation** - The notional reduction in value of assets due to their wear and tear in providing services to the Authority.

**Direct Revenue Financing** - A contribution made from the revenue accounts during the financial year to help pay for capital projects.

**Financial Instruments** - A collective name for investments, trade debtors, trade creditors and borrowings.

**Financial Year** - This is the accounting period, starting on 1 April and finishing on 31 March in the following year. For 2015/2016, it runs from 1 April 2014 to 31 March 2015.

**Finance Leases** - A method whereby capital assets are financed over a number of years by means of annual payments to a leasing company. The ownership of the asset by the Authority is deemed to have taken place at the start of the lease arrangement.

**Financial Instruments Adjustment Account** - An account which is used to manage the loan interest charged to the Council Fund in accordance with IAS 32 & 39.

**Government Grants** - Assistance by Government and inter-government agencies and similar bodies, whether local, national or international usually in the form of cash.

**Heritage Asset** - A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for its contribution to knowledge and culture.



## GLOSSARY OF TERMS continued

**Housing Revenue Account Income and Expenditure Account** - This account contains all expenditure and income in relation to the Authority's Council Dwellings including Council Houses.

**IAS** - International Accounting Standard

**IFRIC** - International Financial Reporting Interpretations Committee

**IFRS** - International Financial Reporting Standards

**Impairment** - Impairments occur when non-current asset values change significantly due to changes in circumstances. They can occur if there is a significant change in a non-current asset's market value or significant physical damage e.g. fire. The cost of impairment is charged to the revenue account in the year it occurs.

**Inventories** - These are raw materials and consumables that are used in carrying out services e.g. bricks, nails, food, beverages etc. The values of these items which have not been used at 31 March are shown as current assets in the balance sheet.

**Investments** - These can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represent surplus funds of the Authority invested with third parties.

**Levies** - Levies are charges on the Authority by other public bodies / non-billing organisations to enable them to cover their costs in the performance of their services.

**Minimum Revenue Provision (MRP)** - A minimum annual charge that has to be made to the revenue accounts to systematically reduce the principal element of loans which have been raised and used to pay for capital schemes.

**Movement in Reserves Statement** - A statement showing the in-year movement on all the different reserves held by the Authority.

**National Non Domestic Rates (NNDR)** - Also known as the Business Rate, it is the charge occupiers of business premises pay to finance part of the Authority's revenue spending. The charge is based on the rateable value of the business premises.

**Non-Current Assets** - These are long term assets which are used for more than 1 year.

**Non-Current Assets: Enhancement Expenditure** - This is where capital expenditure on an asset does not alter the book value of the asset e.g. window replacement.

**Operating Leases** - A method of paying for the use of capital assets e.g. vehicles by means of annual payments to a leasing company over a number of years. The leasing company retains ownership of the asset during and at the end of the lease agreement.

**Precepts** - Precepts are levied on the Authority by non-billing organisations e.g. police, community councils to enable them to cover their costs in the performance of their services or duties.

**Pension Current Service Cost** - This represents the increase in the present value of a defined benefit obligation resulting from employee service in the year after netting off contributions from scheme participants.

**Pension Gain or Loss on Settlement** - This arises when the Authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under the defined benefit plan.

**Pension Liability (IAS 19)** - This represents the indebtedness of the Authority in relation to the retirement benefits due to its employees, after allowing for the Authority's share of investments in the Pension Fund.

**Pension Net Interest on the Defined Benefit Liability/Asset** - This is the change during the year in the net defined benefit liability/asset arising from the passage of time.

**Pension Past Service Cost** - This represents the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment or curtailment.

**Pension Reserve (IAS 19)** - This reserve matches the pension liability and is charged with the gain or loss which arises when the pension fund Actuary revalues the assets and liabilities within the pension fund each year. It also ensures that the charge made to the Income and Expenditure Account under IAS 19 is replaced with the pension cost required to be made for Council Tax purposes.

**Provision** - A provision is an amount set aside in the accounts for a past event which is likely to incur a financial cost some time in the future.

**Public Works Loans Board (PWLb)** - This is a Government Agency which provides longer term loans to local authorities at preferential rates of interest.

**GLOSSARY OF TERMS continued**

***Related Party Transactions*** - These are disclosed to highlight any relationships that may exist between the Authority and third parties which may materially affect or influence the way the Authority or third parties are able to operate.

***Reserves*** - Reserves are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non-specific future expenditure.

***Revaluation Reserve*** - This reserve is used to record gains in non-current asset values as a result of formal revaluations.

***Revenue Expenditure funded from Capital under Statute*** - This represents expenditure which does not result in, or remain matched with, assets controlled by the Authority.

***Revenue Support Grant*** - This is the principal source of finance from Central Government towards revenue expenditure incurred for non-Council housing purposes.

***Trust Funds*** - These are monies not belonging to the Authority that are administered by the Authority on behalf of third party individuals or organisations.

***Work in Progress*** - This represents the value of work done on unfinished projects at the date of the Balance Sheet (31 March).

## **Annual Governance Statement**

### **Background**

During 2015/16 the work undertaken by the Improving Corporate Governance Board came to a successful conclusion. The Corporate Governance Panel will continue to meet to ensure that the governance agenda remains a key priority. This is now back to business as usual.

### **Scope of responsibility**

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 and the Local Government Measure (Wales) 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of strategic effectiveness, service equality, service availability, fairness, sustainability, efficiency and innovation.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority 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 at [www.caerphilly.gov.uk](http://www.caerphilly.gov.uk) or can be obtained from the Council's Communications Unit. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 5(4) of the Accounts & Audit (Wales) Regulations 2014 in relation to the publication of a statement on internal control.

The Improving Governance Programme Board has been formally disbanded as all of the actions in connection with the recommendations and proposals for improvement identified in the Wales Audit Office Corporate Governance Inspection Report have been concluded. The outstanding HR Strategy is due to be formally presented to Members in July 2016. The strengthened governance arrangements are now firmly embedded within the Council's decision making procedures.

### **The purpose of the governance framework**

The governance framework comprises the systems, processes, 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.

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 authority'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.

The governance framework has been in place at the Authority for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

## Annual Governance Statement (continued)

### The governance framework

The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements:

#### ***Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users***

- The Council's Corporate Plan sets out the Council's aspirations, priorities and Improvement Objectives. These are derived from the Caerphilly Single Integrated Plan (Caerphilly Delivers), which clearly articulates a shared vision for Caerphilly County Borough Council and its strategic partners. The Corporate Plan was approved by Council on 7<sup>th</sup> June and now incorporates wellbeing goals, albeit that it is recognised that this is a transitional year in respect of this new legislation.
- Long term outcomes and interim performance standards have been established for each Improvement Objective. Progress is reported via the Scrutiny Committee process.
- The Single Integrated Plan (forward looking plan) is published widely and is also available on the Council website and intranet. Similarly the Council's Corporate Plan is published on the website, and updated annually. Progress is reported via the Scrutiny Committee process.
- The Council's Annual Performance Report (published in October) tells citizens and service users how we have performed against the Improvement Objectives as required under the Local Government Measure 2009.

#### ***Reviewing the authority's vision and its implications for the authority's governance arrangements***

- The Single Integrated Plan, Corporate Plan and annual Performance Report are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework has been developed.
- The Council is a lead partner of the Caerphilly Local Service Board (LSB). The Single Integrated Plan implemented from April 2013 onwards details the LSB vision, and following analysis of a Unified Needs Assessment, has identified five outcomes for delivery, namely:

Prosperous Caerphilly  
Safer Caerphilly  
Healthier Caerphilly  
Learning Caerphilly  
Greener Caerphilly

The Policy and Resources Scrutiny Committee on 14 April 2015 received an update in respect of the Delivery of the Plan. The Scrutiny Committee acknowledged the good work undertaken to date and determined a further review by Scrutiny during 2015.

"Caerphilly Delivers" (The LSB Single Integrated Plan) was considered and approved by Caerphilly LSB on 17<sup>th</sup> April 2013 and Caerphilly County Borough Council on 23<sup>rd</sup> April 2013.

The commencement of the Well-being of Future Generations (Wales) Act 2015 on 1<sup>st</sup> April 2016 brings a number of changes to the above processes. We have established a public Services Board (PSB) to replace the LSB. The PSB must produce a local assessment of well-being, the Well-being assessment, to be published by May 2017. Thereafter, the PSB must issue a Well-being plan (replacing the LSB Single integrated plan) that sets local Well-Being Objectives to achieve the well-being goals set out in the Act. The Council is leading on this work and has commenced development of the Well-being Assessment.

## Annual Governance Statement (continued)

The Council has also begun to respond to its own duties under the Act which include a requirement to set Well-being Objectives by the 31<sup>st</sup> March 2017. The sustainable development principle, as defined in the Act, sets out five ways of working, which we are introducing into our organisational activities:

- Taking an integrated approach – to reach all the goals
- Collaborating with others – to find sustainable solutions
- Looking to the long-term – to not compromise future generations
- Involving people – the full diversity of the population
- Taking a preventative approach – by understanding root causes

[ICLIP – Integrated / Collaborative / Long-term / Involvement / Preventative]

The Council is required to consider the sustainable development principle in setting, taking steps towards and meeting its well-being objectives; and this should be reflected in our governance arrangements, our corporate planning, and the way in which we allocate resources.

### ***Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources***

- Service Delivery Plans contain key service objectives that are geared, where appropriate, towards achieving the overall strategic objectives detailed in the Council's Corporate Plan. They also contain targets in respect of both national performance indicators and local performance targets.
- The Service Delivery Plans are produced after the conclusion of the services Self Evaluation. Self-Evaluation has now been embedded within the Authority.
- This system is in turn supported by individual annual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council uses a performance management software system, Ffynnon, which is used to monitor not only individual performance indicators, but also their combined effect on the achievement of strategic objectives.
- Performance against targets is monitored at officer and Member levels, by Corporate Management Team, Directorate Management Teams with Cabinet Members, and Scrutiny Committees.
- Albeit that there is an established process in place, as outlined above, the reporting of performance has been reviewed to ensure these procedures are best able to take the Authority forward in the medium term in light of reducing budgets. Additional dedicated performance management meetings have been added to the Scrutiny Committee meeting programme as a result of this review.

### ***Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication***

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Scrutiny Committees. When CMT and other Senior Officers make delegated decisions they are posted on the intranet. CMT record decisions made at each of their meetings via a template. When required postings are then made via the intranet.

**Annual Governance Statement (continued)**

- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority. Delegated power decisions and information items are published on the intranet.
- The Council publishes an annual Corporate Plan which sets out key priorities agreed by the Council, its committees and chief officers under their delegated powers and a performance report which details progress against these.
- The Council's Constitution is reviewed and refreshed on a regular basis to reflect current legislation and working practices. The most recent report was presented to the Annual General Meeting. Members approved that overseeing the Council's Constitution should be an added function of the Council's Democratic Services Committee. In addition to the ad hoc reports presented to Council the Democratic Services Committee will receive a 6 monthly update on Constitutional issues.
- Various guidance notes for officers have been prepared to sit alongside the Council's Constitution and training has been rolled out. The documentation is available on the Council's corporate governance page. These arrangements have now been formally embedded within the Council's governance arrangements.

***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff***

- The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.
- Both members and officers are made aware of the personal conduct and disclosure requirements and they are available for reference on the Council's intranet.
- All declarations of Member gifts and hospitality are reported to the Council's Standards Committee. For Officers a 6 monthly update is given to the Council's Audit Committee.

***Reviewing and updating standing orders for contracts, financial regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks***

- The Monitoring Officer in conjunction with senior officers and members undertakes periodic reviews of the Council's Constitution including reviewing Standing Orders for Contracts, Financial Regulations and the Scheme of Delegation to ensure that current practices and legislation are reflected. The Standing Orders have recently been reviewed to reflect the new European Regulations.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both corporate and operational levels, the key elements of which are a Corporate Risk Register; Directorate Risk Register and Service Level Risk Assessments built into the business planning process.
- The Council now has a formally agreed Risk Management Strategy and training is delivered to relevant Members as a matter of routine. The Corporate Risk Register is reported to Audit Committee and Cabinet periodically after consideration by Corporate Management Team.

***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities***

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.
- The Terms of Reference are reviewed annually and are updated if required.

**Annual Governance Statement (continued)**

***Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful***

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

Monitoring Officer;  
Section 151 Officer;  
Internal Audit;  
External Audit;  
Performance Management Framework;  
Corporate Management Team.

- The roles of the statutory officers have been strengthened significantly. Both officers attend the formal Corporate Management Team meetings. The S151 role has been incorporated into a new temporary post of Director of Corporate Services and S151, and is no longer at Head of Service level. The interim management arrangements currently in place across the Council are reviewed and agreed by Council periodically.
- The standard committee reporting procedure and template requires the Monitoring Officer to examine reports to the Executive for compliance with legal and procedural issues. His/her comments are referred to the Council's Corporate Management Team for action.
- In addition to the above, the Authority has a Deputy S151 and Monitoring Officer to ensure adequate cover for these roles is in place.

***Arrangements for whistle blowing and for receiving and investigating complaints from the public***

- The Council has in operation a widely publicised Whistleblowing Policy, which forms part of the Council's Constitution. The regime is overseen by senior officers within the Authority and reported to the Council's Standards Committee on an annual basis.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- The Audit Committee has continued to play a more proactive role to play in monitoring the level of complaints and the procedures that are in place. Reports are regularly presented. In addition, individual Scrutiny Committees may receive reports on complaints.

***Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training***

- Formal induction programmes and training and development plans are in place for members. Where identified by the PDR process senior officers participate in management development training.
- All senior officers participate in the corporate staff appraisal scheme.
- It had been recognised that the induction and training of members was sporadic in respect of some committees. In order to address this issue Council has approved the implementation of a new, more focused training regime for members this includes the identification of certain aspects of training as mandatory.
- A review of induction arrangements for officers is being undertaken as this area should be improved. Discussions have taken place initially at the HR Strategy Group.
- Appropriate training has and will continue to be delivered where identified in the Action Plan.

## Annual Governance Statement (continued)

### ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation/engagement***

- Up to date strategies are in place in respect of communications, marketing and consultation/engagement.
- A corporate database of formal consultation/engagement is maintained to reduce duplication of consultation/engagement.
- Extensive consultation/engagement processes have been followed in relation to the 2015/16 budget process following the changes last year.

### ***Incorporating good governance arrangements in respect of partnerships and other group working as identified in the CIPFA Framework “Delivering Good Governance in Local Government” and reflecting these in the authority’s overall governance arrangements***

- The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.
- Since 1999 a “Compact Agreement” has been in place which is a local agreement for governing the relationship between public sector organisations within the County Borough and third sector organisations. In April 2013, a revised Compact Agreement was published for the period 2013 to 2017 bringing together the following partners: Gwent Association of Voluntary Organisations, Caerphilly County Borough Council, Gwent Police, the Police and Crime Commissioner for Gwent, Aneurin Bevan Health Board, South Wales Fire and Rescue Service, Community and Town Councils and the Caerphilly Business Forum. The Compact Agreement recognises the mutual benefits that can be gained from close co-operation and sets out guidelines for how all parties should work together. A Compact Review Task and Finish Group has been set up with Compact Partners with Cllr David Carter and Cllr Ackerman representing the Council.
- Key partnerships and partners are invited to attend the biannual Caerphilly Local Service Board Standing Conference, which focuses on communicating progress made on the delivery of LSB priorities, which include “Caerphilly Delivers” (the Single Integrated Plan), such as tackling the impact of poverty and more recently the Well-being of Future Generations Act, and associated programmes/projects/initiatives.
- During 2013/14, a detailed piece of work was undertaken identifying all partnerships and collaborations.
- The Council now maintains details of all the current collaborations and partnerships in existence.
- In addition, the approved Collaboration and Partnership Strategy sets out the requirements for creating new Partnerships and Collaborations and importantly includes the arrangements for disbanding and exiting arrangements.

### **Review of effectiveness**

The Authority 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 corporate governance panel within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review covers all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities, including in particular those designed to ensure:

- The Authority’s policies are put into place.
- The Authority’s values are met.
- Laws and regulations are complied with.
- Required processes are adhered to.



## **Annual Governance Statement (continued)**

- Performance and Financial statements and other published information are accurate and reliable.
- Human, financial, data/information and other resources are managed efficiently and effectively.
- Services are delivered efficiently and effectively.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework.

### ***Corporate Level Review***

A management group, the Corporate Governance Panel, consisting of the following officers and the Cabinet member for HR and Governance has been established to oversee the compilation of the Annual Governance Statement:

- Acting Director of Corporate Services and S151;
- Interim Head of Legal Services and Monitoring Officer;
- Head of Performance and Property;
- Internal Audit Manager;
- Acting Head of ICT/SIRO

The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

The arrangements have been strengthened significantly since March 2013 and are now firmly embedded within normal working practices.

### ***Directorate Level Review***

The Council has also introduced Directorate Assurance Statements requiring members of Corporate Management Team to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

### ***Scrutiny Committees***

The Council has Scrutiny Committees who meet in public and make recommendations on the improvement and development of policies and hold the Executive and officers exercising delegated powers to account for their decisions.

The Council is currently implementing the proposed changes to Scrutiny following the report to Council in October 2015 and which had previously been identified as an area of weakness. The planned changes are significant and are intended to bring more focus to the Scrutiny of the Council's key decisions reducing the number of items on the agenda. It also includes the development of supporting protocols such as Task and Finish Groups, Cabinet Member statements and prioritisation matrix. This work is ongoing and anticipated to be concluded in the Autumn 2016 following which there will be a self-evaluation of the new arrangements.

### ***Audit Committee***

The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.

## **Annual Governance Statement (continued)**

### ***Standards Committee***

The Council has appointed a Standards Committee in accordance with the provisions of S.53-55 & S.81(5) Local government Act 2000 and associated regulations. Their terms of reference are set out in the Council's Constitution.

### ***Performance Management***

The Performance Management Unit (PMU) is responsible for developing and maintaining the Council's performance management framework in accordance with the Wales Programme for Improvement. It supports and challenges the Council as a whole, and the individual services, to continuously improve its services and works with the external auditors to co-ordinate inspection programmes.

The PMU co-ordinate and support the Self Evaluation and Service Delivery Plan process.

In an internal restructure the performance Management Unit has been brought together with staff with corporate policy, partnership, equalities, and voluntary sector support roles. This is intended to strengthen further our approach to performance management by reinforcing the links to our policy and planning activities. It will also enhance our ability to respond to the requirements of the Well-being of Future Generations Act in terms of having a lead role within the Public Services Board, demonstrating our own contribution to the Well-being goals, and embedding the 5 ways of working set out in the sustainable development principle.

### ***Information Governance***

The Acting Head of ICT is the Council's Senior Information Risk Owner (SIRO), whose role is to assure the Council's information through implementation of the Council's Information Risk Management Policy. The SIRO assesses quarterly information risk returns from each Head of Service (as the information asset owner) to ensure risks are reported appropriately, measures to reduce risk are effective and information risk management is embedded into the culture of the organisation.

The SIRO is supported by Corporate Information Governance Unit and a network of information governance (IG) stewards within each directorate who assist Heads of Service in assuring the information that is managed and used by their service area. IG Stewards are responsible for communicating key messages to staff and management across the organisation on IG policies, ensuring staff are appropriately trained and developing and maintaining an Information Asset Register. Organisations need to comply with the new General Data Protection Regulation in 2018 and the SIRO is overseeing an action plan to ensure the Council's personal information is managed appropriately in readiness for this deadline.

### ***Internal Audit***

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. Each report includes recommendations for improvements and an agreed management action plan. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon. Following the governance reviews undertaken by the WAO over recent years the role undertaken by Internal Audit and the contribution made towards the overall governance framework is being reassessed. This process will evolve and develop over time in line with the needs of the organisation and will embrace the principles promoted within the Audit Code of Practice.

### Annual Governance Statement (continued)

The Annual Internal Audit Outturn Report contains a statement/judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The last such report to the Audit Committee on the 9<sup>th</sup> September 2015 raised no fundamental issues and confirmed that the Council continues to operate within a controlled environment that should minimise the risk of loss.

#### **External Audit**

The Council receives regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

#### **Review Outcome**

The previous year's AGS identified one new area for improvement:-

The effectiveness of the current Scrutiny arrangements has been identified as an area that could be improved and to ensure that they are effective and productive a review of the current processes is to be undertaken. The review will ensure that any weaknesses or shortcomings will be addressed and current best practice will be built into our procedures going forward. It is intended that the review be completed by October 2015.

The review of Scrutiny was concluded and reported to Council in October 2015. The Council are now implementing all of the changes. Based on the progress made to date it is recommended that this area for improvement be removed from the AGS.


There is one new area for improvement that has been identified during the 2015/16 review process:-

- The Authority works to ensure that the requirements of the Well-Being of Future Generations (Wales) Act 2015 are progressed to ensure compliance prior to regulator reviews.

Signed



**Keith Reynolds**  
Leader of the Authority



**Chris Burns**  
Interim Chief Executive