



# **Financial Accounts**

**For the year ended**

**31 March 2009**

# Caerphilly County Borough Council

## Financial Accounts for the year ended 31 March 2009

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## **Explanatory Foreword**

### **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 172,000.

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 foreword 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.

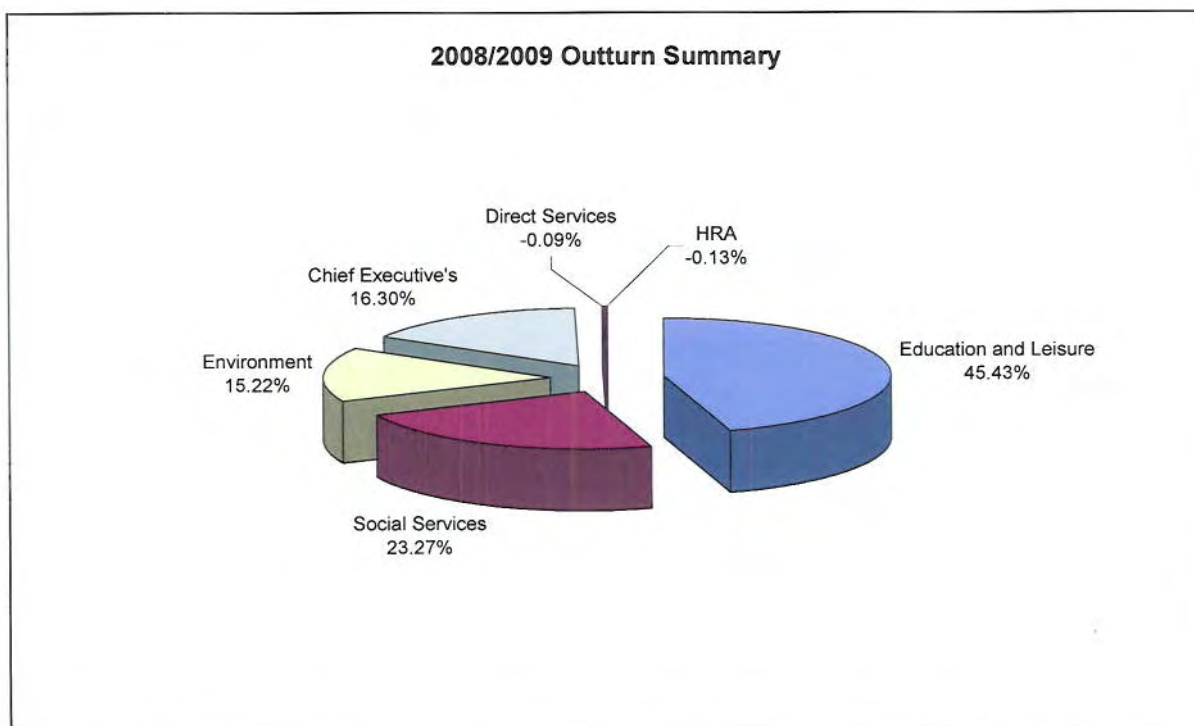
## Explanatory Foreword (continued)

### 2008/2009 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Income and Expenditure Account on page 32. The account is classified according to service expenditure areas.

In 2008/2009, the Authority's expenditure and income compared to budget was:

Service Area	Original Estimate £000	Revised Estimate £000	Outturn £000	(Overspend) /Underspend £000
Education and Leisure	136,912	136,931	135,353	1,578
Social Services	69,897	69,586	69,317	269
Environment	43,782	44,174	45,357	(1,183)
Chief Executive's	51,086	51,079	48,548	2,531
Direct Services	0	0	(272)	272
HRA	0	0	(380)	380
<b>Total Service Expenditure</b>	<b>301,677</b>	<b>301,770</b>	<b>297,923</b>	<b>3,847</b>
Use of General Fund Reserves	(1,250)	(1,250)	(8,799)	7,549
Transfer to Earmarked Reserves	(331)	(425)	4,896	(5,321)
<b>Surplus for the Year</b>	<b>300,096</b>	<b>300,095</b>	<b>294,020</b>	<b>6,075</b>
Funding Income	(300,096)	(300,096)	(300,458)	<b>362</b>
<b>Total Outturn</b>				<b>6,437</b>
Transfer (to)/from Earmarked Reserves				(3,235)
Transfer (to)/from General Fund Reserves				(3,202)
<b>General Fund Reserves as at 31 March 2008</b>				<b>(16,409)</b>
Budget Strategy Contribution				1,250
Use of Balances in Year				7,549
Service Outturn Contribution				(3,202)
<b>General Fund Reserves as at 31 March 2009</b>				<b>(10,812)</b>



## Explanatory Foreword (continued)

Further details of the Authority's outturn performance against budget can be found in the Director of Corporate Services, Statement of Accounts Report 2008/09 presented to Council on the 30 June 2009. The report may be obtained upon 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 Income and Expenditure Account, because budget monitoring is carried out on a Directorate basis and re-categorised in the Income and Expenditure Account to comply with recommended accounting practice. The Income and Expenditure Account figures also include accounting adjustments in respect of depreciation and amortisation of deferred grants, FRS17 pension costs and a number of items included within the directorates within the budget summary that are shown below the Net Cost of Service line within the Account.

The following table provides reconciliation between the total expenditure per Directorate and the Net Cost of Service in the Income and Expenditure Account:

	<b>£000</b>
<b>Total Service Expenditure</b>	297,923
Community Council Precepts	532
Amortisation of Intangible Assets	519
Depreciation and Impairment of Assets	78,798
Amortisation of Government Grants Deferred and other contributions	(18,537)
Write downs of Deferred Charges to be financed from capital resources	1,571
Net (Gain)/Loss from sale of fixed assets	(183)
MRP Adjustment	(7,175)
FRS17 Pension Adjustments	7,868
PFI Residual Interest Adjustment	(2,292)
IBT Net Worth Adjustment	125
Financial Instrument Adjustment - LOBO	475
JE Reserve/Provision Adjustment	12,662
<b>Net Operating Expenditure per Income and Expenditure Account</b>	<b><u>372,286</u></b>

### Funding Income

The following table details the main sources of income received by the Authority to fund service expenditure in 2008/09:

	<b>2008/2009</b>			
	<b>Original</b>	<b>Revised</b>	<b>Outturn</b>	<b>Variance</b>
	<b>Estimate</b>	<b>Estimate</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Funding Income</b>				
Council Tax (Net of Community Council Precepts)	(49,124)	(49,124)	(49,699)	575
Revenue Support Grant	(193,804)	(193,804)	(193,804)	0
Non Domestic Rates	(44,269)	(44,269)	(44,269)	0
Performance Incentive Grant	(1,904)	(1,904)	(1,904)	0
Deprivation Grant	(2,466)	(2,466)	(2,466)	0
Local Authority Business Growth Incentive Grant (LABGI)	(213)	(213)	0	(213)
Private Finance Initiative Grant	(8,316)	(8,316)	(8,316)	0
<b>Total Funding Income</b>	<b><u>(300,096)</u></b>	<b><u>(300,096)</u></b>	<b><u>(300,458)</u></b>	<b><u>362</u></b>

## Explanatory Foreword (continued)

### Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 105-112. For 2008/2009, actual outturn compared to budget was as follows:

	Original Estimate <u>£000</u>	Actual Outturn <u>£000</u>	Variance <u>£000</u>
Expenditure	29,223	116,089	(86,866)
Income	(29,223)	(45,525)	16,302
	<u>0</u>	<u>70,564</u>	<u>(70,564)</u>
Net additional amounts required by statute to be debited or credited to the HRA Balance for the year	0	(71,079)	71,079
Surplus/(Deficit) for the year	<u>0</u>	<u>(515)</u>	<u>515</u>
Transfer from Other Service Earmarked Reserves	0	135	(135)
HRA Outturn per Foreword (page 3)	<u>0</u>	<u>(380)</u>	<u>380</u>

### Direct Labour and Direct Service Organisations (DLOs & DSOs)

The Authority previously operated 2 Direct Labour Organisations (DLOs) and 6 Direct Service Organisations (DSOs) at arms 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 Income and Expenditure Account, and their performance is disclosed in note 3, page 44 in accordance with CIPFA's Best Value Accounting Code of Practice.

### Provisions

Movements upon provisions are detailed in note 31, page 83, together with explanations of what each provision is for.

	1 April 2008 Bfwd <u>£000</u>	Movement <u>£000</u>	31 March 2009 Cfwd <u>£000</u>
Provisions	<u>12,483</u>	<u>14,089</u>	<u>26,572</u>

### Reserves

The amounts shown as non-distributable reserves relate to capital and pension reserves, which do not constitute 'usable resources'. The movements are detailed in note 22, page 71.

	1 April 2008 Bfwd <u>£000</u>	Movement <u>£000</u>	31 March 2009 Cfwd <u>£000</u>
Reserves - Distributable	(60,599)	14,890	(45,709)
- Non-Distributable	(256,662)	(171,864)	(428,526)
	<u>(317,261)</u>	<u>(156,974)</u>	<u>(474,235)</u>

## Explanatory Foreword (continued)

### **Loan Debt**

The total amount outstanding as at 31 March 2009 was £221.9m as measured on an amortised cost basis, the majority being owed by the Authority to the Public Works Loan Board. The balance comprises of loans from the money market. Analysis of the loan debt is shown in the notes accompanying the Core Financial Statements on pages 45 to 53 (note 5).

The nominal value shown represents the principal amount outstanding at the Balance Sheet date.

	<b>2008/2009</b>	<b>2007/2008</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
<b><i>Amortised Cost of Loans:</i></b>		
Loan debt repayable in one year	(4,260)	(7,212)
Loan debt repayable in more than one year	(217,608)	(240,429)
	<u>(221,868)</u>	<u>(247,641)</u>
<b><i>Nominal Value of Loans:</i></b>		
Loan debt repayable in one year	(4,158)	(7,091)
Loan debt repayable in more than one year	(214,131)	(237,203)
	<u>(218,289)</u>	<u>(244,294)</u>

### **Pension Liability**

Following the adoption of FRS 17 "Retirement Benefits" by local authorities, the Authority is required to recognise in its accounts, the net asset/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 2008/2009 is some £224.981m (£249.701m in 2007/08). 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 on pages 53 to 59, Note 6.

## Explanatory Foreword (continued)

### 2008/2009 Capital Expenditure

Capital expenditure is shown in notes 23 and 25 to the Financial Statements and amounted to some £54.428m.

The major items within this figure are identified below:

	<u>£000</u>	<u>£000</u>
<b>Housing:</b>		
Repairs and Improvements	8,019	
Security Equipment	190	
Improvement Grants & Private Sites	5,009	
	<hr/>	13,218
<b>Non Housing:</b>		
Education	6,100	
Social Services	1,183	
Highways & Transportation and Land Reclamation	22,405	
Lifelong Learning and Leisure	1,557	
Economic Development/Tourism	949	
Planning	4,160	
Environmental Services	513	
Other	4,341	
	<hr/>	41,208
		<hr/> <hr/>
		<b>54,426</b>

Capital Expenditure was financed by borrowing (£10.594m), grants (£33.469m) and other sources (£10.363m).

The Authority has entered into a number of finance leases to acquire computer equipment in its schools. Further details regarding these leases can be found in note 12, (pages 62-63) to the Core Financial Statements.

The Authority is committed to two Private Finance Initiative contracts. Further details of these contracts can be found in note 10, (pages 60-62) to the Core Financial Statements.

### Future Financial Developments

The Authority's budget for 2009/10 was approved on 5 March 2009. The budget was developed against a background of global recession and economic slowdown, consequent reductions in bank base rate and developer investment, increased costs (especially in terms of energy), and a growth in the demands placed upon services.

The Welsh Assembly Government's (WAG) revenue settlement for the Authority increased by 2.7% for 2009/10, whilst the Council agreed a Council Tax increase of 2.7% in order to meet the demands, having also identified some £7m in efficiency cuts.



## **Explanatory Foreword (continued)**

The capital settlement received from WAG, for 2009/10, represented a very marginal increase of 0.6% (or £76k) over 2008/09. This, combined with project overspends and the non-realisation of projected capital receipts, due to the prevailing economic downturn, has placed real pressures on the Authority's capital investment plans and meant that previous intentions have had to be cut back.

In the medium term, there is every indication that the global and national economic conditions will mean that even more significant budget pressures will be applied on local government, with WAG settlements being considerably reduced on previous years.

To deal with this challenging situation, further significant reductions in Authority expenditure are inevitable. This will require a review of budget priorities, balancing the need to meet statutory requirements with the need for efficiencies and the achievement of value for money in service provision. This applies equally to both revenue and capital budgets.

To enable this reprioritisation of objectives to take place, a review of all current services and programmes is under way, in order to develop a clear strategy for Council consideration.

## **Explanatory Foreword (continued)**

### **2008 Code of Practice on Local Authority Accounting**

The above publication, 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 2008/09.

The relevant changes made, that are applicable to Wales, relate to:

- a) Deferred Charges have become obsolete as they can no longer be carried on the Balance Sheet in accordance with UK GAAP (UK Generally Accepted Accounting Practice). They have been replaced by "Revenue Expenditure Funded from Capital Under Statute". This reflects the current approach of accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
- b) Changes in accounting requirements prohibiting the revaluation of disposed of fixed assets at the time of disposal.
- c) Changes in accounting requirements in respect of income defined by statute as a capital receipt, but not arising from the disposal of a fixed asset (such as the repayment of a grant awarded by the authority to acquire a fixed asset by the recipient).
- d) New regulations providing discretion to authorities to defer charging unequal pay expenditure, social security or other costs incurred by the authority in relation to such back payment to the Council Fund. Such amounts are to be provided for in compliance with FRS 12 – "Provisions, Contingent Liabilities and Contingent Assets" and charged to the Income and Expenditure Account in accordance with GAAP. Whilst this is a change to the 2008 Statement of Recommended Practice (SoRP), the regulations were introduced by CIPFA's Local Authority Accounting Panel (LAAP) Bulletin 68 "Accounting for Back Pay Provisions Arising from Equal Pay Claims" issued in April 2007.
- e) Changes in respect of valuations of specialised operational properties e.g. restricting the use of depreciated replacement cost, which can now only be used where there is no evidence of an active market for the property - as per the Royal Institution of Chartered Surveyors Valuation Information Paper Number 10.

## **Statement on Internal Control**

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, properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

- Strategic and Operational Objectives;
- Decision Making Framework;
- Review of Effectiveness;
- Significant Business Risks;
- Value for Money;
- Financial Strategy;
- Management of the Asset Base;
- Performance Management;
- Published Performance Information; and
- Improvement Plan.

The Authority does not consider it has any outstanding significant internal control issues.

### **Strategic and Operational Objectives**

The Community Strategy has been agreed with our stakeholders and been the subject of extensive consultation. The Strategy sets out the Authority's objectives over a period of 15 years.

The Improvement Plan is a 3-year document that links directly to the Community Strategy. The Improvement Plan identifies the key priorities of the Authority and sets performance targets against those key priorities. The key priorities were identified and agreed by Cabinet/Corporate Management Team following consultation with Heads of Service. The Viewpoint Panel, made up of local electors, was also consulted on their agreement of the identified priorities. Council has agreed the Improvement Plan.

Progress with the Improvement Plan is reviewed every 6 months by the Authority's executive (Cabinet/Corporate Management Team). This gives the Authority the opportunity to review targets against performance and review priorities.

Service Improvement Planning is linked to the Improvement Plan and services are directed to identify their key objectives and align them with the Improvement Plan. A Performance Management Calendar has been developed to allow the Improvement Plan to better inform the budget setting process.

### **Decision Making Framework**

The Authority has put in place a clear decision-making framework which ensures that prior to decisions being taken there is appropriate consultation on proposals and proper arrangements for checking on a corporate, financial, legal and personnel basis before being put to the Council or Executive for decision. All Cabinet reports are sent to the Authority's Monitoring Officer. The reports are checked against the 'Report Monitoring Checklist' in accordance with WAO recommendations. Any comments are circulated to Corporate Management Team (CMT) prior to circulation. An 'Agenda Co-ordination of Reports to Cabinet' database is maintained and a proforma is produced for every Cabinet meeting.

## **Statement on Internal Control (Continued)**

Members are trained in respect of matters concerning Scrutiny Committees and a New Members Code of Conduct

### **Review of Effectiveness**

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. The review of the effectiveness of internal control is informed by the work of Internal Audit, Managers within the Authority, External Auditors and other Review Agencies.

The CIPFA "Code of Practice for Internal Audit in Local Government" governs the standard of internal audit work and the Service is subject to an annual assessment by PricewaterhouseCoopers. The Internal Audit Services Manual defines the standards and operation of the service.

The work of the Internal Audit Services has been completed for the year ending 31st March 2009 based on the Audit Plan agreed by the Director of Corporate Services and endorsed by the Audit Committee. The plan was designed to ensure adequate coverage over the year of the Authority's financial systems and procedures.

The regularity work carried out by Internal Audit Services is designed to assess overall compliance with management policies and procedures. This work is supplemented and complemented by system reviews to measure and recommend on the level and effectiveness of internal controls.

During 2008/09 all appropriate audit reports were given an audit opinion on the adequacy of the systems reviewed, the controls in place, and compliance with those controls to provide an overview of the whole control environment and evidence in order to support the financial element of the Authority's Statement of Internal Control. Of the audits undertaken the vast majority were classed as at least satisfactory. Those classed below satisfactory were categorised as low risk and were not considered as material in context of the whole Authority. No major issues have come to light as a result of audits carried out on both the major financial systems and other financial and administrative systems and procedures. Where issues have been identified and brought to management's attention an action planning process is in place to drive through the necessary improvements. Overall it is considered that the Authority continues to operate within a control environment that should minimise the risk of loss to the Authority.

### **Significant Business Risks**

The Authority has agreed a joint risk assessment with the Wales Audit Office, which is revised annually. The Joint Risk Assessment identifies service and corporate risks and assesses the likelihood of occurrence and their impact. Risk owners are identified. The Performance Management Unit monitors service area risks on a regular basis; these risks and the required actions to reduce the risks are presented to Scrutiny Committees and Corporate Management Team.

The Authority has a Disaster Recovery Plan for IT. Business Continuity Planning is being co-ordinated across the Authority by the Emergency Planning Service.

## Statement on Internal Control (Continued)

### **Value for Money**

An Efficiency Review Team undertook a challenge process to services during 2006/07 to encourage services to identify the scale of efficiencies required of the Authority under the "Making the Connections" agenda. The Authority has produced a draft efficiency plan, in accordance with Welsh Assembly Government guidelines, and is working with services to achieve the relevant savings included in that plan. Where overspending/underspending occurs on a regular basis this could result in services being identified as 'high risk' and could lead to a review of that service. Continual pressure on Local Government budgets encourages officers and members to find ways of maintaining and, where possible, improving services within existing costs.

The Authority is exploring opportunities to work with its Partners and is a member of Connecting South East Wales, a collaboration of Welsh Local Authorities. Procurement has been based on Value for Money principles for some years now. The Authority has recently expanded the Procurement Service enabling Procurement Specialists to provide a monitoring and support role in Directorates. This will drive through efficiencies in those areas. Procurement savings are identified and reported to Corporate Management Team and Scrutiny Committees.

A number of Shared Service Initiatives were close to or at the stage of the Outline Business Case during 2008/09. The HR Shared Services project for Human Resources and Payroll has now been fully considered by the Authority. A Members' seminar was held to ensure that the Outline Business Case and the risk involved in this project were fully considered. At Council, Members determined that the financial benefits were too low and would take too long to make an impact, especially when compared to the risks associated with the project and hence the Authority decided to withdraw from this particular Shared Service project. The Authority is still actively engaged in other Shared Service arrangements e.g. Project Gwyrdd, a waste project comprising 5 Local Authorities.

The Authority is proud of the way it maximises its funding opportunities, the use of Convergence funding is a good example.

Internal reviews are agreed as part of the annual regulatory calendar with the Wales Audit Office. When implemented the results are reported to Scrutiny Committee. This forum monitors progress of any actions resulting from a review.

### **Financial Strategy**

The Authority is seeking to develop a longer term approach and has 3 year financial planning linked to the 3 year Improvement Plan. The Improvement Plan informs the budget setting process and both revenue and capital budgets prepared for 3 financial years, albeit that recent events in 2008/09 that have resulted in the withdrawal of indicative budget uplifts by WAG have led to a review of the budget setting process. A Budget Advisory Group has been established in May 2009 to lead and develop financial strategies for the short and longer term to take the Authority through the difficult financial situation forecast for future years. The Authority continues to operate in a healthy financial position, evidence that these strategies are delivering.

The Financial Strategy is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Managers within the Authority. In particular, the system includes:

- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecast;

## **Statement on Internal Control (Continued)**

- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts together with anticipated outturn;
- Protocols for Revenue Budget and Reserves and Provisions;
- Clearly-defined capital expenditure guidelines; and
- As appropriate, formal project management disciplines.

In addition the above has been strengthened for 2009/10, monthly reports highlighting forecast adverse variances to budget are considered by Corporate Management Team, with a view to addressing issues early and agreeing actions to ensure spend remains within budget.

### **Management of the Asset Base**

The Authority has a designated corporate property function which includes staff dedicated to maintaining data on the Authority's land and property as well as property asset management planning and review.

Land and property holdings are recorded on a computerised Terrier system with a graphical map based presentation underwritten by a database containing the details of the property interests. Premises information and property performance information are held on "Enterprise" a dedicated asset management software database and reporting system. The Authority's Asset Register is held by Corporate Finance on a Logotech database. Valuations are updated by Corporate Property including assessments of impairment of property holdings.

The initial Corporate Property Asset Management Plan was produced for 2004/05, and further updated by way of a Cabinet Report for 2006/07. Area property reviews are being undertaken focusing on the property assets held by the Authority but also considering the property issues of partner organisations. Service based asset management plans were also under review with the aim of consolidating these service plans into an updated Corporate Property Asset Management Plan by April 2009; this process is still on going.

A corporate Capital Strategy Group oversees the delivery of the capital programme. A primary function of this group is to balance the need for new facilities with the maintenance requirements of the existing asset base.

In addition to the above extensive databases are held and monitored for Council Housing Stock, where an Academy database is used and a vehicle database held by the Authority's Insurance and Risk Management Section.

### **Performance Management**

The Authority has stated its commitment to improved performance management. It sets itself challenging but realisable improvement targets and monitors their progress on a regular basis. It has introduced a Performance Measurement System to track progress across all services; this system is called "PIMMS". The PIMMS system is being replaced by FFYNNON during 2009/10.

Performance Management Scrutiny meetings (every 6 months) have been added to the Scrutiny meeting calendar and members are receiving training in how to appropriately question services. These Scrutiny meetings are supported by the Performance Management Unit.

## Statement on Internal Control (Continued)

The Performance Management Unit works closely with the Authority's External Auditors. A Service Improvement Plan template has been agreed which, amongst other things, directs services to take a risk based approach as part of the improvement process and to align with the statutory requirements of the Wales Programme for Improvement. The Performance Management Unit assists services by providing Action Planning and Risk workshops. These workshops have been developed with the Wales Audit Office.

### **Published Performance Information**

Audits carried out by the Performance Management Unit and Wales Audit Office have indicated some inconsistency in data collection in the past. However this inconsistency is reducing as a result of improved audit and control across the Authority. The Relationship Manager's Annual Letter for 2007/08 stated that "The Council has sound arrangements in place for collecting and reporting its performance indicators, with none of the National Strategic Indicators being qualified for 2007-08".

The Performance Management Unit continues to develop the process to audit the accuracy of performance data. It is working with services to ensure they collect, in an accurate and evidenced way, the information they require to manage their business and to drive service improvement.

### **Improvement Plan**

In the report "Relationship Manager's Annual Letter, November 2008" the Auditor reported "The Full Council did not approve the updated Improvement Plan until 18 November, being after the statutory deadline of 31 October; and also did not meet the statutory date of 30 November for issuing publicly the Summary Plan". The Authority will need to ensure that deadlines are met for 2009/10.

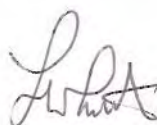
This report together with others from the Wales Audit Office, Estyn, the Commission for Social Services Inspectorate Wales give the Authority assurance that there is probity and propriety in the conduct of its business.

These reports are taken to Scrutiny Committees and the Performance Management Unit monitors actions incorporated into Service Improvement Plans to address issues raised in the reports.



**S.A. Rosser**  
Chief Executive

Date 28 September 2009



**Councillor L. Whittle**  
Leader of the Council

Date 24th September 2009

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

### **Responsibilities of the Head of Corporate Finance**

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

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

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

The Head of Corporate Finance has also:

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

### **Certificate of the Head of Corporate Finance**

I certify that the accounts, set out on pages 19 to 112, state fairly the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.



**N. Scammell**  
**Head of Corporate Finance**

**Date** 23/9/09.

The draft accounts were approved by the Council on 30 June 2009

The revised accounts were approved by the Audit Committee on 23 September 2009

Signed on behalf of Caerphilly County Borough Council:

**Councillor J. B. Criddle**  
**Chair of Audit Committee**



**Date** 23/9/09



## **Independent Auditor's 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 2009 under the Public Audit (Wales) Act 2004. Caerphilly County Borough Council's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Caerphilly County Borough Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 46 of the Statement of the responsibilities of the auditors appointed by the Auditor General for Wales and his inspectors, and of the bodies that they audit and inspect (2008) prepared by the Auditor General for Wales.

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

The responsible financial officer's responsibilities for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice the financial position of the local government body and its income and expenditure for the year.

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

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

## **Independent Auditor's Report to Members of Caerphilly County Borough Council (continued)**

### **Basis of audit opinion**

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

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

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

In my opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice, the financial position of Caerphilly County Borough Council as at 31 March 2009 and its income and expenditure for the year then ended.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

My conclusion on Caerphilly County Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Relationship Manager's Annual Letter.

### **Certificate of completion**

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 Code of Audit and Inspection Practice issued by the Auditor General for Wales.



**Anthony Barrett  
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**29 September 2009**

## Introduction to Accounting Statements

The Authority's accounts for the year 2008/2009 are set out in the following pages. They consist of:

- i) **The Income and Expenditure Account** - this records the income and expenditure for the year of all the Authority's activities, including council housing, and shows how the net expenditure on all services has been financed by government grants, reserves, business rates and council tax payments. The income shown reflects statutory requirements, whilst the expenditure is compliant with UK Generally Accepted Accounting Practice (UK GAAP);
- ii) **The Statement of Movement on Council Fund Balance** – this shows whether the Authority has over or under spent against the council tax that it has raised for the year, taking into account the use of reserves built up in the past and contributions to reserves for earmarked future expenditure and the effect of statutory requirements.
- iii) **Statement of Total Recognised Gains and Losses** – this shows the total movement in the Authority's net worth for the year. The Statement recognises gains and losses that are not debited or credited to the Income and Expenditure Account, but which would have been recognised in the Balance Sheet, such as surpluses or deficits arising on the revaluation of fixed assets, or re-measurement of the net liability to cover the cost of retirement benefits;
- iv) **Balance Sheet** - which sets out the financial position of the Authority as at 31 March 2009;
- v) **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- vi) **The Housing Revenue Account (HRA)** - which has been separated into two statements. The HRA Income and Expenditure Account shows income and expenditure on council housing and the Statement of Movement on the HRA Balance reconciling the outturn on the HRA Income and Expenditure Account to the surplus/deficit for the year on the HRA Balance.

The Financial Statements as a whole are UK GAAP compliant.

Further information and support is provided in the Statement of Main Policies Adopted in Compiling the Accounts, the Notes to the Accounts and the Auditor's Report.

## **Statement of Main Policies Adopted in Compiling the Accounts**

### **1. General Principles**

The general principles adopted in compiling the accounts follow those recommended by the Chartered Institute of Public Finance and Accountancy in the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SoRP), and the Best Value Accounting Code of Practice 2008.

### **2. Accounting Concepts**

The accounts have been prepared in compliance with the accounting concepts set out in the SoRP referred to above. The SoRP requires compliance with the qualitative characteristics of financial information namely relevance, reliability, comparability and understandability, materiality and the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements. The accounting convention adopted is that of historical cost, modified by the revaluation of certain categories of fixed assets.

### **3. Debtors and Creditors**

The revenue transactions of the Authority are recorded on an accruals basis, that is, all sums due to or from the Authority in the year of account are included irrespective of whether the cash has actually been received or paid.

### **4. Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the asset yields benefits to the Authority, the services it provides are for a period of more than one year, is above the de-minimis limit of £10,000 and is compliant with the requirements of the Accounting Standards Board FRS15 "Tangible Fixed Assets". FRS15 requires that capital expenditure must relate to the enhancement or restoration of existing assets, or the creation / bringing into use of new assets. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets are valued on the basis required by the SoRP and in accordance with the "Statements of Asset Valuation Principles and Guidance Notes" issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2008 SoRP.

- Operational properties for which there is market evidence of value have been valued on the basis of market value for the existing use.
- Operational properties which are of a specialised nature have been valued using depreciated replacement cost only where there is no useful or relevant evidence of recent sales transactions, and otherwise on the basis of market value for the existing use.
- Non-operational properties have been valued on the basis of market value (or historical cost for assets under construction).
- Infrastructure assets are included in the balance sheet at historical cost, net of depreciation.
- Community Assets are included in the balance sheet at historical cost. Operational buildings that are located on land classed as a community asset are valued at depreciated replacement cost or market value (existing use) as appropriate.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

- Council Dwellings are included within the balance sheet at existing use value – Social Housing.

### **Fixed Asset Valuation**

In accordance with the quinquennial programme required by the SoRP, the Authority's Chief Property Officer has undertaken valuations of the freehold and leasehold Land and Buildings of the Authority.

During 2004/2005, the Authority carried out a major change in the process of revaluation of the Council Housing Stock. This revaluation methodology has been repeated on an annual basis, and is considered more appropriate to the definition of "Existing Use, Social Housing". The method considers the future revenue flows to the Authority, net of a charge for management and maintenance, and discounted on a perpetuity basis to a present day value. (The previous system used market values by area, less a deduction for an estimated "Right to Buy" discount level.) This valuation reflects more accurately the value to the Authority of renting out properties for social housing.

### **Asset Valuation Policies**

In accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS), the asset valuation policies of the Authority are as follows:

- Council Housing Stock is valued on the basis of today's value of future revenue streams [i.e. rental income from tenants], net of an allowance reflecting a reasonable value for the management and maintenance of the stock and level of void properties.
- Properties regarded by the Authority as operational are valued on the basis of open market value for existing use or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost.
- Infrastructure Assets are valued on the basis of historical cost.
- Community Assets are valued on the basis of historical cost.
- Operational buildings located within community assets are valued on the basis of open market value for existing use or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost.
- Properties regarded by the Authority as being surplus assets are valued on the basis of open market value.
- Assets under construction are valued at cost.

The Authority charges depreciation on all operational assets (excluding land), in accordance with the Accounting Standards Board's FRS15 "Tangible Fixed Assets", and the SoRP.

The Authority's Chief Property Officer carries out the valuations.

Assets in the Balance Sheet at current value are revalued where there have been material changes in value, or as a minimum every five years. Increases in valuations (debits) are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **Treatment of Impairment Losses**

In accordance with the requirements of the Accounting Standards Board's FRS11 "Impairment of Fixed Assets and Goodwill", assets are written down in value where an impairment of that value has occurred. Impairment represents a reduction in value due to reasons other than market valuations and is identified by reference to physical visits and assessments as part of the Asset Management Plan, and to decisions by Council, e.g. approved closures. Where any impairment has been identified, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account; Otherwise
- Written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

### **Disposals**

When an asset is disposed of or decommissioned the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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). Assets are revalued when the decision has been made for them to be disposed of – as revaluation of assets at the time of disposal has now been prohibited. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account, along with any relevant balances existing within the Government Grants Deferred Account. Amounts 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 credited to the Usable 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 Statement of Movement on the Council Fund Balance.

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

### **Depreciation**

Depreciation is provided, on a straight-line basis, on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

Buildings	15 to 40 years
Council Dwellings	15 to 40 years
Infrastructure	10 to 40 years
Mobile Plant	5 to 10 years
Vehicles and Equipment	3 to 5 years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

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 charged on assets had the revaluation not taken place, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charges are made to the service revenue accounts and DSO/DLO and other 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. The annual charge is based on the value of assets at 1 April in each financial year. No depreciation is charged on assets in the year of acquisition, but depreciation is charged in the year of disposal.

### **5. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. purchased software licences) is capitalised when it will bring benefits to the Authority for more than one financial year. These are capitalised as assets at cost and amortised to the relevant service revenue account area over their economic lives – currently one year.

### **6. Revenue Expenditure Funded from Capital Under Statute**

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

### **7. Government Grants**

Government grants and third party contributions are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are credited to the relevant service revenue account to match the expenditure to which the grants relate.

Most capital grants are credited to the Government Grants Deferred Account and written off to the relevant service revenue account on the same lifetime basis as the depreciation of the assets to which the grants relate. The exception is the Major Repairs Allowance grant, which is written off to the Housing Revenue Account to match the treatment of the expenditure concerned.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **8. 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 Income and Expenditure Account 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, and interest charged to the Income and Expenditure Account is the amount payable for the loan under the loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase / settlement. However, where repurchase has taken place as part of 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations require the impact on the Council Fund balance to be 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 Income and Expenditure Account to the net charge against the Council Fund Balance is effected by a transfer to / from the Financial Instruments Adjustment Account in the Statement of Movement on the Council Fund Balance.

#### **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;
- 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 Income and Expenditure Account 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 Income and Expenditure Account will be the amount receivable for the year under the agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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



## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **Available-for-Sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income from the asset is credited to the Income and Expenditure Account when it becomes receivable by the Authority.

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the assets accumulated in the 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, the asset is written down and a charge is made to the Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **Instruments Entered Into Before 1 April 2006**

The Authority has issued a letter of assurance to Islwyn Borough Transport, which is not required to be accounted for as a financial instrument. This assurance is reflected in the Statement of Accounts to the extent that a provision might be required or a contingent liability note may be needed under the policies set out in accounting policy note 9 below.

## **9. Provisions and Reserves**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Provisions are required to be recognised under FRS12 when:

- The Authority has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

'Reserves' are maintained to meet future expenditure of a general nature not covered by the definition of provisions, and could potentially be used for the funding of capital expenditure, the replacement or renewal of assets, or the sponsorship of a major event by the Authority.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

The SoRP requires the maintenance of additional reserves, two in respect of the capital accounting system and two in respect of financial instruments (as mentioned in note 8 above):

- The Revaluation Reserve, which records the accumulated gains on the fixed assets held by the Authority arising from increases in value (from 1 April 2007), as a result of inflation or other factors.
- The Capital Adjustment Account, which records the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, the resources that have been set aside to finance capital expenditure and unrealised valuations gains pre-1 April 2007.
- The Available-for-Sale Reserve, which records the store of gains on revaluation of investments not yet realised through sales;
- The Financial Instruments Adjustment Account, which records the amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.

In addition, the requirements of FRS17- "Retirement Benefits" necessitate the maintenance of a Pensions Reserve. Statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund in the year and not the amount calculated in accordance with FRS17. In the Statement of Movement on the Council Fund Balance, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the charge for the cash paid to the pensions fund (including any amounts payable to the fund, but unpaid at the year-end).

### **10. Central Support Services**

All central administrative expenses are recharged in accordance with service level agreements. In addition, office accommodation charges have continued to be pooled and allocated on the basis of floor area and the number of occupants.

### **11. Stocks and Stores**

Stocks are valued on an average price basis, in compliance with SSAP9 and have been included in the Balance Sheet at the lower of cost and net realisable value.

### **12. Value Added Tax**

The revenue and capital accounts have been prepared exclusive of recoverable VAT.

### **13. Pension Costs**

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 Children, Schools and Families (DCSF).
- The Local Government Pensions Scheme, administered by Torfaen County Borough Council.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

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

However, the arrangements for the Teachers' Scheme mean that liabilities for these benefits cannot be identified 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 Service revenue account 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 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.
- The discount rate to be applied to scheme liabilities is specified by CIPFA in the SoRP. In 2008/2009 these were calculated on the basis of the iBoxx Sterling AA Rated Corporate Bond rate, which was 7.1% (6.1% in 2007/2008).
- 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.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
  - Contributions paid to the Torfaen pension fund – cash paid as employer's contributions to the pension fund.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the Council Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### **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.

### **14. Policy on Payment of Creditors**

It is the Authority's policy to repay its creditors promptly and without undue delay, within a 30-day target settlement period. In 2008/09, 90% of payments were made by the target date (89% in 2007/2008).

### **15. Local Government Reorganisation**

On 1 April 1996 the Authority inherited its share of the assets and liabilities of Gwent County Council, Mid Glamorgan County Council, Islwyn Borough Council and Rhymney Valley District Council. The realisation of the current assets and liabilities of Gwent County Council was undertaken by Newport County Borough Council.

The audit of Mid Glamorgan County Council was completed on 25 November 1998. Rhondda Cynon Taff County Borough Council had the responsibility for closing these accounts and has provided the successor authorities (including Caerphilly) with an analysis of assets and liabilities to be transferred and these figures have been incorporated into the Authority's Statement of Accounts. The disaggregation of these assets and liabilities has been finalised, following a previous without prejudice distribution of outstanding balances having been made (see note 32 to the Financial Statements).

The conclusion of this process has now been reached, with the signing of a Section 56 agreement in accordance with the Local Government (Wales) Act 1994, on behalf of all successor authorities. However, the treatment of material liabilities arising since the balance sheet date ("post balance sheet events") has yet to be finalised.

The Authority has adopted a prudent approach and provided for all known liabilities and only those assets it is certain of receiving. Nevertheless certain assets transferred to the Authority could bring with them unknown liabilities, which have not been recognised and accounted for.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **16. 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 20 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, bodies where Members and Senior Officers hold positions of influence and the Authority has transacted.

### **17. 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 depends upon 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.

### **18. 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.

### **19. Leases**

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Authority. Rental payments are apportioned between the finance charge (charged to revenue in the year during which costs are incurred) and the principal element, i.e. the reduction of the liability to pay the future rentals. The principal element of the rentals is set against the liability in the Balance Sheet so that the liability is reduced as the rent becomes payable. Fixed assets recognised under finance leases are accounted for generally using the same policies applied to tangible fixed assets, but depreciation is charged over the lease term where this is shorter than the estimated useful life of the asset.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to revenue in the year during which the rentals become payable.

### **20. Long Term Contracts**

The costs of long-term contracts are charged to revenue in the year they are incurred.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **21. Interest in Companies**

The Authority holds a financial interest, with shareholding, in two companies – Islwyn Borough Transport (IBT) and Trehir Development Company (TDC). Further information in respect of these shareholdings is detailed in note 27 to the Financial Statements.

These investments are accounted for on the basis of the lower of cost or net realisable value, which means that their value is written down where the financial performance of the companies so dictates.

The Authority has considered consolidating IBT and TDC with the accounts to produce a set of group accounts. After consulting guidance issued by CIPFA, it was felt that on the grounds of materiality, group accounts are not required and the SoRP could be complied with by disclosing the transactions and balances with each company and by including their primary financial statements as notes to the accounts.

### **22. Private Finance Initiatives (PFI)**

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide services passes to the PFI contractor. The Authority has entered into two contracts under PFI arrangements, namely the Sirhowy Enterprise Way and two schools – Ysgol Gyfun Cwm Rhymni and Lewis School, Pengam. Payments made by the Authority under these contracts are charged to revenue to reflect the value of services received in each financial year.

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 10 and 47 for the PFI Equalisation Reserves).

### **Residual Interests**

Where all or part of these properties passes to the Authority at the end of the contracts, the assets must be built up over the lives of each contract. This ensures a proper allocation of the unitary charges of each between the cost of services provided under each contract and the acquisition of the residual interests. The objective of building up the residual interests is to ensure that at the end of each contract, the accumulated balances, plus where applicable, any final payments made to the contractors exactly matches the originally estimated fair values of the assets received. In determining the accounting treatment for the residual interests, the Authority must estimate the fair value of the residual interest in the assets to be received at the end of the schemes.

**Statement of Main Policies Adopted in Compiling the Accounts**  
**(continued)**

The Authority itself must contribute to meet the costs of the scheme, from the LEA budget in respect of the schools and from the Highways budget in respect of the road.

In the case of each scheme, the Authority's contributions in total far exceed the capital cost of the schemes. The Council Fund therefore pays for the capital element of the unitary charges and the Assembly's contributions finance the revenue costs of each project. Due to the build-up of the residual interest in the Balance Sheet, there are net credits to the two acquisition reserves increasing working balances throughout the term of the PFI contracts. In order to reflect the financing of the acquisition of the schools and the road, an earmarked reserve (PFI Acquisition Reserve) is set up and maintained by annual appropriations from the revenue account (see Notes 10 and 46). These reserves will then be released to the Capital Adjustment Account when the assets are brought onto the Balance Sheet.

The following information is provided to assist in the understanding of the financial statements of the Department of Education.

The Department of Education is a government department of the Government of Western Australia. It is responsible for the provision of education services to the people of Western Australia. The Department's financial statements are prepared in accordance with the Accounting and Financial Reporting Rules 2006 (AFRR) and the Accounting and Financial Reporting Rules 2006 (AFRR) as amended.

## **Income and Expenditure Account**

**For the year ended**

**31 March 2009**



## Income and Expenditure Account

	2008/2009			2007/2008	Note
	Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000	
Central Services to the Public	3,453	(818)	2,635	2,792	
Cultural, Environmental and Planning Services	72,623	(26,714)	45,909	45,371	
Education and Children's Services	174,060	(48,000)	126,060	158,845	
Highways, Roads and Transport Services	32,599	(8,128)	24,471	20,663	
Housing Services	186,046	(112,743)	73,303	(1,851)	
Adult Social Care	66,826	(16,237)	50,589	53,030	
Corporate and Democratic Core Costs	4,611	(148)	4,463	4,615	
Non Distributed Costs	8,432	(480)	7,952	13,369	
<b>Net Cost of Services</b>	<b>548,650</b>	<b>(213,268)</b>	<b>335,382</b>	<b>296,834</b>	
(Gain)/Loss on Disposal of Fixed Assets			(183)	0	
Precepts and Levies:			8,729	7,416	1
Community Council Precepts			532	530	2
<b>(Surpluses)/Deficits on Trading Undertakings not included in Net Cost of Services:</b>					
DLO/DSO (Surplus)/Deficit			4,477	(17)	3
Other Trading Account (Surplus)/Deficit			1,603	13,276	4
Interest Payable and Similar Charges			10,829	9,401	5
Interest and Investment Income			(2,163)	(5,376)	5
Pensions Interest Cost and Expected Return on Pensions Assets			13,080	5,440	6
<b>Net Operating Expenditure</b>			<b>372,286</b>	<b>327,504</b>	
Council Tax			(50,231)	(48,174)	7
General Government Grants			(206,490)	(203,278)	8
Non-Domestic Rates Redistribution			(44,269)	(40,126)	9
<b>(Surplus)/Deficit for the Year</b>			<b>71,296</b>	<b>35,926</b>	

## Statement of Movement on the Council Fund Balance

	2008/2009	2007/2008	
	<u>£000</u>	<u>£000</u>	<u>Note</u>
(Surplus)/Deficit for the year on the Income and Expenditure Account	71,296	35,926	
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	(65,699)	(38,257)	
(Increase)/Decrease in Council Fund Balance for the Year	<u>5,597</u>	<u>(2,331)</u>	
Council Fund Balance brought forward	(16,409)	(14,078)	
Council Fund Balance carried forward	<u>(10,812)</u>	<u>(16,409)</u>	<b>22</b>
Amount of Council Fund Balance held by schools under local management schemes	(5,620)	(5,162)	<b>43</b>
Amount of Council Fund Balance generally available for new expenditure	<u>(10,812)</u>	<u>(16,409)</u>	
	<u><b>(16,432)</b></u>	<u><b>(21,571)</b></u>	

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned;
- Private Finance Initiative (PFI) unitary payments are charged to revenue to reflect the value of services received in each financial year, whilst amounts equal to the difference between the fair value of the asset and the payment to be made at the end of the contract are built up as long term debtors (for the transfer of the asset at the end of the contract) over the contract life by reducing the amount of the unitary payments charged to revenue (residual interest).

The Council Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Income and Expenditure Account is prepared on a UK GAAP-compliant basis, but the Statement of Movement on the Council Fund balance takes into account the adjustments required by statute. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Council Fund Balance.

**Note of reconciling items for the Statement of Movement on the Council Fund Balance**

	2008/2009		2007/2008	Note
	£000	£000	£000	
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance for the year</b>				
Amortisation of Premia and Discounts	(84)		682	22
Amortisation of intangible fixed assets	(519)		(548)	23
Depreciation and impairment of fixed assets	(78,798)		(63,134)	25
Amortisation of Government Grants Deferred and other Contributions	18,537		28,960	24
Revenue Expenditure Funded from Capital under Statute	(1,571)		(9,597)	
Net gain/(loss) on sale of fixed assets	183		0	
Net charges made for retirement benefits in accordance with FRS 17	(30,720)		(29,896)	6
		<b>(92,972)</b>	<b>(73,533)</b>	
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year</b>				
Minimum revenue provision for capital financing	7,175		5,750	21
Capital expenditure charged in-year to the Council Fund Balance	2,668		6,157	
Employer's contributions payable to the Greater Gwent & RCT Pension Fund and retirement benefits payable direct to pensioners	22,852		22,115	6
		<b>32,695</b>	<b>34,022</b>	
<b>Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the year</b>				
Housing Revenue Account balance	515		(384)	22
Voluntary revenue provision for capital financing	0		0	
Net transfer (to) or from earmarked reserves	(5,937)		1,638	
		<b>(5,422)</b>	<b>1,254</b>	
<b>Net additional amount required to be credited to the Council Fund balance for the year</b>		<b>(65,699)</b>	<b>(38,257)</b>	

**Table of Accounting Items for the Statement of Movement on the Capital Fund Balance**

Year	Statement of Movement on the Capital Fund Balance	
	2008	2009
2007	124	124
2008	124	124
2009	124	124

**Statement of Total Recognised Gains and Losses**

**For the year ended 31 March 2009**

Year	Statement of Total Recognised Gains and Losses	
	2008	2009
2007	124	124
2008	124	124
2009	124	124

## Statement of Total Recognised Gains and Losses

	<u>2008/2009</u> <u>£000</u>	<u>2007/2008</u> <u>£000</u>	<u>Note</u>
(Surplus)/Deficit for the year on the Income and Expenditure Account	71,296	35,926	
(Surplus)/Deficit arising on revaluation of fixed assets	(195,895)	(22,096)	35
(Surplus)/Deficit arising on revaluation of available-for-sale financial assets	214	(420)	22
Actuarial (gains)/losses on pension fund assets and liabilities	(32,589)	59,372	6
<b>Total recognised (gains) / losses for the year</b>	<b>(156,974)</b>	<b>72,782</b>	

Statement of Financial Position

	2009	2008
Assets		
Intangible assets		
Goodwill		
Identifiable intangible assets		
Property, plant and equipment		
Investments		
Financial assets		
Current assets		
Trade receivables		
Inventory		
Prepaid expenses		
Other receivables		
Cash and cash equivalents		
Liabilities and equity		
Liabilities		
Trade payables		
Other payables		
Financial liabilities		
Income tax payable		
Equity		
Share capital		
Reserves		

**Balance Sheet**

**As at 31 March 2009**

## Balance Sheet

	31 March 2009		31 March 2008	
	£000	£000	£000	Note
<b>Fixed assets</b>				
<b>Tangible Fixed Assets</b>				
Operational assets:				25
Council dwellings	102,354		179,365	
Other land and buildings	734,543		514,112	
Vehicles, plant, furniture and equipment	9,391		11,144	
Infrastructure assets	149,359		148,378	
Community assets	1,159		2,947	
<b>Non-operational assets:</b>				25
Assets under construction	45,954		30,233	
Surplus assets held for disposal	8,254		6,417	
<b>Total fixed assets</b>		1,051,014	892,596	
Long-term investments	92		10,629	27
Long-term debtors	11,852		9,605	28
<b>Total long-term assets</b>		1,062,958	912,830	
<b>Current assets</b>				
Stocks and work in progress	816		798	29
Debtors	33,155		31,521	30
Investments	77,615		83,929	52
Cash and bank	2,469		13,901	51
		114,055	130,149	
<b>Total assets</b>		1,177,013	1,042,979	
<b>Current liabilities</b>				
Short-term borrowing	(4,260)		(7,212)	30
Creditors	(53,233)		(55,893)	30
Bank overdraft	(78)		(490)	51
		(57,571)	(63,595)	
<b>Total assets less current liabilities</b>		1,119,442	979,384	

## Balance Sheet continued

	31 March 2009		31 March 2008	
	£000	£000	£000	Note
Long-term borrowing		(217,608)	(240,429)	5
Provisions		(26,572)	(12,483)	31
Government Grants Deferred		(163,544)	(153,139)	24
Unapplied Capital Grants and Contributions		(11,464)	(5,314)	34
Deferred liabilities		(1,038)	(1,057)	39
Liability related to defined benefit pension scheme		(224,981)	(249,701)	6
<b>Total assets less liabilities</b>		<b>474,235</b>	<b>317,261</b>	
<b>Financed by:</b>				
<b>Non-Distributable Reserves:</b>				
Financial Instruments Adjustment Account		(1,155)	(1,239)	22
Available-for-Sale Financial instruments Reserve		(279)	(493)	22
Revaluation Reserve		(216,775)	(22,096)	35
Capital Adjustment Account		(424,797)	(474,326)	36
Pensions reserve		224,981	249,701	6
PFI Acquisition Reserve (road)		(6,504)	(4,878)	46
PFI Acquisition Reserve (schools)		(3,997)	(3,331)	46
<b>Distributable Reserves:</b>				
Usable Capital Receipts Reserve		(516)	(2,095)	37
Council Fund balance		(10,812)	(16,409)	22
Housing Revenue Account balance		(4,422)	(3,907)	22
Earmarked reserves:				
Direct Services Earmarked Reserves		(1,937)	(1,923)	40
Capital Earmarked Reserves		(433)	(310)	41
Service Over/Underspend Reserves		(3,572)	(3,854)	42
Schools Earmarked Reserves		(5,620)	(5,162)	43
Insurance Earmarked Reserves		(784)	(2,114)	44
Other Earmarked Reserves		(17,613)	(24,825)	47
<b>Total net worth</b>		<b>(474,235)</b>	<b>(317,261)</b>	



**Cash Flow Statement**

**Cash Flow Statement  
For the year ended 31 March 2009**

	2008	2007
Operating activities	1,177,100	1,177,100
Investing activities	(1,177,100)	(1,177,100)
Financing activities	1,177,100	1,177,100
Net change in cash	1,177,100	1,177,100
Cash at beginning of year	1,177,100	1,177,100
Cash at end of year	2,354,200	1,177,100

## Cash Flow Statement

	31 March 2009		31 March 2008		Note
	£000	£000	£000	£000	
<b>Revenue Activities</b>					
<u>Cash Outflows</u>					
Employee Costs	(220,975)		(216,093)		
Other Operating Costs	(230,339)		(200,515)		
Payments to NNDR Pool	(29,844)		(27,446)		
Precepts Paid	(532)		(530)		
Housing Benefit Paid Out	(36,495)		(34,689)		
		(518,185)	(479,273)		
<u>Cash Inflows</u>					
Rents (after Rebates)	33,538		33,228		
Council Tax Income	49,940		47,701		
NNDR Income	28,535		27,201		
Receipts from NNDR Pool	44,269		40,126		
Revenue Support Grant	193,804		190,126		
DWP Grants for Rebates	54,229		50,800		
Other Government Grants	47,181		39,110		53
Other Revenue Cash Receipts	71,894		82,179		
		523,390	510,471		
<b>Net Cash Inflow from Revenue Activities</b>		5,205	31,198		50
<b>Returns on Investments and Servicing of Finance</b>					
<u>Cash Outflows</u>					
Interest Paid	(13,562)		(13,228)		
Interest element of finance lease rental payments	(13)		(16)		
<u>Cash Inflows</u>					
Interest Received	6,890		7,165		
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		(6,685)	(6,079)		
<b>Capital Activities</b>					
<u>Cash Outflows</u>					
Purchase of Fixed Assets	(40,870)		(67,293)		
Expenditure on Deferred Charges	(10,000)		(10,145)		
<u>Cash Inflows</u>					
Sale of Fixed Assets	3,291		4,527		
Capital Grants Received	47,199		46,214		53
Sale of Investments	10,537		9,928		
<b>Net Cash Inflow/(Outflow) from Capital Activities</b>		10,157	(16,769)		
<b>Net Cash Inflow/(Outflow) Before Financing</b>		<b>8,677</b>	<b>8,350</b>		
<b>Management of Liquid Resources</b>					
Net (increase)/decrease in short term deposits		6,314	(23,349)		52
<b>Financing</b>					
<u>Cash Outflows</u>					
Repayments of Amounts Borrowed	(65,005)		(59,011)		
Capital element of finance lease payments	(6)		37		
<u>Cash Inflows</u>					
New Loans Raised	39,000		70,150		
<b>Net Cash (Outflow)/Inflow from Financing</b>		(26,011)	11,176		54
<b>Increase/(Decrease) in Cash</b>		<b>(11,020)</b>	<b>(3,823)</b>		51



## Notes to the Core Financial Statements

### 1. Levies

The Authority paid the following levies to other public bodies:

	<u>2008/2009</u>	<u>2007/2008</u>
	<u>£000</u>	<u>£000</u>
South Wales Fire Authority	8,406	7,152
Gwent Coroners' Service	135	129
Glamorgan Archives' Service	89	48
Gwent Archives' Service	99	87
	<u><u>8,729</u></u>	<u><u>7,416</u></u>

During 2008, the Wales Audit Office obtained a legal view confirming that fire authorities in Wales are not permitted to retain balances or reserves. Any monies paid by constituent authorities in excess of the requirement to meet the net expenditure of the fire authorities to 31 March each year must be refunded.

The actual levy paid to the South Wales Fire Authority in 2007/2008 was £8.185m and in anticipation of a refund from the South Wales Fire Authority, the levy was reduced to that shown above (£7.152m). Consequently, the Authority has set up an earmarked reserve for the excess (£1.033m), further details of which can be found in note 47 to the main financial statements – Other Earmarked Reserves.

The 2008/2009 accounts of the South Wales Fire Authority have been finalised, and it has been confirmed that no refund will be due in respect of that year.

### 2. Precepts

The Authority collected the following amounts on behalf of local precepting authorities:

	<u>2008/2009</u>	<u>2007/2008</u>
	<u>£000</u>	<u>£000</u>
Aber Valley Community Council	26	26
Argoed Community Council	9	9
Bargoed Town Council	63	70
Bedwas, Trethomas and Machen Community Council	53	52
Blackwood Community Council	32	32
Caerphilly Town Council	73	73
Darren Valley Community Council	12	11
Gelligaer Community Council	67	65
Llanbradach Community Council	27	27
Maesycwmmmer Community Council	13	13
Nelson Community Council	23	21
New Tredegar Community Council	17	17
Penyrheol, Treceenydd and Energlyn Community Council	54	51
Rhymney Community Council	35	35
Rudry Community Council	8	8
Van Community Council	20	20
	<u><u>532</u></u>	<u><u>530</u></u>

In addition, the Authority collected precepts of £9.631m on behalf of the Gwent Police Authority in 2008/2009, (£9.100m in 2007/2008).

## Notes to the Core Financial Statements (continued)

### 3. Direct Labour/Service Organisations

Following the cessation of Compulsory Competitive Tendering (CCT), as explained on page 5 in the explanatory foreword, these organisations have continued to operate on a trading account basis. Their summary revenue positions are detailed below:

	2008/2009		(Surplus)/ Deficit £000	2007/2008
	Income £000	Expenditure £000		(Surplus)/ Deficit £000
Highway Maintenance	(7,504)	7,917	413	(683)
Public Cleaning & Refuse Collection	(9,284)	9,089	(195)	(413)
Building Cleaning	(3,073)	3,960	887	745
Vehicle Maintenance	(1,040)	1,110	70	(11)
Catering	(5,852)	8,392	2,540	890
Leisure	(1,816)	2,392	576	210
Grounds Maintenance	(4,830)	5,033	203	(295)
Building Services	(15,978)	15,895	(83)	(520)
Fleet Management	(5,041)	5,042	1	55
Outdoor Facilities	(569)	634	65	(30)
Finance Support	0	0	0	35
	<b>(54,987)</b>	<b>59,464</b>	<b>4,477</b>	<b>(17)</b>

From 2008/2009, the Finance Support Unit was no longer operating as a separate trading account and was subsumed within support services with any related costs being reallocated accordingly.

### 4. Other Trading Accounts

In accordance with CIPFA's Best Value Accounting Code of Practice, other services have also been identified as being provided in a competitive environment.

Their summary revenue position is detailed below:

	2008/2009		(Surplus)/ Deficit £000	2007/2008
	Income £000	Expenditure £000		(Surplus)/ Deficit £000
Industrial Estates	(3,247)	5,088	1,841	13,419
Housing Agency	(662)	424	(238)	(143)
	<b>(3,909)</b>	<b>5,512</b>	<b>1,603</b>	<b>13,276</b>

## Notes to the Core Financial Statements (continued)

### 5. Financial Instruments

#### Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

31 March 2009	<u>Financial Liabilities</u>	<u>Financial Assets</u>		
	<u>Liabilities measured at amortised cost £000</u>	<u>Loans and receivables £000</u>	<u>Available-for sale assets £000</u>	<u>Total £000</u>
Interest expense	10,829	0	0	10,829
Losses on derecognition	0	0	0	0
Impairment losses	0	4,565	0	4,565
<b>Interest payable and similar charges</b>	<b>10,829</b>	<b>4,565</b>	<b>0</b>	<b>15,394</b>
Interest income	0	(5,696)	(1,032)	(6,728)
Gains on derecognition	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>(5,696)</b>	<b>(1,032)</b>	<b>(6,728)</b>
Gains on revaluation			214	
Losses on revaluation			0	
Amounts recycled to the I & E Account after impairment			0	
<b>(Deficit)/Surplus arising on revaluation of financial assets</b>			<b>214</b>	
<b>Net (gain)/loss for the year</b>	<b>10,829</b>	<b>(1,131)</b>	<b>(818)</b>	

## Notes to the Core Financial Statements (continued)

31 March 2008	<u>Financial Liabilities</u>	<u>Financial Assets</u>		
	<u>Liabilities measured at amortised cost £000</u>	<u>Loans and receivables £000</u>	<u>Available-for- sale assets £000</u>	<u>Total £000</u>
Interest expense	9,401	0	0	9,401
Losses on derecognition	0	0	0	0
Impairment losses	0	0	0	0
<b>Interest payable and similar charges</b>	<b>9,401</b>	<b>0</b>	<b>0</b>	<b>9,401</b>
Interest income	0	(4,337)	(1,039)	(5,376)
Gains on derecognition	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>(4,337)</b>	<b>(1,039)</b>	<b>(5,376)</b>
Gains on revaluation			(420)	
Losses on revaluation			0	
Amounts recycled to the I & E Account after impairment			0	
<b>(Deficit)/Surplus arising on revaluation of financial assets</b>			<b>(420)</b>	
<b>Net (gain)/loss for the year</b>	<b>9,401</b>	<b>(4,337)</b>	<b>(1,459)</b>	

### Balance Sheet Items

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

	<u>Long Term</u>		<u>Current</u>	
	<u>31 March 2009 £000</u>	<u>31 March 2008 £000</u>	<u>31 March 2009 £000</u>	<u>31 March 2008 £000</u>
<b>Financial liabilities:</b>				
Public Works Loan Board (PWLB)	(176,600)	(199,897)	(4,250)	(7,202)
Other	(41,008)	(40,532)	(10)	(10)
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Total borrowings</b>	<b>(217,608)</b>	<b>(240,429)</b>	<b>(4,260)</b>	<b>(7,212)</b>
<b>Financial assets:</b>				
Loans and receivables	4	0	67,735	73,860
Available-for-sale financial assets	0	10,090	9,880	10,112
Unquoted equity investment	88	213	0	0
<b>Total investments</b>	<b>92</b>	<b>10,303</b>	<b>77,615</b>	<b>83,972</b>

As mentioned previously, financial liabilities held by the Authority are carried in the Balance Sheet at amortised cost. The SoRP requires disclosure of their fair values, together with the principal amount of such liabilities analysed over their maturity dates.

## Notes to the Core Financial Statements (continued)

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. For PWLB loans, the premature repayment rates in effect on 31 March 2009 and 2008 have been used as a discount factor. These rates include a margin representing the premium payable to the PWLB as a result of rescheduling the loans. Accrued interest as at the Balance Sheet date has been included in the fair value calculation and the rates used were obtained by Sector, the Authority's Treasury Management Advisers, from the market on 31 March 2009, using bid prices where applicable.

### Financial Liabilities:

Source of Loan	31 March 2009		31 March 2008	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
	£000	£000	£000	£000
Public Works Loans Board	(174,131)	(202,668)	(197,203)	(241,284)
Other	(40,000)	(41,849)	(40,000)	(42,665)
	<u>(214,131)</u>	<u>(244,517)</u>	<u>(237,203)</u>	<u>(283,949)</u>

Analysis of Loans by maturity	31 March	31 March
	2009	2008
	£000	£000
Maturing in 1 - 2 years	(3,259)	(4,149)
Maturing in 2 - 5 years	(7,485)	(5,513)
Maturing in 5 - 10 years	(12,938)	(17,212)
Maturing in more than 10 years	(190,449)	(210,329)
	<u>(214,131)</u>	<u>(237,203)</u>

Loans repayable within one year are identified in note 30. The other borrowings relate to Lender Option Borrower Option loans (LOBOs).

### Financial Assets:

	31 March 2009		31 March 2008	
	Nominal amount	Fair value	Nominal amount	Fair value
	£000	£000	£000	£000
Loans and receivables	71,299	69,646	73,860	75,536
Available-for-sale financial assets	10,000	10,325	20,000	20,623
Unquoted equity investment	88	88	213	213
	<u>81,387</u>	<u>80,059</u>	<u>94,073</u>	<u>96,372</u>

See also note 52 for a further breakdown of the principal amounts of monies invested.



## **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 might 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.
- Market risk – the possibility that financial loss might 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 seeks to minimise potential adverse effects on the resources available to fund services. A central treasury management team carries out risk management under policies approved by the Authority in the Treasury Management Annual Strategy Report presented to Council in February 2008. The Authority provides written principles for the overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum credit ratings as prescribed in the Annual Strategy. Credit rating agencies use different indicators to express the credit rating, financial strength of and level of support for institutions.

The Authority limits the maximum amount of investment with any one institution by reference to the 'support' ratings. The Authority had an original policy of not lending more than £10m of its surplus balances to one institution.

However, due to the collapse of the financial markets in October 2008, and the subsequent potential loss of sums invested in Icelandic banks (see note re Impairment of Investments, page 49) the decision was taken to cease lending to market institutions (with the exception of a reduced balance remaining in a call account which is subject to instant access) and to set up a Debt Management Account Deposit Facility (DMADF) with the Debt Management Office (the UK Government) to reduce risk. All new deposits subsequently were made either using the DMADF or other local authorities.

As a further measure to reduce perceived risk, requests were submitted to those financial institutions with which the Authority still had deposits outstanding for early repayment of the sums involved. Whilst most banks would not accede to the requests, some £6.5m was recovered before the maturity dates for the payment of a small administration cost.

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.

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

## Notes to the Core Financial Statements (continued)

	2008/2009			2007/2008	
	Amount at 31 March 2009 £000	Historical experience of default %	Historic experience adjusted for market conditions at 31 March 2009 %	Estimated maximum exposure to default and uncollectability £000	Estimated maximum exposure to default and uncollectability £000
				(A x C)	
	A	B	C		
Deposits with banks and financial institutions	83,305	5.48	5.48	4,565	0
Debtors	4,126	0.70	0.90	37	18
				<u>4,602</u>	<u>18</u>

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

	£000
Less than three months	2,808
Three to six months	155
Six months to one year	335
More than one year	828
	<u>4,126</u>

### Impairment of Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £15m deposited across two of these institutions, Heritable Bank LT and Landsbanki Islands hf, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £	Interest Rate %	Recoverable Amount £	Impairment £	
Heritable Bank LT	11/07/2008	10/10/2008	3,000,000	5.92	2,200,849	927,607	
Heritable Bank LT	14/07/2008	13/10/2008	1,500,000	5.90	1,100,210	463,073	
Heritable Bank LT	21/08/2008	19/11/2008	1,500,000	5.83	1,094,715	458,713	
Heritable Bank LT	26/08/2008	24/11/2008	1,000,000	5.84	729,119	305,761	
Heritable Bank LT	02/09/2008	01/12/2008	2,000,000	5.84	1,456,616	610,904	
Heritable Bank LT	09/09/2008	08/12/2008	1,000,000	5.81	727,842	304,630	
Landsbanki Islands	15/07/2008	13/10/2008	1,000,000	5.89	737,285	304,671	
Landsbanki Islands	20/08/2008	19/11/2008	3,000,000	5.83	2,213,086	894,250	
Landsbanki Islands	15/09/2008	12/12/2008	1,000,000	5.78	735,430	295,925	
					<b>Totals</b>	<b>10,995,152</b>	<b>4,565,534</b>

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action of recognising the impairment in the 2008/2009 accounts, by writing off £4.565m against revenue.

## Notes to the Core Financial Statements (continued)

As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

### **Heritable Bank**

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be between 70p and 80p in the £ by end 2012 with the first dividend payment of an estimated 15p in the £ due in the summer of 2009. The actual first interim payment – received in July 2009, was 16.13% of the claim (£1.628m), but the estimate of the total amount to be received remains unchanged (as per the letter from the administrators to all creditors dated 13 August 2009). The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:



Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest, accrued up to 6 October 2008.

### **Landsbanki**

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information previously indicated that recovery of between 90-100% could have been achieved, but the Landsbanki Resolution Committee recently announced that its best estimate of the amount to be repaid to preferential claimants is 83%. The authority has therefore decided to recognise an impairment based on it recovering 83p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Although Local Government's legal advice is that local authority depositors should be treated as preferential creditors, failure to secure such status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

## Notes to the Core Financial Statements (continued)

The resolution committee has not provided any information about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the Authority has used the estimated repayment timetables for as follows as a basis for its assumption about the timing of recoveries:

- March 2010                    21.00%
- December 2010            21.00%
- December 2011            21.00%
- December 2012            20.00%

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009 (as per Icelandic Act No 44/2009). In cases where the maturity date was before 22 April 2009, interest between the maturity date and 22 April 2009 will be credited at a penalty rate of 22% and claims should include calculations based on this amount.

The recoverable amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on statements made by the administrators:

Year End	Heritable Bank LT £	Landsbanki Islands £	Total £
31 March 2010	2,563,514	1,003,738	3,567,252
31 March 2011	1,888,323	960,882	2,849,205
31 March 2012	1,692,869	906,574	2,599,443
31 March 2013	599,767	814,606	1,414,373
31 March 2014	564,879	0	564,879
		<b>Totals</b>	<b>10,995,152</b>

Interest from the investments credited to the Income and Expenditure Account is as follows:

Bank	Credited 2007/08 £	Received 2007/08 £	Credited 2008/09 £	Received 2008/09 £
Heritable Bank LT	0	0	(380,040)	0
Landsbanki Islands	0	0	(180,647)	0

### 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.

### 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:

## Notes to the Core Financial Statements (continued)

- For borrowings at variable rates the interest expense charged to the Income and Expenditure Account will rise;
- For borrowings at fixed rates the fair value of the liabilities borrowings will fall;
- For investments at variable rates the interest income credited to the Income and Expenditure Account will rise;
- For investments at fixed rates the value of the assets will fall.

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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the Council Fund Balance pound for pound. Movements in fair value of available-for-sale investments will be reflected in the STRGL.

The Authority has a number of strategies for managing interest rate risk. Its policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans when interest rate levels are favourable. However, as at 31 March 2009, the Authority has 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.

The fall in interest rates in the latter part of 2008/2009, together with the decision to move deposits when possible into the DMADF, resulted in a reduction in the interest receivable from deposits. However, in January 2009 an opportunity arose to prematurely repay PWLB loans totalling some £33m, which resulted in savings in interest and the receipt of a discount, not only helping to support the Income & Expenditure Account in 2008/2009, but also for subsequent years.

	<b>£000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	0
Share of overall impact debited to the HRA	0
Increase in fair value of fixed rate investment assets	293
Impact on STRGL	<b>293</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on Income and Expenditure Account or STRGL)	<b>2,877</b>

According to this assessment strategy, if interest rates had been 1% higher at 31 March 2009, with all other variables held constant, the financial effect would be:  
The impact of a 1% fall in interest rates would be as above, but with the movements being reversed.

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

### **Price risk**

The Authority does not generally invest in equity shares but does have a 100% shareholding to the value of £87,486 in Islwyn Borough Transport Ltd (see note 27). The Authority is consequently exposed to losses arising from movements in the worth of the company. The Authority also holds a 100% shareholding in the Trehir Development Company represented by 100 £1 shares, (see also note 27). As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to mitigate exposure to risk by diversifying its portfolio. The shares are classed as available-for-sale, with all movements in price impacting on gains and losses recognised in the STRGL. A general shift of 5% in the general price of shares (positive or negative) would result in a £4,379 gain or loss being recognised in the STRGL for 2008/2009.

### **Foreign exchange risk**

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

## **6. Retirement Benefits**

### **Defined Benefit Scheme**

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits and participates in two different pension schemes – the Local Government Pension Scheme and the Teachers' Scheme.

The Local Government 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' Scheme is an index-linked unfunded defined benefit final salary scheme, for which the liability for payment of pensions ultimately rests with the Department for Children, Schools and Families (DCSF), and as such, the Authority is unable to identify its share of assets and liabilities, and has therefore accounted for this as a defined contribution scheme, in accordance with the requirements of FRS17.

### **Other Employees**

In 2008/09, the Authority paid an employer's contribution of £19.552m, representing 20.7% of employees' pensionable pay into the Greater Gwent (Torfaen) Pension Fund, (formerly Gwent County Council), 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 2008/09 these amounted to £1.844m, representing 1.94% of pensionable pay.

### **Former Authorities' Liability**

The former authorities' liability exists in respect of previous years decisions to fund the pension benefits of employees of the former Mid Glamorgan, 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.

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

### **Teachers' Pension Scheme**

As mentioned previously the Teachers' Pension Scheme is a defined benefit scheme that is being accounted for as a defined contribution scheme. This liability exists in respect of unfunded Teachers' Discretionary Benefits, liability for the payment of which ultimately rests with the DCSF. This has been included within the Authority's accounts as part of the required FRS17 accounting disclosures. Actuarial assumptions are based upon the Greater Gwent (Torfaen) Pension Fund as above. In 2008/09 the Authority paid £7.884m to Capita Teachers' Pensions, in respect of teachers' pensions, which represents 14.1% of teachers' pensionable pay (£7.826m and 14.1% for 2007/08). In addition, the Authority is responsible for all pension payments relating to added years that have been awarded, together with the related increases. In 2008/09, these amounted to £1.520m, representing approximately 2.69% of pensionable pay (£1.717m and 3.065% for 2007/08).

### **Change of Accounting Policy**

Under the 2008 SoRP, the Authority has adopted the amendment to FRS17 "Retirement Benefits", a result of which, quoted securities held as assets are now valued at bid price rather than mid-market value.

For the financial year 2008/09, the effect of this change (accounted for as an in-year movement) on the opening value of the scheme assets has been a restatement from £304.802m to £304.221m (a decrease of £0.581m resulting in an increase of the pension deficit of £0.581m).

### **Transactions Relating to Retirement Benefits**

Also in accordance with FRS17, the Authority has been required to make certain additional adjustments to the revenue accounts, to reflect the movements in the Authority's share of the surplus / deficit of the Pension Fund. These changes have been introduced to ensure that the financial statements contain adequate disclosure of the cost (current and future) of providing retirement benefits, and the related gains, losses, assets and liabilities, and that such costs are recognised in the accounting period in which they arise / are earned.

These adjustments impact upon the Net Cost of Services and Net Operating Expenditure totals shown in the Income and Expenditure Account, and the Pensions Asset / Liability value disclosed in the Balance Sheet. The value of these adjustments is reversed out via the Statement of Movement on the Council Fund Balance and an appropriation to the Pensions Reserve, to ensure that they have no impact upon the Authority's taxpayers. The value of the adjustments included is detailed below:

## Notes to the Core Financial Statements (continued)

	<b>2008/2009</b>	<b>2007/2008</b>
	<b>£000</b>	<b>Restated £000</b>
<b>Income and Expenditure Account</b>		
<i>Net Cost of Services</i>		
• current service cost	16,987	15,161
• past service costs	420	8,131
• effect of curtailments or settlements	233	1,164
<i>Net Operating Expenditure</i>		
• interest cost	34,056	26,524
• expected return on scheme assets	(20,976)	(21,043)
<i>Net Charge to the Income and Expenditure Account</i>	<b>30,720</b>	<b>29,937</b>

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

• reversal of net charges made for retirement benefits in accordance with FRS17	(30,720)	(29,937)
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### *Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:*

• employers' contributions payable to the scheme	22,852	22,115
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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.

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

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £32.589m were included in the Statement of Total Recognised Gains and Losses (£59.302m loss in 2007/2008 as restated). The cumulative amount of actuarial losses recognised in the STRGL is £7.903m.

### **Retirement Benefits Assets and Liabilities**

#### **Reconciliation of present value of the scheme liabilities:**

	<b>2008/2009</b>			
	<b>Greater Gwent Scheme £000</b>	<b>Former Authorities Liability £000</b>	<b>Unfunded Teachers' Pension £000</b>	<b>Total £000</b>
<b>1 April</b>	526,591	8,040	19,872	554,503
Current service cost	16,987	0	0	16,987
Interest cost	32,353	530	1,173	34,056
Contributions by scheme participants	5,910	0	0	5,910
Actuarial (gains) / losses	(121,777)	(400)	(2,612)	(124,789)
Benefits paid	(15,316)	(640)	(1,299)	(17,255)
Past service costs	380	40	0	420
Curtailments	233	0	0	233
<b>31 March</b>	<b>445,361</b>	<b>7,570</b>	<b>17,134</b>	<b>470,065</b>



## Notes to the Core Financial Statements (continued)

	2007/2008			Total £000
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	
<b>1 April</b>	465,360	8,470	13,806	487,636
Current service cost	15,161	0	0	15,161
Interest cost	25,388	430	706	26,524
Contributions by scheme participants	5,520	0	0	5,520
Actuarial (gains) / losses	20,220	(270)	3,618	23,568
Benefits paid	(11,114)	(620)	(1,467)	(13,201)
Past service costs	4,892	30	3,209	8,131
Curtailments	1,164	0	0	1,164
<b>31 March</b>	<b>526,591</b>	<b>8,040</b>	<b>19,872</b>	<b>554,503</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 fair value of the scheme assets:

	Greater Gwent Scheme		Former Authorities Liability		Unfunded Teachers' Pension	
	2008/09	2007/08 Restated	2008/09	2007/08 Restated	2008/09	2007/08 Restated
	£000	£000	£000	£000	£000	£000
<b>1 April</b>	304,221	304,479	0	0	0	0
Expected rate of return	20,976	21,043	0	0	0	0
Actuarial gains / (losses)	(91,619)	(35,734)	0	0	0	0
Employer contributions	20,913	20,027	640	620	1,299	1,467
Contributions by scheme participants	5,910	5,520	0	0	0	0
Benefits paid	(15,316)	(11,114)	(640)	(620)	(1,299)	(1,467)
<b>31 March</b>	<b>245,085</b>	<b>304,221</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

The actual return on scheme assets in the year was a negative return of £70.643m (negative return of £8.820m in 2007/2008).

## Notes to the Core Financial Statements (continued)

### Scheme History:

	2008/2009	2007/2008	2006/2007	2005/2006*	2004/2005*
	£000	Restated £000	Restated £000	£000	£000
<b>Present value of liabilities:</b>					
• Local Government Pension Scheme	(445,362)	(526,591)	(465,360)	(453,299)	(379,445)
• Former Authorities' Liability	(7,570)	(8,040)	(8,470)	(6,980)	(6,930)
• Unfunded Teachers' Pension	(17,134)	(19,872)	(13,806)	(13,683)	(12,085)
<b>Fair value of assets:</b>					
• Local Government Pension Scheme	245,085	304,221	304,479	268,277	198,716
• Former Authorities' Liability	0	0	0	0	0
• Unfunded Teachers' Pension	0	0	0	0	0
<b>Surplus/(deficit) in the scheme:</b>					
• Local Government Pension Scheme	(200,277)	(222,370)	(160,881)	(185,022)	(180,729)
• Former Authorities' Liability	(7,570)	(8,040)	(8,470)	(6,980)	(6,930)
• Unfunded Teachers' Pension	(17,134)	(19,872)	(13,806)	(13,683)	(12,085)
<b>Total</b>	<b>(224,981)</b>	<b>(250,282)</b>	<b>(183,157)</b>	<b>(205,685)</b>	<b>(199,744)</b>

\*As permitted by FRS17 (revised), the Authority has elected to not restate fair value of the scheme assets for 2004/2005 and 2005/2006.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits and, as stated previously participates in two formal schemes – the Local Government Pension Scheme and the Teachers' Pension Scheme. In addition, the Authority has liabilities for discretionary pension payments outside the main schemes. The total liability of £224.9m has a substantial impact on the net worth of the Authority, but statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contribution that the Authority expects to make to the Local Government Pension Scheme in the year to 31 March 2010 is £20.403m.

### **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 rate of mortality. In previous years the actuaries based the discount rate on the yield on the iBoxx Sterling AA corporate bond over 15 years index. For the year ended 31 March 2009, 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.

Our actuaries have assumed that 50% of employees retiring after 6 April 2008 will take advantage of this change to the pension scheme. Our actuaries have advised that this has resulted in the pension liabilities being greater than if a higher take up of lump sums had occurred.

## 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>2008/09</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2007/08</b>
Long-term expected rate of return on assets in the scheme:						
Equity investments	7.5%	7.5%	7.0%	7.6%	7.5%	7.5%
Government Bonds	4.0%	4.6%	4.0%	4.6%	4.0%	4.6%
Other Bonds	6.0%	6.1%	5.8%	6.8%	6.0%	6.1%
Property	6.5%	6.5%	6.0%	6.6%	6.5%	6.5%
Cash/Liquidity	0.5%	5.3%	1.6%	6.0%	0.5%	5.3%
<u>Mortality assumptions:</u>						
Longevity at 65 for current pensioners:						
- Men	21.2	21.1	21.1	20.3	21.2	21.1
- Women	24.0	24.0	23.5	22.7	24.0	24.0
Longevity at 65 for future pensioners:						
- Men	22.2	22.2	23.4	22.2	22.2	22.2
- Women	25.0	25.0	25.7	23.9	25.0	25.0
Rate of inflation	3.3%	3.6%	2.9%	3.7%	3.3%	3.6%
Rate of increase in salaries	4.8%	5.1%			4.8%	5.1%
Rate of increase in pensions	3.3%	3.6%	2.9%	3.7%	3.3%	3.6%
Rate for discounting scheme liabilities	7.1%	6.1%	7.0%	6.8%	7.1%	6.1%
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 Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
Equity investments	72.8%	79.3%
Government Bonds	10.2%	7.4%
Other Bonds	8.7%	7.3%
Property	1.6%	1.5%
Cash/Liquidity	6.7%	4.5%
	<b>100.0%</b>	<b>100.0%</b>

### **History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

## Notes to the Core Financial Statements (continued)

	2008/2009	2007/2008	2006/2007	2005/2006*	2004/2005*
	%	Restated %	Restated %	%	%
<b>Local Government Pension Scheme:</b>					
Differences between the expected and actual return on assets	(37.4)	(11.7)	2.1	15.7	5.1
Experience gains and losses on liabilities	0.0	0.2	0	(2.6)	(0.1)
<b>Former Authorities' Liability:</b>					
Differences between the expected and actual return on assets	0	0	0	0	0
Experience gains and losses on liabilities	(5.3)	(3.4)	(16.6)	0.1	(1.9)
<b>Unfunded Teachers' Pension:</b>					
Differences between the expected and actual return on assets	0	0	0	0	0
Experience gains and losses on liabilities	0.0	(5.0)	0.0	4.2	(2.9)

### 7. Council Tax

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 and the Gwent Police Authority 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 (£852.50 in 2008/09) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2008/09 was £59.862m.

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

BAND	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	8,444	17,925	14,148	7,943	6,544	3,039	1,075	173	115

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

	2008/2009	2007/2008
	£000	£000
Council tax collectable	(60,265)	(57,562)
Less: Bad Debt Provision	403	294
Less: Gwent Police Authority Precept	9,631	9,100
<b>Net proceeds from council tax</b>	<b>(50,231)</b>	<b>(48,168)</b>
Transitional Relief	0	(6)
	<b>(50,231)</b>	<b>(48,174)</b>

Transitional Relief – the 2005 Welsh Transitional Relief Scheme, under The Council Tax (Transitional Arrangements) (Wales) Regulations 2004, assists council tax payers whose property bands rose by 2 or more bands on revaluation. It was estimated that 5% of dwellings would be affected in this way by revaluation and relief was only available under certain specific conditions. The relief ceased to be available after the 2006/07 financial year.

## Notes to the Core Financial Statements (continued)

### 8. Analysis of General Government Grants

The following table details the main sources of grant income received by the Authority used to fund service expenditure in 2008/2009:

	<b>2008/2009</b>	<b>2007/2008</b>
	<b>£000</b>	<b>£000</b>
Revenue Support Grant	(193,804)	(190,127)
Performance Incentive Grant	(1,904)	(1,898)
Deprivation Grant	(2,466)	(2,466)
Local Authority Business Growth Incentive Grant (LABGI)	0	(270)
Private Finance Initiative Grant	(8,316)	(8,517)
<b>Total General Government Grants</b>	<b><u>(206,490)</u></b>	<b><u>(203,278)</u></b>

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

NNDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (46.6p in 2008/09) 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 Assembly Government. The Welsh Assembly Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population. The Authority's redistribution for 2008/09 was £44.269m in total.

The anticipated NNDR proceeds of £30.9m for 2008/09 was based on an average rateable value of £74.09m for the year (£73.54m for 2007/08).

<i>Analysis of the net proceeds from Non-Domestic Rates:</i>	<b>2008/2009</b>	<b>2007/2008</b>
	<b>£000</b>	<b>£000</b>
Anticipated proceeds	<b><u>(30,927)</u></b>	<b><u>(28,221)</u></b>
Less: Discretionary Relief	255	223
Cost of collection	292	262
Bad and doubtful debts	536	290
Contribution to NNDR Pool	<b><u>(29,844)</u></b>	<b><u>(27,446)</u></b>
Redistributed amount due from NNDR Pool	(44,269)	(40,126)
<b>Amount received from NNDR Pool</b>	<b><u>(44,269)</u></b>	<b><u>(40,126)</u></b>

### 10. Private Finance Initiative (PFI) Transactions

The Authority has 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 SEW 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 their educational, pastoral and financial arrangements.

## Notes to the Core Financial Statements (continued)

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, or alternatively 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 SEW 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 or, alternatively, the asset reverts to its ownership.

These PFI contracts have been deemed to be off balance sheet, in accordance with the Accounting Standards Board's FRS5 "Reporting the Substance of Transactions".

The amounts included within the Income and Expenditure Account in respect of PFI assets deemed to be off-balance sheet are as follows:

	<b>2008/2009</b>	<b>2007/2008</b>
	<b>£000</b>	<b>£000</b>
<b>Unitary Charge Payments Made - Gross</b>		
Schools	3,429	3,365
Road	5,779	6,283
	<b>9,208</b>	<b>9,648</b>
<b>Revenue Expenditure</b>	<b>9,208</b>	<b>9,648</b>

The Authority receives funding from the Welsh Assembly Government, via specific grant payments, 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 notes 46 and 47).

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

	<b>2008/2009</b>	<b>2007/2008</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward	(8,626)	(7,572)
<b>Amounts set aside in year:</b>		
Schools	(895)	(979)
Road	(499)	(75)
	<b>(10,020)</b>	<b>(8,626)</b>
	<b>(10,020)</b>	<b>(8,626)</b>

## Notes to the Core Financial Statements (continued)

The Authority is committed to make the following future payments in respect of such contracts:

	2008/2009		2007/2008	
	Road £000	School £000	Road £000	School £000
Within 1 year	4,993	3,677	5,112	3,605
Years 2 - 5 inclusive	18,784	15,470	19,259	15,162
Years 6 - 10 inclusive	20,809	21,201	21,402	20,769
Years 11 - 15 inclusive	17,840	23,523	18,434	23,036
Years 16 - 20 inclusive	14,872	26,151	15,466	25,599
Years 21 - 25 inclusive	11,904	19,542	12,497	24,998
Years 26 - 30 inclusive	2,025	0	4,168	0
	<b>91,227</b>	<b>109,564</b>	<b>96,338</b>	<b>113,169</b>

The estimated capital value of the assets subject to the Schools PFI scheme is £28.559m whilst the estimated capital value of the Road scheme is some £54.8m.

### 11. Section 5(1) Local Government Act 1986

The Authority's expenditure on publicity, prepared in accordance with the requirements of the Local Government Act 1986, was as follows:

	2008/2009 £000	2007/2008 £000
Direct Advertising for Recruitment Purposes	221	396
Other Expenditure	200	249
	<b>421</b>	<b>645</b>

### 12. Leases

#### a. Operating Leases

The Authority uses computer equipment, vehicles and plant and general office equipment financed under the terms of an operating lease.

Operating lease rentals paid to lessors in 2008/2009 totalled £681,487 (£729,601 in 2007/2008). Operating lease payments in prior years, incorrectly included amounts paid under finance leases.

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 £776,050 in 2008/09, (£776,050 in 2007/08).

## Notes to the Core Financial Statements (continued)

The Authority is committed to making payments of £1,518,227 under these leases in 2009/10, comprising the following elements:

	<b>Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Total £000</b>
Leases expiring in 2009/10	19	499	518
Lease expiring between 2010/11 and 2014/15	278	319	597
Leases expiring after 2014/15	403	0	403
	<b>700</b>	<b>818</b>	<b>1,518</b>

### **b. Finance Leases**

The Authority has acquired computer and other equipment under finance leases. The rentals payable under these arrangements in 2008/2009 were £136,233 (£156,388 in 2007/2008), charged to the Income & Expenditure Account as £12,663 as finance costs (debited to interest payable) and £123,570 relating to the write-down of obligations to the lessor (debited as part of the appropriation to the Capital Adjustment Account in the Statement of Movement on the Council Fund Balance).

The following values of assets are held under finance leases by the Authority, which are accounted for as part of Tangible Fixed Assets:

	<b>Equipment 2008/2009 £000</b>	<b>Equipment 2007/2008 £000</b>
Value at 1 April	195	158
Additions	171	177
Reclassifications	(39)	0
Depreciation	(138)	(140)
Disposals	0	0
<b>Value at 31 March</b>	<b>189</b>	<b>195</b>

The figure above for reclassifications relates to an operating lease that, in 2007/2008, was incorrectly classified as a finance lease, which has also had an impact on the depreciation figure to the value of £14,000.

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2009, accounted for as part of long-term liabilities, are as follows:

	<b>Equipment 2008/2009 £000</b>	<b>Equipment 2007/2008 £000</b>
Obligations payable in 2009/2010	86	102
Obligations payable between 2010/2011 and 2014/2015	103	93
Leases expiring after 2014/2015	0	0
	<b>189</b>	<b>195</b>



## Notes to the Core Financial Statements (continued)

### 13. Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £10,000, during the year ended 31 March 2009, were:

<u>2008/2009</u>	<u>Number of employees</u>		<u>Total</u>	<u>Left in year</u>
	<u>School based</u>	<u>Non-School based</u>		
£60,000 - £69,999	15	8	23	0
£70,000 - £79,999	5	8	13	0
£80,000 - £89,999	1	3	4	2
£90,000 - £99,999	1	2	3	0
£100,000 - £109,999	0	0	0	0
£110,000 - £119,999	0	0	0	0
£120,000 - £129,999	0	1	1	0
	<b>22</b>	<b>22</b>	<b>44</b>	<b>2</b>

Of the two leavers in the year, one was school-based.

<u>2007/2008</u>	<u>Number of employees</u>		<u>Total</u>	<u>Left in year</u>
	<u>School based</u>	<u>Non-School based</u>		
£60,000 - £69,999	7	14	21	2
£70,000 - £79,999	6	0	6	0
£80,000 - £89,999	1	2	3	0
£90,000 - £99,999	0	3	3	1
£100,000 - £109,999	0	0	0	0
£110,000 - £119,999	0	0	0	0
£120,000 - £129,999	0	1	1	0
	<b>14</b>	<b>20</b>	<b>34</b>	<b>3</b>

### 14. Members' Allowances

The total value of Members' allowances payments in 2008/2009 was £1,228,067 (£1,215,175 in 2007/2008). More detailed information on Members Allowances can be obtained from the Head of People Management, Penallta House, Tredomen Park, Ystrad Mynach, Hengoed CF82 7PG.

### 15. Section 137 Local Government Act, 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals. During 2008/09, expenditure of £567,599 was incurred, (£415,350 in 2007/2008) mainly on grants to voluntary bodies working in the local area.

## Notes to the Core Financial Statements (continued)

### 16. External Audit Costs

In 2008/2009 Caerphilly County Borough Council incurred the following fees relating to external audit and inspection.

	<u>2008/2009</u> <u>£000</u>	<u>2007/2008</u> <u>£000</u>
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	329	311
Fees payable to the Wales Audit Office in respect of statutory inspection	78	74
Fees payable to the Wales Audit Office for the certification of grant claims and returns	134	148
Fees payable to the Wales Audit Office in respect of the National Fraud Initiative	4	0
Fees payable in respect of other services provided by the appointed auditor	0	0
	<u>545</u>	<u>533</u>

## Notes to the Core Financial Statements (continued)

### 17. Local Authorities Goods and Services Act 1970.

The Authority is empowered by this Act to provide goods and services to other public bodies. During 2008/09 financial year, the Authority generated income and expenditure undertaking the following works under the provisions of the Act.

	2008/2009		2007/2008	
	Income Generated	Expenditure Incurred	Income Generated	Expenditure Incurred
	£000	£000	£000	£000
(a) the supply by the Authority to the body of any goods and materials				
Colleges	0	0	(4)	0
Health Authorities	(3)	0	(3)	3
Housing Associations	0	0	(24)	17
Other Local Authorities	(182)	172	(224)	217
Other Public Bodies	(1)	1	(18)	18
Police Authorities	(7)	6	(32)	35
Welsh Assembly Government	0	0	(2)	0
	<b>(193)</b>	<b>179</b>	<b>(307)</b>	<b>290</b>
(b) the provision by the Authority for the body of any administrative, professional or technical services				
Colleges	(67)	2	(183)	4
Fire Authorities	(16)	16	(17)	16
Health Authorities	(199)	146	(211)	194
Housing Associations	(109)	49	(46)	38
Other Local Authorities	(3,518)	1,506	(3,066)	2,843
Other Public Bodies	(148)	30	(54)	36
Police Authorities	(54)	28	(13)	13
Welsh Assembly Government	(654)	103	(410)	174
	<b>(4,765)</b>	<b>1,880</b>	<b>(4,000)</b>	<b>3,318</b>
(c) the use by the body of any vehicle, plant or apparatus belonging to the Authority				
Colleges	(6)	0	0	0
Health Authorities	(7)	7	(12)	12
Other Local Authorities	0	0	(1)	1
Other Public Bodies	0	0	(113)	113
Police Authorities	(8)	8	(5)	5
	<b>(21)</b>	<b>15</b>	<b>(131)</b>	<b>131</b>
(d) the carrying out by the Authority of works of maintenance in connection with land or buildings for the maintenance of which the body is responsible.				
Colleges	(2)	1	(2)	2
Police Authorities	(1)	1	(2)	2
	<b>(3)</b>	<b>2</b>	<b>(4)</b>	<b>4</b>
<b>Total</b>	<b>(4,982)</b>	<b>2,076</b>	<b>(4,442)</b>	<b>3,743</b>

## Notes to the Core Financial Statements (continued)

### 18. Building Control Statement

The Building (Local Council Charges) Regulations 1998 require disclosure of information regarding the setting of charges for the administration of the building control function. They also require the Authority to set up a scheme, and recover such charges as they may incur in the performance of functions, relating to building regulations. The recovery of costs must be achieved over a three-year accounting period, but must not be set as high as to generate a surplus. The position is :

	2008/2009 Total Chargeable £000	2008/2009 Total Non- Chargeable £000	2008/2009 Total Building Control £000	2007/2008 Total Building Control £000
<b>Expenditure</b>				
Employee Expenses	163	129	292	307
Premises	11	9	20	18
Transport	9	8	17	15
Supplies and Services	10	11	21	37
Administrative Costs	22	33	55	55
Agency and Contracted Services	17	14	31	61
Central and Support Service Charges	24	19	43	49
<b>Total Expenditure</b>	<b>256</b>	<b>223</b>	<b>479</b>	<b>542</b>
<b>Income</b>				
Building Regulations Charges	(225)	0	(225)	(327)
Miscellaneous Income	0	(7)	(7)	(30)
<b>Total Income</b>	<b>(225)</b>	<b>(7)</b>	<b>(232)</b>	<b>(357)</b>
<b>Surplus / (Deficit) for the year</b>	<b>31</b>	<b>216</b>	<b>247</b>	<b>185</b>

### 19. 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 Caerphilly Local Health Board, in respect of the following projects.

Lead Commissioning Arrangements: Scheme	2008/2009		Authority's Contribution £000	2007/2008
	Total Funding £000	Other Contribution £000		Authority's Contribution £000
Cancercareline	23	12	11	11
Drugaid	0	0	0	46
Islwyn Drug and Alcohol Project	0	0	0	1
Age Concern	148	103	45	44
Care and Repair	33	21	12	12
	<b>204</b>	<b>136</b>	<b>68</b>	<b>114</b>

#### Pooled Budgets:

Gwent Wide Integrated Community Equipment Service Project - see Note 57 - JANES

## Notes to the Core Financial Statements (continued)

**Cancercareline** exists to provide support to those affected by cancer, whether patients, families or carers.

**Drugaid** existed to provide therapeutic support and information to drug and alcohol users, their families, communities and professionals. The contract ended on 31 March 2008.

**Islwyn Drug and Alcohol Project** existed to provide counselling, befriending and advice to individuals concerned with alcohol, use of tranquillisers, illegal drugs etc. The contract ended on 31 March 2008.

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

**Care and Repair** exists to provide 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.

### **20. Related Party Transactions**

In compliance with FRS8's "Related Party Disclosures", 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:***

**Central Government** - in respect of revenue and capital grants, revenue support grant and NNDR Pool transactions. Further information regarding grant income received and due can be found on pages 82, 83 and 85, whilst details of revenue support grant received is shown on pages 32 & 60 and NNDR Pool transactions are summarised on page 60.

**Precepts** – page 43 provides details of precepts collected on behalf of other organisations.

**Levies** – page 43 provides details of amounts levied on the Authority by Joint Committees.

**Chief Officers and Members** - details of officers' emoluments and Members' allowances are provided on page 64. During 2008/2009 the majority of "declaration of interest" returns had been received showing that there were no other material related party transactions identified involving these individuals.

**Pension Contributions** – employer's contributions are made to both the Teachers Pension Agency and the Greater Gwent (Torfaen) Pension Fund, in respect of the Authority's employees. Further information of the amounts involved, and payments outstanding, are provided on pages 53 to 59.

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

**Islwyn Borough Transport** - the nature of the Authority's relationship with this wholly owned subsidiary is detailed on pages 76 to 78. During the course of 2008/09, the Authority received no loan repayments or interest payments from the company. As at 31 March 2009, the Authority held investments in the company valued at £87,486 (£212,720 at 31 March 2008), whilst outstanding loan advances to the Company amounted to £599,500 (£599,500 at 31 March 2008). During the course of 2008/2009, the Authority made payments to the company of £1,576,325 (£1,128,143 in 2007/2008) and received income of £85,622 including £19,223 in respect of NNDR (£nil and £20,368 respectively in 2007/2008). At the year-end the Authority owed £135,755 (£58,707 at 31 March 2008) to IBT in respect of contract services and was owed £29,975 in respect of interest on the loan (£nil in 2007/2008).

**Groundwork Trust Caerphilly** - the Authority is represented on the Board of this organisation. During the course of 2008/2009, the Authority made payments to the Trust of £514,287 (£469,098 in 2007/2008) and received income from the Trust of £87,023 (£181,597 in 2007/2008). At the year-end, the Authority owed some £4,986 to Groundwork (£47,411 in 2007/2008).

**Trehir Development Company Limited** - the Authority acquired a 100% shareholding in this company in June 2008 (for nil consideration) after previously holding a 19% interest. The principal activity of the company is the ownership of the former Trehir landfill disposal site near Llanbradach. The site ceased operation during the course of 2005/2006, and is currently in the process of being restored. The nature of the Authority's involvement and the financial performance of the company are detailed on pages 78-79. During the course of 2008/2009, the Authority had no transactions with the Company (2007/2008 - payments made to the company of £44,502 and income of £3,326 in respect of NNDR).

**Education Support and Inspection Service (ESIS)** - is a Joint Committee providing advisory and inspection services to the Local Education Authority and its schools. The Authority provides the administrative support to the Joint Committee, and funds its activities in conjunction with Bridgend, Merthyr Tydfil and Rhondda Cynon Taff County Borough Councils. At 31 March 2009, £820,890 was held on behalf of ESIS in the Authority's bank account. During the course of 2008/09, the Authority made payments to the Joint Committee of £1,481,023 (£1,728,265 in 2007/2008) and received payments from the Joint Committee of £16,147 (£27,513 in 2007/2008), whilst as at 31 March 2009 balances of some £2,980 were due from the Authority to ESIS (£22,238 in 2007/2008).

**Caerphilly Local Health Board** - the Authority is represented on the Board of this organisation. During the course of 2008/2009, the Authority made payments to the Board of some £1,775,492 (£32,285 in 2007/2008) and received income of £3,310,887 from the Board (Including Section 28a grant income of £3,052,073) (£3,183,618 and £2,941,479 respectively in 2007/2008) and NNDR income of £1,887 was collected from the Board (£2,419 in 2007/2008). At 31 March 2009, £1,647,700 was due from the Authority to the Health Board (£244,597 in 2007/2008).

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

### **21. Minimum Revenue Provision (MRP) Adjustment**

The Local Government Act 2003, as defined within the Local Authorities (Capital Finance and Accounting) (Wales) Regulation 2003 requires the Authority to set aside a Minimum Revenue Provision for the redemption of debt.

Prior to 2007/2008, the MRP was calculated as 2% of the value of outstanding HRA loans and 4% of the value of outstanding Council Fund loans (such values being measured by reference to the Capital Financing Requirement (CFR) balance at the commencement of the financial year – see note 49 on page 95). For this purpose, the Capital Financing Requirement was adjusted by a value calculated, as at 1 April 2004, as being necessary to ensure there was no impact on council tax arising from the change from the credit ceiling based calculation that had applied prior to that date.

With effect from 2007/08, the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 have revised the basis of charge in respect of Council Fund borrowing. The basis of charge remains unaltered for HRA borrowing.

From 2007/2008, 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, provides benefit.

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 Assembly Government), MRP has been calculated at 4% of the non-housing CFR balance at the commencement of the financial year. 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 Statement of Movement on the Council Fund Balance 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 the introduction of capital charges, and equates to the difference between the MRP calculation and the depreciation charge.

## Notes to the Core Financial Statements (continued)

### 22. Movements on Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some 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.

Reserve	Balance 1 April 2008 £000	Net Movement in year £000	Balance 31 March 2009 £000	Purpose of Reserve	Further Details of Movements
Financial Instruments Adjustment Account	(1,239)	84	(1,155)	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	
Available-for-sale Reserve	(493)	214	(279)	Store of gains on revaluation of investments not yet realised through sales.	
Revaluation Reserve	(22,096)	(194,679)	(216,775)	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 35, page 86
Capital Adjustment Account (CAA)	(474,326)	49,529	(424,797)	Store of capital resources set aside to meet past expenditure	Note 36, page 87
Usable Capital Receipts	(2,095)	1,579	(516)	Proceeds of fixed asset sales available to meet future capital investment	Note 37, page 88
Pensions Reserve	249,701	(24,720)	224,981	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 6, pages 53-59
Housing Revenue Account	(3,907)	(515)	(4,422)	Resources available to meet future running costs for council houses	HRA Statements pages 105-112
General Fund Balance	(16,409)	5,597	(10,812)	Resources available to meet future running costs for non-housing services	Statement of movement on the Council Fund Balance, page 33
Other Reserves	(46,397)	5,937	(40,460)		Notes 40-44 and notes 46-47, pages 89-94
<b>TOTAL</b>	<b>(317,261)</b>	<b>(156,974)</b>	<b>(474,235)</b>		



## Notes to the Core Financial Statements (continued)

### 23. Intangible Assets

The Authority has incurred expenditure on Intangible Assets in relation to computer software of £519,000, funded entirely from Capital Receipts Applied (£548,000 in 2007/2008).

	<b>Purchased software licences £000</b>
Balance at 1 April 2008	0
Expenditure in Year	519
Written off to revenue in year	(519)
<b>Balance at 31 March 2009</b>	<b>0</b>

### 24. Government Grants Deferred Account.

Capital grants that finance the acquisition of fixed assets either wholly or partly, are credited initially to the Government Grants Deferred Account. Amounts are released from this account to credit the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates. Grants used to finance revenue expenditure funded from capital are also released to the Income and Expenditure Account to offset amortisation of those charges.

	2008/2009			2007/2008
	Housing Revenue Account £000	General Fund £000	Total £000	Total £000
	Balance as at 1 April	0	(153,139)	(153,139)
Grants Transferred	(88)	88	0	0
Grants Credited in Year	(7,648)	(21,294)	(28,942)	(49,619)
Grants from Unapplied Grants and Contributions	0	0	0	(2,294)
Grants to Unapplied Grants and Contributions	0	0	0	665
Grants Applied to Income & Expenditure Account	7,736	10,801	18,537	18,898
Grants Applied to Revenue Expenditure funded from Capital under Statute	0	0	0	8,208
<b>Balance as at 31 March</b>	<b>0</b>	<b>(163,544)</b>	<b>(163,544)</b>	<b>(153,139)</b>

## Notes to the Core Financial Statements (continued)

### 25. Fixed Assets

#### Operational Assets

	<u>Council Dwellings</u> £000	<u>Other Land and Buildings</u> £000	<u>Vehicles, Plant, etc</u> £000	<u>Infra- structure</u> £000	<u>Community Assets</u> £000	<u>Total</u> £000
<b>Cost or valuation:</b>						
At 1 April 2008	188,632	621,173	24,636	178,290	2,961	1,015,692
Additions	8,209	9,797	1,291	7,154	0	26,451
Disposals	(525)	(2,676)	0	0	0	(3,201)
Impairments	(93,962)	(65,000)	0	0	(1,788)	(160,750)
Revaluations	0	208,430	0	0	0	208,430
<b>At 31 March 2009</b>	<b>102,354</b>	<b>771,724</b>	<b>25,927</b>	<b>185,444</b>	<b>1,173</b>	<b>1,086,622</b>
<b>Depreciation and impairments:</b>						
At 1 April 2008	(9,267)	(107,061)	(13,492)	(29,912)	(14)	(159,746)
Charge for year	(4,747)	(24,197)	(3,044)	(6,173)	0	(38,161)
Impairments	0	0	0	0	0	0
Disposals	0	93	0	0	0	93
Revaluations	14,014	93,984	0	0	0	107,998
<b>At 31 March 2009</b>	<b>0</b>	<b>(37,181)</b>	<b>(16,536)</b>	<b>(36,085)</b>	<b>(14)</b>	<b>(89,816)</b>
<b>Balance Sheet amount at 31 March 2009</b>	<b>102,354</b>	<b>734,543</b>	<b>9,391</b>	<b>149,359</b>	<b>1,159</b>	<b>996,806</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>179,365</b>	<b>514,112</b>	<b>11,144</b>	<b>148,378</b>	<b>2,947</b>	<b>855,946</b>
<b>Nature of asset holding:</b>						
Owned	102,354	734,543	9,202	149,359	1,159	996,617
Finance Leased	0	0	189	0	0	189
PFI	0	0	0	0	0	0
	<b>102,354</b>	<b>734,543</b>	<b>9,391</b>	<b>149,359</b>	<b>1,159</b>	<b>996,806</b>

## Notes to the Core Financial Statements (continued)

### Non-Operational Assets

	<u>Investment Properties</u> £000	<u>Assets Under Construction</u> £000	<u>Surplus Assets</u> £000	<u>Total</u> £000
<b>Cost or valuation:</b>				
At 1 April 2008	0	30,233	6,417	36,650
Additions	0	17,460	515	17,975
Disposals	0	0	0	0
Impairments	0	(1,739)	(1,298)	(3,037)
Revaluations	0	0	2,624	2,624
At 31 March 2009	0	45,954	8,258	54,212
<b>Depreciation and impairments:</b>				
At 1 April 2008	0	0	0	0
Charge for year	0	0	(4)	(4)
Impairments	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2009	0	0	(4)	(4)
<b>Balance Sheet amount at 31 March 2009</b>	<b>0</b>	<b>45,954</b>	<b>8,254</b>	<b>54,208</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>0</b>	<b>30,233</b>	<b>6,417</b>	<b>36,650</b>
<b>Nature of asset holding:</b>				
Owned	0	45,954	8,254	54,208
Finance Leased	0	0	0	0
PFI	0	0	0	0
	<b>0</b>	<b>45,954</b>	<b>8,254</b>	<b>54,208</b>

#### Notes:

##### 1. Assets under Construction

Assets under construction is analysed as follows:

Land formation for Economic and Urban Development	£11.638m
Highway Infrastructure – Public Transport Facilities	£33.014m
Social Services New Resource Centre	£0.838m
Record Archiving	<u>£0.464m</u>
	<b>£45.954m</b>

##### 2. Assets due for closure

As at 31 March 2009, the Authority had taken decisions to close a number of assets, which remain operational at that date, with a net book value of £461,000.

The properties are:

Oakdale Resource Centre and Rhymney Function Centre (Meals on Wheels).

## Notes to the Core Financial Statements (continued)

### Analysis of Fixed Assets

Assets owned by the Authority include the following:

<u>Operational Buildings</u>	<u>31 March 2009</u> Nos	<u>31 March 2008</u> Nos
<b>Council Dwellings</b>	11,010	11,025
<b>Corporate Buildings</b>	5	5
<b>Education</b>		
Primary Schools	75	73
Secondary Schools	14	14
Special Schools	1	1
<b>Libraries</b>		
Buildings	19	19
Mobile	1	4
<b>Leisure</b>		
Leisure Centres	11	11
Community Centres	38	38
<b>Social Services</b>		
Residential/Respite Care Homes	9	9
Group Homes/Hostels	1	1
Day Centres	9	9
Childrens Homes	1	1
Family Centre	2	2
District Offices/Bases	4	4
<b>Bus Stations</b>	4	4
<b>Public Conveniences</b>	10	13
<b><u>Non-Operational Assets</u></b>		
<b>Industrial Estates</b>	15	15
<b>Commercial Properties - Office Units</b>	1	1
<b><u>Community Assets</u></b>		
Parks and Open Spaces	31	31
Country Parks	5	5
Historic Buildings and Sites	2	3
Cemeteries	10	10

The above excludes Cwmcarn High School, a foundation school, the assets for which are vested in the Board of Governors.

## Notes to the Core Financial Statements (continued)

### 26. Capital Commitments

Future capital expenditure committed at 31 March 2009, amounted to £18.706m and includes the following major schemes:

		<b>£000</b>
<b>Corporate</b>	Office Accommodation	1,479
	Records Archive	571
<b>Highways and Transportation</b>	Bargoed Retail Plateau	444
	Bargoed By Pass	2,500
	Ystrad Fawr Highway Improvements	13,216
	Newbridge River Bridge	496
		<b>18,706</b>

### 27. Long Term Investments

Investments consist of:

	<b>2009 £000</b>	<b>2008 £000</b>
a) Investment in Islwyn Borough Transport	88	213
b) External Long-Term at cost	0	10,412
c) Other	4	4
	<b>92</b>	<b>10,629</b>

- a) Islwyn Borough Transport Ltd (IBT) is a company set up in accordance with the provisions of the Transport Act 1985 and is wholly owned by the Authority.

The Authority has considered consolidating IBT accounts with their accounts to produce a set of group accounts. After consulting guidance issued by CIPFA it was felt that, on the grounds of materiality, group accounts were not required and the Authority could comply with the SORP by disclosing the transactions and balances with IBT and by including IBT's primary financial statements as a note to the accounts.

The transactions and balances with IBT during the year are disclosed as part of Note 20 to the Accounts. In addition to the transactions and balances disclosed in Note 20, the Authority also has an 'IBT Asset Realisation Reserve', see page 93. During the year the Authority has written down the decrease in value of the investment in IBT to this reserve. The write down during 2008/2009 was £125,234, which represents the reduction in the net worth of the company in the year in question.

Pages 77-78 include IBT's profit and loss account, balance sheet, cash-flow statement and statement of total recognised gains and losses.

- b) The Authority's other investments include a 100% shareholding in Trehir Development Company (TDC) represented by 100 £1 shares – see note 20 on page 68. The company is no longer trading and has been dormant throughout 2008/2009.

As with IBT, the Authority has considered consolidating TDC accounts with their accounts to produce a set of group accounts and again, it was felt that, on the grounds of materiality, group accounts were not required and the Authority could comply with the SORP by disclosing the transactions and balances with TDC and by including TDC's primary financial statements as a note to the accounts (pages 78-79).

## Notes to the Core Financial Statements (continued)

The following are extracts from the audited accounts of Islwyn Borough Transport Limited and Trehir Development Company, for year ended 31 March 2009.

### **Islwyn Borough Transport Ltd - Profit and Loss Account for the year ended 31 March**

	2009 £000	2008 £000
<b>Turnover</b>	3,468	3,579
Cost of sales	(2,655)	(2,797)
<b>Gross Profit</b>	<b>813</b>	<b>782</b>
Administrative Expenses	(686)	(733)
Other Operating Income and Charges	(114)	24
<b>Operating Profit / (Loss)</b>	<b>13</b>	<b>73</b>
Interest Receivable and Similar Income	1	1
Interest payable and Similar Charges	(84)	(96)
Other Finance Costs	(67)	(21)
<b>Loss on Ordinary Activities Before Taxation</b>	<b>(137)</b>	<b>(43)</b>
Tax on Loss on Ordinary Activities	0	(178)
<b>Loss for the Financial Year After Taxation</b>	<b>(137)</b>	<b>(221)</b>

### **Discontinued Operations**

During the year, the company discontinued its Kingfisher Travel division and incurred a loss on disposal of the related fixed assets of £134k. A receipt of £20k was generated in relation to the proceeds on the sale of goodwill (both of which have been included in the above figures).

	2009 £000	2008 £000
<b>Fixed Assets</b>		
Tangible Assets	<b>1,361</b>	<b>1,974</b>
<b>Current Assets</b>		
Stocks	8	19
Debtors	263	275
Cash at bank and in hand	3	3
	<b>274</b>	<b>297</b>
<b>Creditors: Amounts falling due within one year</b>	<b>(645)</b>	<b>(781)</b>
<b>Net Current Liabilities</b>	<b>(371)</b>	<b>(484)</b>
<b>Total Assets less Current Liabilities</b>	<b>990</b>	<b>1,490</b>
<b>Creditors: Amounts falling due after more than one year</b>	(902)	(1,277)
<b>Pension Liability</b>	(1,431)	(1,345)
<b>Net Liabilities</b>	<b>(1,343)</b>	<b>(1,132)</b>
<b>Capital and Reserves</b>		
Called up Share Capital	605	605
Revaluation Reserve	70	74
Profit and Loss Account	(2,018)	(1,811)
<b>Shareholders' Funds (including Non-Equity Interests)</b>	<b>(1,343)</b>	<b>(1,132)</b>

## Notes to the Core Financial Statements (continued)

	2009 £000	2008 £000
Opening Shareholders' Funds	(1,132)	(483)
Profit / (Loss), after dividends, for the Financial Year	(137)	(221)
Other Recognised Gains and Losses	(74)	(428)
<b>Closing Shareholders' Funds</b>	<b>(1,343)</b>	<b>(1,132)</b>

### Islwyn Borough Transport Ltd - Statement of Total recognised Gains and Losses for the year ended 31 March

	2009 £000	2008 £000
Loss for the Financial Year	(137)	(221)
Actuarial Gain on Pension Fund	(74)	(428)
<b>Total Recognised Gains and Losses for the year</b>	<b>(211)</b>	<b>(649)</b>

### Islwyn Borough Transport Ltd - Cash Flow Statement as at 31 March

	2009 £000	2008 £000
<b>Net cash inflow / (outflow) from Operating Activities</b>	82	419
Return on Investments and Servicing of Finance	(84)	(95)
Capital Expenditure	75	33
Financing	73	357
	(274)	(255)
<b>(Decrease) / Increase in Cash in the period</b>	<b>(201)</b>	<b>102</b>

### Trehir Development Company Ltd - Profit and Loss Account for the year ended 31 March

	2009 £000	2008 £000
<b>Turnover from continuing operations</b>	0	23
Operating costs	1	(170)
<b>Operating Profit / (Loss)</b>	<b>1</b>	<b>(147)</b>
Interest Receivable and Similar Income	0	1
Interest payable and Similar Charges	(47)	(317)
Loan Waiver	3,408	0
<b>Loss on Ordinary Activities Before Taxation</b>	<b>3,362</b>	<b>(463)</b>
Tax on Loss on Ordinary Activities	(157)	0
<b>Profit / (Loss) for the financial year</b>	<b>3,205</b>	<b>(463)</b>
Dividends	0	0
<b>Profit / (Loss) for the Financial Year After Taxation</b>	<b>3,205</b>	<b>(463)</b>

## Notes to the Core Financial Statements (continued)

### Trehir Development Company Ltd - Balance Sheet as at 31 March

	2009 £000	2008 £000
<b>Fixed Assets</b>		
Tangible Assets	0	0
<b>Current Assets</b>		
Stocks	0	0
Debtors	0	456
Cash at bank and in hand	0	1
	0	457
<b>Creditors: Amounts falling due within one year</b>	0	(3,662)
<b>Net Current Liabilities</b>	0	(3,205)
<b>Total Assets less Current Liabilities</b>	0	(3,205)
<b>Creditors: Amounts falling due after more than one year</b>	0	0
Provision for liabilities and charges	0	0
	0	(3,205)
<b>Capital and Reserves</b>		
Called up Share Capital	0	0
Revaluation Reserve	0	0
Profit and Loss Account	0	(3,205)
<b>Equity Shareholders' Funds</b>	0	(3,205)

### Trehir Development Company Ltd - Reconciliation of Movement in Shareholders' Funds

	2009 £000	2008 £000
Opening Shareholders' Funds	(3,205)	(2,742)
Profit / (Loss), after dividends, for the Financial Year	3,205	(463)
Other Recognised Gains and Losses	0	0
<b>Closing Shareholders' Funds</b>	0	(3,205)

The Authority has received no dividend payments from either of these related companies during the financial year 2008/09.

Copies of the accounts for Islwyn Borough Transport Limited, can be obtained from Penmaen Road Depot, Blackwood NP12 2DY.

A copy of the accounts for Trehir Development Company can be obtained from the Head of Corporate Finance, Caerphilly County Borough Council, Penallta House, Tredomen Park, Ystrad Mynach, Hengoed CF82 7PG.



## Notes to the Core Financial Statements (continued)

### 28. Long Term Debtors

	31 March	
	2009 £000	2008 £000
PFI Residual Interest (Schools)	3,997	3,331
PFI Residual Interest (Roads)	6,504	4,878
Car Loans	267	225
Housing - Right to Buy	85	128
Housing Advances	116	109
Transferred Debt - Former Authorities	241	283
Advances to IBT	600	600
Other	42	51
	<b>11,852</b>	<b>9,605</b>

The significant item within this analysis relates to the identification of a PFI residual interest value. The background relating to the Authority's PFI contract is described in detail elsewhere (see pages 60-62). As part of the accounting arrangements relating to the contract, CIPFA's Statement of Recommended Practice requires that appropriate provision is made in the Authority's accounts to recognise the assessed residual value of the assets involved. This has been arrived at by applying a discounted cash flow analysis to their estimated capital construction cost. An appropriate reserve also exists in respect of this item (see note 46).

### 29. Stocks and Work in Progress

	31 March	
	2009 £000	2008 £000
<b>Stocks</b>		
Central Stores	308	315
Other	91	72
D.S.O.	377	373
	<b>776</b>	<b>760</b>
<b>Work-in-Progress</b>		
D.L.O.	31	32
Other	9	6
	<b>40</b>	<b>38</b>
<b>Total Stocks and Work in Progress</b>	<b>816</b>	<b>798</b>

## Notes to the Core Financial Statements (continued)

### 30. Debtors and Creditors

Debtors	31 March	
	2009 £000	2008 £000
Taxpayers - N N D R	3,038	1,728
- Council Tax	4,386	4,095
Council Tenants	1,204	1,139
Reserved Debtors	3,750	3,317
Governments Grants	6,700	12,869
HM Revenue & Customs (VAT)	2,929	2,025
HM Revenue & Customs	80	66
Other Local Authorities	2,214	2,160
Other Public Bodies	6,384	2,423
Payments in Advance	762	400
Sundry Debtors	4,222	3,619
Housing Benefit	1,714	1,372
Car Loans repayable within one year	166	147
Housing - Right to Buy	22	18
Housing Advances	10	20
	<b>37,581</b>	<b>35,398</b>
<b>Provision for Bad Debt -</b>		
Taxpayers - N N D R	(911)	(645)
- Council Tax	(1,434)	(1,309)
Council Tenants	(687)	(629)
Housing Benefits	(624)	(612)
Sundry Debtors	(767)	(621)
Other Public Bodies	0	(51)
Other	(3)	(10)
	<b>(4,426)</b>	<b>(3,877)</b>
<b>Total provision for bad debt</b>		
<b>Total Debtors</b>	<b>33,155</b>	<b>31,521</b>

## Notes to the Core Financial Statements (continued)

<b>Government grant debtors comprise:</b>	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Education Support Grants	485	95
Basic Skills Agency	0	214
National Lotteries Board	0	139
New Opportunities Fund	0	89
Early Years Grant	0	79
School Milk Subsidy	114	170
CILT Cymru	5	1
Primary School Free Breakfast Initiative	231	190
Youth Training Grants	36	0
Sports Development Grant	11	56
Community Safety / Crime Reduction	128	555
Substance Misuse Grant	660	0
Housing Exchequer Contributions (Renovation Grants)	0	92
European Regional Development Fund	2,192	3,225
Local Regeneration Fund	149	802
European Social Fund	271	346
Department for Economy and Transport (DE&T)	1,042	2,054
Transport Grant	187	4,567
Concessionary Fares Grant	905	0
Fairer Charging Grant - Social Services	273	177
Other	11	18
	<b>6,700</b>	<b>12,869</b>

<b>Creditors</b>	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Government Grants	(2,050)	(1,555)
HM Revenue & Customs	(3,949)	(3,973)
Other Local Authorities	(5,294)	(6,875)
Other Public Bodies	(3,427)	(4,034)
Receipts in Advance	(3,526)	(3,940)
Reserved Creditors	(33,676)	(33,917)
Miscellaneous Deposits	(1,011)	(1,254)
Sundry Creditors	(179)	(208)
Finance Leases	(86)	(102)
Housing Sale Deposits	(35)	(35)
Loans repayable within one year	(4,250)	(7,202)
Local bonds repayable within one year	(10)	(10)
	<b>(57,493)</b>	<b>(63,105)</b>

Included in receipts in advance is £134,682 in respect of the former Residuary Body for Wales. This body formerly existed to realise the value of certain local authority assets following local government reorganisation in 1996. The balance is to be distributed within the next financial year, in accordance with an agreed basis of allocation, to all Welsh local authorities.

## Notes to the Core Financial Statements (continued)

<b>Government grant creditors comprise:</b>	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Housing Subsidies	(66)	(32)
Basic Skills Agency	(124)	(45)
Assembly Learning Grant - Student Awards	(398)	(238)
Early Years Development and Childcare Partnership	(35)	(35)
School Based Counselling	(61)	0
DE&T - Derelict Land Grant	(4)	(4)
Community Focus Grant	(14)	(16)
Education Support and Training	(32)	(238)
Making the Connections	0	(33)
Flying Start	(424)	(221)
Learning Pathways	0	(28)
Post 16 year olds	(51)	(50)
Foundation Phase Pilot	(28)	(28)
Cymorth	(22)	(42)
Primary School Free Breakfast Initiative	0	(9)
Educational Support for Looked After Children	(344)	(425)
Specialist Equipment for Learners Grant	(10)	(23)
Disabled Facilities Grant	(60)	0
Welsh Assembly Government	0	(10)
Sports Council	(29)	0
Performance Management Grant	(120)	(57)
Independence & Wellbeing Grant	(220)	0
Other	(8)	(21)
	<b>(2,050)</b>	<b>(1,555)</b>

### 31. Movements in Provisions

Provisions	Balance at 01.04.08 <b>£000</b>	Transfers from Provision <b>£000</b>	Transfers to Provision <b>£000</b>	Balance at 31.03.09 <b>£000</b>
<b>Miscellaneous Provisions</b>				
Insurance Claims	(7,006)	2,990	(1,540)	(5,556)
Social Services	(752)	587	(40)	(205)
Corporate	(4,543)	0	(16,162)	(20,705)
Gwent County Supplies	(182)	76	0	(106)
	<b>(12,483)</b>	<b>3,653</b>	<b>(17,742)</b>	<b>(26,572)</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 upon page 92. The provision is released annually as required to cover insurance liability claims. A small number of claims may run for up to 3 years, but most claims are settled within the financial year.

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

**Corporate provision** - £20.662m of this provision relates to 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 the financial year 2009/2010.

£43k of the provision relates to the former Mid Glamorgan County Council as outlined in Note 32. Any release is subject to finalisation of the outstanding liabilities by the lead authority, Rhondda Cynon Tâf County Borough Council.

**Social Services provision** – relates to S117 liabilities in relation to mental health service clients charged in error. At this time, the Authority is unable to anticipate the likely date of release for this provision, as any release is reliant upon clients submitting claims.

**Gwent County Supplies** - provision exists to meet the anticipated dissolution costs of the County Supplies service. It is anticipated that the final disbursement of the dissolution costs of the service will take place in the financial year 2010/2011.

As set out in the Statement of Core Policies in Compiling the Accounts all provisions are reviewed in accordance with the requirements of FRS12.

### **32. Contingent Liabilities**

#### **Former Authorities**

As explained on page 27, the previously outstanding disaggregation position in respect of the former Mid Glamorgan County Council has now been resolved and an agreed rate of contribution has been agreed between each of the successor Authorities. The Authority has a potential liability of £0.363m in respect of schemes undertaken by the former Mid Glamorgan County Council. The Authority has made provision for £0.044m in respect of settled schemes in its 2008/09 accounts. The settlements of such liabilities remain pending. Any currently unknown liabilities that may subsequently arise, due to the action of the former Rhymney Valley District Council and Islwyn Borough Council, as well as the Mid Glamorgan and Gwent County Councils, may also have to be met by the Authority, either in whole or in part.

#### **Equal Pay**

The Authority has received a large number of equal pay claims. The Authority is currently finalising potential offers to various individuals in settlement of equal pay. These claims will be significant in terms of value, although the exact liability has not been determined at present.

#### **Landfill Allowance Scheme (Wales)**

As a result of legislative changes in the Landfill Allowance Scheme (Wales), the Authority may be liable for penalties in respect of the scheme. The exact liability is not quantifiable at present.

### **33. Other Funds**

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

The total value of these accounts as at 31st March 2009 was:

£178,516 - relating to Education Trust Funds administered by the Head of Corporate Finance, (£169,577 in 2007/2008).

£2,914 - relating to Education Trust Funds administered by the Head of Legal Services, (£2,777 in 2007/2008).

## Notes to the Core Financial Statements (continued)

The Education trust funds are held to provide prizes and awards to pupils in the Authority's schools. Of these funds, £3,572 is vested in shareholdings and £177,858 is held in bank deposits. There are no other underlying assets or liabilities. The Authority received £9,216 in dividends and interest on the funds during the year and incurred expenditure of £141.

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 2009 was £621,098 (£464,112 as at 31 March 2008).

### 34. Unapplied Capital Grants and Other Capital

The Authority receives grants and other contributions towards the funding of capital projects. The following table represents amounts received and carried forward to fund projects yet to be implemented or completed at the end of the financial year.

	2008/2009 £000	2007/2008 £000
<b>Grants:</b>		
Private Housing	(204)	(186)
Lifelong Learning and Leisure	(5)	0
Planning	(1,509)	(164)
Highways	(460)	(534)
Education	(28)	(42)
Property Services	(69)	0
	(2,275)	(926)
<b>Section 106 Contributions</b>		
Highways	(123)	(2,146)
Education	(270)	(181)
Lifelong Learning and Leisure	(170)	(170)
<b>Road Scheme Compensation</b>		
Highways	(401)	(900)
<b>Other Contributions:</b>		
Leisure	(2,502)	(211)
Education	0	(72)
Private Housing	(25)	0
Highways	(5,292)	(382)
Corporate Programme	(286)	(286)
Property Services	(2)	0
Planning	(118)	(40)
<b>Total</b>	<b>(11,464)</b>	<b>(5,314)</b>

## Notes to the Core Financial Statements (continued)

### 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 2009 therefore only shows revaluation gains accumulated since 1 April 2007.

	2008/2009		2007/2008
	£000	£000	£000
Balance as at 1 April		(22,096)	0
Deficit on Revaluation of Assets	5,175		0
Surplus on Revaluation of Assets	<u>(201,070)</u>		<u>(22,096)</u>
Total Unrealised Gains on Revaluation of Assets		(195,895)	(22,096)
Difference in Depreciation on Revalued Assets	691		0
Depreciation Released on Disposals	0		0
Transfer of Realised Profit	0		0
Disposal of Fixed Assets	<u>525</u>	1,216	0
<b>Balance as at 31 March</b>		<b><u>(216,775)</u></b>	<b><u>(22,096)</u></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 35 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.

	2008/2009		2007/2008	
	£000	£000	£000	£000
<b>Balance as at 1 April</b>		<b>(474,326)</b>		<b>0</b>
<i>Balances transferred:</i>				
From fixed asset restatement account	0		(569,914)	
From capital financing account	0		65,287	
		0		(504,627)
Capital receipts set aside		(556)		(2,383)
<b>Funding:</b>				
Unapplied grants and contributions applied	0		(1,397)	
Revenue funding applied	(2,668)		(6,101)	
Capital receipts applied	(4,314)		(3,377)	
Deferred grants applied	(18,537)		(18,899)	
<b>Total Funding</b>		<b>(25,519)</b>		<b>(29,774)</b>
MRP	(8,665)		(7,913)	
Commutation Adjustment	1,490		2,163	
		(7,175)		(5,750)
<i>Depreciation:</i>				
In year charge	38,165		41,124	
Attributable to revaluations	(691)		0	
Written back on revaluations	(107,998)		0	
Written back on disposals	(93)		0	
		(70,617)		41,124
Amortisation of non-enhancing expenditure		11,515		9,133
<i>Asset Revaluations / Impairments:</i>				
Economic losses	0		3,423	
Price adjustments	137,115		9,589	
		137,115		13,012
Disposals at Revaluation to sales value - CF	2,676		1,142	
Disposals at Revaluation to sales value - HRA	525			
Transfer to Revaluation Reserve	(525)		3,249	
		2,676		4,391
Revenue Expenditure funded from Capital	9,481		9,597	
Funding of revenue expenditure funded from capital	(7,910)		(9,597)	
		1,571		0
Amortisation of Intangible Assets		519		548
Total capital costs		75,604		62,458
<b>Balance as at 31 March</b>		<b>(424,797)</b>		<b>(474,326)</b>



## Notes to the Core Financial Statements (continued)

### 37. Usable Capital Receipts Reserve/Balance

	<b>2008/2009</b>	<b>2007/2008</b>
	<b>£000</b>	<b>£000</b>
Amounts receivable in year	(3,291)	(4,527)
Amounts set aside	556	2,383
Amounts applied to finance new capital investment in year	4,314	4,253
Total increase/(decrease) in realised capital resources in year	1,579	2,109
Balance brought forward at 1 April	(2,095)	(4,204)
<b>Balance carried forward at 31 March</b>	<b>(516)</b>	<b>(2,095)</b>

### 38. Deferred Capital Receipts

Deferred capital receipts are amounts derived from the sale of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages on the sale of council houses, which form the main part of housing right to buy/advances under long-term debtors (note 28, page 80 and note 39 below).

### 39. Deferred Liabilities

	<b>31 March 2009</b>	<b>31 March 2008</b>
	<b>£000</b>	<b>£000</b>
Finance Leases	(103)	(93)
Deferred Capital Receipts (Right to Buy)	(145)	(145)
Leisure Commuted Sums	(458)	(434)
Former Gwent County Council Debt	(332)	(385)
<b>Balance carried forward at 31 March</b>	<b>(1,038)</b>	<b>(1,057)</b>

Finance Leases – see note 12, page 62.

Deferred Capital Receipts – see note 38 above.

Leisure Commuted Sums are monies derived from contributions from developers for which the Authority has an obligation to ensure the provision and annual maintenance of leisure amenities (e.g. open spaces and play facilities) on newly constructed housing estates etc.

The former Gwent County Council Debt relates to debt held by that authority that was unable to be disaggregated on reorganisation. This debt is managed by Newport City Council, with repayments being made to them by the Authority annually.

## Notes to the Core Financial Statements (continued)

### 40. 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.

Reserves	Balance at 01.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.09 £000
Building Cleaning	(115)	0	0	(115)
Catering	0	0	0	0
Cleansing and Refuse Collection	(401)	0	0	(401)
Leisure	185	0	(185)	0
Grounds Maintenance	(541)	184	0	(357)
Highways Maintenance	(265)	0	(120)	(385)
Housing and Building Services	(844)	107	0	(737)
Vehicle Maintenance	(4)	0	0	(4)
Vehicle and Fleet Management	62	0	0	62
	<b>(1,923)</b>	<b>291</b>	<b>(305)</b>	<b>(1,937)</b>

### 41. 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.

Reserves	Balance at 01.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.09 £000
Corporate	0	1,667	(1,800)	(133)
Education	(275)	275	0	0
Leisure	0	0	(300)	(300)
Highways and Transportation	(35)	35	0	0
	<b>(310)</b>	<b>1,977</b>	<b>(2,100)</b>	<b>(433)</b>

## Notes to the Core Financial Statements (continued)

### 42. 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.

Reserves	Balance at 01.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.09 £000
Lifelong Learning and Leisure	(180)	674	(494)	0
Economic Development and Tourism	(150)	185	0	35
Education	(119)	256	(919)	(782)
Corporate Services	(689)	1,500	(1,241)	(430)
General Fund Housing	(363)	0	0	(363)
Policy and Central Services	(284)	0	(24)	(308)
Public Services	(84)	0	0	(84)
Social Services	(331)	70	(141)	(402)
Trading Standards	(31)	0	0	(31)
Highways and Transportation	7	0	0	7
Private Housing	(367)	0	0	(367)
Planning	(220)	144	0	(76)
Property Services	(55)	0	0	(55)
Environmental Health	(13)	0	0	(13)
Direct Services - Finance Support	(74)	0	0	(74)
Directorate of the Environment	(901)	1,750	(1,478)	(629)
	<b>(3,854)</b>	<b>4,579</b>	<b>(4,297)</b>	<b>(3,572)</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.

Reserves	Balance at 1.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance 31.03.09 £000
<b>Comprehensive Schools:</b>				
Bedwas Comprehensive School	(300)	114	0	(186)
Blackwood Comprehensive School	(198)	0	(81)	(279)
Heolddu Comprehensive School	(182)	0	(114)	(296)
Lewis School Pengam	(283)	46	0	(237)
Lewis Girls Comprehensive School	26	0	(309)	(283)
Newbridge Comprehensive School	(204)	17	0	(187)
Oakdale Comprehensive School	(83)	0	(22)	(105)
Ysgol Gyfun Cwm Rhymni	(261)	204	0	(57)
Rhymney Comprehensive School	(264)	51	0	(213)
Risca Comprehensive School	(148)	0	(76)	(224)
Pontllanfraith Comprehensive School	(37)	168	0	131
St Cenydd Comprehensive School	15	0	(225)	(210)
<b>Primary Schools:</b>				
Blackwood Primary School	(113)	15	0	(98)
Pontllanfraith Primary School	(99)	0	(44)	(143)
Cwrt Rawlin Primary School	(177)	0	(56)	(233)
St James Primary School	(157)	8	0	(149)
White Rose Primary School	(88)	0	(21)	(109)
Ysgol Gynradd Gymraeg Caerffili	(120)	0	(23)	(143)
Fleur De Lys Primary	(105)	8	0	(97)
Twyn Primary	(138)	56	0	(82)
Upper Rhymney Primary	(124)	41	0	(83)
Ynysddu Primary	(101)	0	(4)	(105)
Other Comprehensive and Primary Schools with balances under £100k each	(2,021)	452	(663)	(2,232)
<b>Total Schools Balances</b>	<b>(5,162)</b>	<b>1,180</b>	<b>(1,638)</b>	<b>(5,620)</b>

## Notes to the Core Financial Statements (continued)

### 44. Movements in Insurance Earmarked Reserves

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

Reserves	Balance at 1.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.09 £000
Insurance Reserve	(1,919)	4,664	(2,745)	0
Risk Management Reserve	(195)	0	(589)	(784)
	<u>(2,114)</u>	<u>4,664</u>	<u>(3,334)</u>	<u>(784)</u>

### 45. 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 111 Note 9.

### 46. Movement in PFI Acquisition Reserves

Both PFI Acquisition Reserves exist to match the residual asset long-term debtor (described in more detail on pages 60-62 and page 80) in respect of their funding. The entries recognise that part of the annual unitary charge payments, which represent a contribution towards the capital costs of the assets.

Reserves	Balance at 1.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.09 £000
PFI Acquisition Reserve (Road)	(4,878)	0	(1,626)	(6,504)
PFI Acquisition Reserve (Schools)	(3,331)	0	(666)	(3,997)
	<u>(8,209)</u>	<u>0</u>	<u>(2,292)</u>	<u>(10,501)</u>

## Notes to the Core Financial Statements (continued)

### 47. Movement in Other Earmarked Reserves

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

Reserves	Balance at 1.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.09 £000
Former Authority Liabilities Reserve	(798)	44	0	(754)
Job Evaluation Reserve	(6,886)	12,662	(5,776)	0
IBT Asset Realisation Reserve	(288)	125	0	(163)
Waste Management Reserve	(1,940)	1,355	0	(585)
New Initiatives Fund Reserve	(21)	13	(202)	(210)
Superannuation Reserve	(85)	24	0	(61)
Energy Saving Reserve	(88)	0	0	(88)
PFI Equalisation Reserve (Schools)	(7,333)	0	(895)	(8,228)
PFI Equalisation Reserve (Roads)	(1,293)	0	(499)	(1,792)
Performance Incentive Grant Initiatives Reserve	(681)	111	0	(570)
Service Initiative Reserves	(1,758)	1,769	(1,201)	(1,190)
Carbon Trust Fund Reserve	(345)	143	(116)	(318)
Area Forum Reserve	(93)	0	(15)	(108)
Community Regeneration Fund Reserve	(192)	192	(304)	(304)
Cemeteries Reserve	0	0	(79)	(79)
LABGI Reserve	(929)	213	0	(716)
Electoral Admin Reserve	(151)	133	0	(18)
PFI Schools Earmarked Reserve	(149)	20	0	(129)
Health & Safety Initiatives	(399)	0	(299)	(698)
Corporate PC Replacement Reserve	(94)	0	(203)	(297)
Fire Service Earmarked Reserve	(1,033)	0	0	(1,033)
Other Reserves	(269)	5	(8)	(272)
	<b>(24,825)</b>	<b>16,809</b>	<b>(9,597)</b>	<b>(17,613)</b>

**Former Authority Liabilities Reserve** exists to meet certain employee payments made to staff, formerly employed by Rhymney Valley District Council, in accordance with their conditions of employment, as well as any other liabilities arising as a result of the actions or omissions of the former authorities detailed on page 27 (Statement of Policies note 15).

**Job Evaluation Reserve** exists to meet an expected rise in employee costs as an outcome of the job evaluation exercise.

**IBT Asset Realisation Reserve** exists to meet any costs incurred, associated with a reduction in the value of the Authority's investment in Islwyn Borough Transport, or default in the repayment of loans advanced to the company.

**Waste Management Reserve** exists to meet any costs incurred associated with landfill sites.

**New Initiatives Fund Reserve** exists to provide interest free advances to services, to fund income generation and cost reduction initiatives.

**Superannuation Reserve** exists to meet additional pension related costs, including the effects of early retirements and increases in employer's contribution rates.

## Notes to the Core Financial Statements (continued)

**Energy Saving Reserve** exists to provide interest free advances to schools, to be used as match funding to draw down grants from the Energy Saving Trust, to fund works involving energy efficiency measures.

**PFI Equalisation Reserve** exists to match PFI funding and unitary charge payments over the period of the contract and is described in greater detail elsewhere (see pages 60-62).

**Performance Incentive Grant Initiatives Reserve** represents amounts set aside to complete specific schemes undertaken with funds allocated from the Authority's Performance Incentive Grant allocation.

**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.

**LABGI Reserve** exists to promote economic growth within the borough and arises from funds provided under the Local Authority Business Growth Incentive grant scheme funded by the Welsh Assembly Government.

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

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

**Fire Service Earmarked Reserve** exists to meet any future liabilities due to the Fire Authority.

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

### 48. Analysis of Net Assets Employed

	31 March	
	2009	2008
	£000	£000
General Fund	(371,238)	(135,656)
Housing Revenue Account	(102,997)	(181,605)
<b>Total</b>	<b>(474,235)</b>	<b>(317,261)</b>

## Notes to the Core Financial Statements (continued)

### 49. Capital Financing Requirement and the Financing of Capital Expenditure

	31 March	
	2009 £000	2008 £000
Opening Capital Financing Requirement	247,052	237,575
Opening balance adjustment	(4,017)	0
Revised opening capital financing requirement	243,035	237,575
<b>Capital Investment:</b>		
Operational Assets	17,975	39,845
Non-operational Assets (Work in Progress)	26,451	30,882
Intangible Assets	519	10,145
Revenue Expenditure funded from Capital Under Statute	9,481	0
<b>Sources of Finance:</b>		
Grants	(36,852)	(50,998)
Capital Receipts Applied	(4,314)	(4,254)
Unapplied Grants and Contributions Applied	0	(1,853)
Capital Expenditure Funded from Revenue	(2,668)	(6,157)
Capital Receipts Set Aside	(556)	(2,383)
Minimum Revenue Provision	(8,665)	(7,913)
Commutation Adjustment	1,490	2,163
<b>Closing Capital Financing Requirement</b>	<b>245,896</b>	<b>247,052</b>

The opening balance for 2008/2009 was adjusted from £247,052 to £243,035 due to omissions in the calculation of the Capital Financing Requirement in 2007/2008.

### 50. Reconciliation of Revenue Surplus to Revenue Activities Cash Flow

The Cash Flow Statement is prepared in accordance with the Accounting Standards Board's FRS1 "Cash Flow Statements", and summarises the inflows of cash arising from transactions with third parties for revenue and capital purposes in respect of all the funds maintained by the Authority. The presentation involves the reporting of flows of cash only, rather than cash and cash equivalents.

	2008/2009		2007/2008	
	£000	£000	£000	£000
<b>Income &amp; Expenditure Account Surplus/(Deficit)</b>		(71,296)		(35,926)
<b>Non-Cash Transactions</b>				
Government Grants Deferred	(18,537)		(28,960)	
Deferred charges write down/intangible assets	2,090		10,145	
Depreciation and Impairment	78,798		63,134	
Net loss on sale of fixed assets	(183)		0	
Movements on Provisions	14,089		3,828	
Contributions to / from Reserves	(2,179)		13,111	
		74,078		61,258
<b>Items on an Accruals Basis</b>				
(Increase) / Decrease in Stocks	(18)		(30)	
(Increase) / Decrease in Debtors	(1,584)		(7,098)	
Increase / (Decrease) in Creditors	(2,660)		6,915	
		(4,262)		(213)
<b>Items Classified in Another Classification in the Cash Flow Statement</b>				
Interest Received	(6,890)		(7,165)	
Interest Paid	13,575		13,244	
		6,685		6,079
<b>Cash Flow Statement: Net Cash Inflow from Revenue Activities</b>		<b>5,205</b>		<b>31,198</b>



## Notes to the Core Financial Statements (continued)

### 51. Increase/ (Decrease) in Cash

	Balance 01/04/2008 £000	Balance 31/03/2009 £000	Movement £000
Cash in Hand and at Bank	13,901	2,469	(11,432)
Bank Overdraft	(490)	(78)	412
<b>Movement in year</b>	<b>13,411</b>	<b>2,391</b>	<b>(11,020)</b>

### 52. Management of Liquid Resources

Liquid Resources comprise short-term investments made during the normal day-to-day management of the Authority's cash flow. They consist of fixed term investments with a maximum maturity period of 364 days, made with financial institutions meeting the credit worthiness/ financial strength criteria as determined in the Authority's Annual Strategy.

	Balance 01/04/2008 £000	Balance 31/03/2009 £000	Movement £000
Short Term Investments	83,929	77,615	6,314
<b>Increase/(Decrease) in liquid resources</b>	<b>83,929</b>	<b>77,615</b>	<b>6,314</b>

<b>Institution:</b>	<b>Amount invested as at 31/03/08 £000</b>	<b>Amount invested as at 31/03/09 £000</b>
Banks	46,319	55,320
Building Societies	37,610	0
Debt Management Office	0	7,850
Other Local Authorities	0	13,445
Other Public Bodies	0	1,000
	<b>83,929</b>	<b>77,615</b>

The above investments have maturity dates of up to 6 months as at 31 March 2009.

## Notes to the Core Financial Statements (continued)

### 53. Analysis of Other Government Grants Received

The analysis of other government grants received below is on a cash basis per the Cash Flow Statement, rather than on an accruals basis per the Income and Expenditure Account.

	<b>2008/2009</b>	<b>2007/2008</b>
<u>Capital Grants</u>	<u>£000</u>	<u>£000</u>
General Capital Grant	2,966	2,979
Major Repairs Allowance	7,300	7,400
Specified Housing Grant	1,650	1,750
Local Regeneration Fund	6,063	3,073
Transport Grant	17,412	20,499
Highway Enhancement Grant	2,935	739
Land Drainage Grant	0	417
DE&T Derelict Land Grant	2,880	2,306
DE&T Environmental Grant	0	20
Improvement Grants	72	186
European Regional Development Fund	4,327	704
Grants for Education Support and Training	934	5,408
National Lotteries Board	218	330
Other	442	403
	<u><b>47,199</b></u>	<u><b>46,214</b></u>

## Notes to the Core Financial Statements (continued)

<u>Revenue Grants</u>	<u>2008/2009</u>	<u>2007/2008</u>
	<u>£000</u>	<u>£000</u>
Mental Handicap Strategy	1,757	1,741
Communities First Grant	2,268	1,996
Substance misuse grant	1,076	424
Concessionary fares	2,865	2,664
Older Persons Strategy	110	123
Social Services Fairer Charging Scheme	452	349
Independence & Wellbeing	244	0
Social Services - Training Support	494	504
Supporting People Grant	5,063	4,791
Mental Health Carers Grant	217	286
Social & Healthcare Joint Working Grant	577	638
Mental Health Strategy Resettlement	1,757	0
Children First & Child Protection	119	166
Housing Subsidy	0	37
Housing Benefits Administration Grant	1,681	1,748
Housing Subsidy Grant	(7,065)	(6,882)
European Regional Development Fund	3,074	(1,360)
Local Regeneration Fund	36	145
Contaminated Land	457	0
Recycling Grants	2,603	2,271
Local Transport Services	500	471
Community Safety Partnerships	263	336
Objective 1 Funding	246	0
Performance Management	1,305	981
NNDR Cost of Collection	243	241
EEC Subsidy	210	292
Grants for Education Support and Training	134	1,016
European Social Fund	540	883
National Lotteries Board (New Opportunities Fund)	109	268
Welsh Assembly Learning Grant	199	112
ELWA -NPFS 16+	8,460	8,257
School Energy Grant	645	0
Food, Fitness & Nutrition	271	0
Better Schools Fund	1,379	2,283
Cymorth	3,488	2,471
Special Educational Needs	1,068	1,157
14-19 Learning in Wales	1,133	2,071
Flying Start	768	843
School Uniform Grant	0	704
Early Years Grant	0	773
Foundation Phase	1,735	268
Free Breakfasts Initiative	730	633
Ethnic Minorities Achievement Grant	0	1,122
Community Use of Schools	113	115
Community Learning Grants	422	422
Key Stage 3 Standards	132	132
RAISE Grant	943	1,370
Rural Schools Grant	125	0
Sports Council for Wales	685	611
Arts Council for Wales	140	83
Basic Skills Agency	357	549
GTC & Other Training Grants	414	388
Schools Additional Funding	65	140
Basic Skills Grant	178	0
Other	2,396	477
	<b>47,181</b>	<b>39,110</b>

## Notes to the Core Financial Statements (continued)

### 54. Financing

Financing comprises short-term and long-term loans, which represent repayments of amounts borrowed and income received in respect of the take up of new loans.

	Balance 01/04/2008 £000	Balance 31/03/2009 £000	Movement £000
Short Term Loans	(7,091)	(4,158)	(2,933)
Long Term Loans	(237,203)	(214,131)	(23,072)
Finance Leases	(195)	(189)	(6)
<b>(Increase)/Decrease in Liquid Resources</b>	<b>(244,489)</b>	<b>(218,478)</b>	<b>(26,011)</b>

### 55. Reconciliation of Net Cash Flow to Movement in Net Debt

	2008/2009 £000
Decrease / (Increase) in Cash or Cash Equivalents	(11,020)
(Decrease) / Increase in Short Term Investments	(6,314)
Cash to Reduce / (Increase) Net Debt	26,011
Change in Net debt	8,677
Net Debt 1 April 2008	(147,149)
<b>Net Debt 31 March 2009</b>	<b>(138,472)</b>

### 56. Analysis of Changes in Net Debt

	1 April 2008 £000	Cashflows £000	31 March 2009 £000
Short Term Investments	83,929	(6,314)	77,615
Short Term Borrowing	(7,091)	2,933	(4,158)
Bank Overdraft	(490)	412	(78)
Cash in Hand and at Bank	13,901	(11,432)	2,469
Long Term Borrowing	(237,203)	23,072	(214,131)
Finance Leases	(195)	6	(189)
<b>(Increase)/decrease in Net Debt</b>	<b>(147,149)</b>	<b>8,677</b>	<b>(138,472)</b>

### 57. Joint Arrangements that are Not Entities (JANEs)

The 2008 SoRP and FRS9 introduced this new category of investment. 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 SoRP 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.

## Notes to the Core Financial Statements (continued)

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)
- Education School Improvement Service (ESIS)
- Glamorgan Archive Joint Committee
- Greater Gwent Cremation Joint Committee
- Gwent Joint Records Committee
- Gwent Wide Integrated Community Equipment Service Project (GWICES)
- South East Wales Transport Alliance (SEWTA)
- Welsh Purchasing Consortium

The Authority's share of the Income & Expenditure Account and Balance Sheet of each of the eight 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 Taff.

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.

<u>Catalogue Supplies Service Joint Committee</u>	<b>2008/2009</b>		<b>2007/2008</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	1,289	247	1,585	304
Income	(1,313)	(251)	(1,715)	(328)
<b>(Surplus) / Deficit for the Year</b>	<b>(24)</b>	<b>(4)</b>	<b>(130)</b>	<b>(24)</b>
<b><u>Balance Sheet</u></b>				
Current assets	1,283	246	1,812	347
Current liabilities	(772)	(148)	(1,301)	(249)
<b>Total Assets less Liabilities</b>	<b>511</b>	<b>98</b>	<b>511</b>	<b>98</b>
Accumulated Surplus	(482)	(92)	(482)	(92)
Reserve for Plant and Equipment	(29)	(6)	(29)	(6)
	<b>(511)</b>	<b>(98)</b>	<b>(511)</b>	<b>(98)</b>

### **Education School Improvement Service**

The Education School Improvement Service (ESIS) was created on 1 April 1996 and is a joint committee comprising elected member representation from the County Boroughs of Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Tâf. ESIS provides training and advisory services to the local education authorities and schools in each of its joint authority areas together with undertaking inspection work on behalf of other public sector bodies.

## Notes to the Core Financial Statements (continued)

<u>Education School Improvement Service</u>	2008/2009		2007/2008	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	7,077	1,977	6,710	1,874
Income	(7,448)	(2,080)	(6,881)	(1,922)
<b>Net Cost of Service</b>	<b>(371)</b>	<b>(103)</b>	<b>(171)</b>	<b>(48)</b>
Pension interest cost / expected return on assets	328	92	106	30
<b>Net Operating Cost</b>	<b>(43)</b>	<b>(11)</b>	<b>(65)</b>	<b>(18)</b>
Contributions		0		0
<b>(Surplus) / Deficit for the Year</b>	<b>(43)</b>	<b>(11)</b>	<b>(65)</b>	<b>(18)</b>
<b><u>Balance Sheet</u></b>				
Fixed assets	59	16	90	25
Deferred charges	0	0	338	94
Current assets	2,059	575	1,680	469
Current liabilities	(443)	(124)	(644)	(180)
Pension liability	(8,391)	(2,343)	(5,244)	(1,464)
<b>Total Assets less Liabilities</b>	<b>(6,716)</b>	<b>(1,876)</b>	<b>(3,780)</b>	<b>(1,056)</b>
Capital adjustment account	(60)	(17)	(429)	(120)
Pension Reserve	8,391	2,344	5,244	1,465
General Reserve	(1,615)	(451)	(1,035)	(289)
	<b>6,716</b>	<b>1,876</b>	<b>3,780</b>	<b>1,056</b>

### **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 Taf 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.

<u>Glamorgan Archive Joint Committee</u>	2008/2009		2007/2008	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	797	88	837	92
Income	(851)	(94)	(859)	(94)
<b>Net Cost of Service</b>	<b>(54)</b>	<b>(6)</b>	<b>(22)</b>	<b>(2)</b>
Interest and investment income	(22)	(2)	(32)	(4)
<b>(Surplus) / Deficit for the Year</b>	<b>(76)</b>	<b>(8)</b>	<b>(54)</b>	<b>(6)</b>
<b><u>Balance Sheet</u></b>				
Fixed Assets	4,752	523	1,086	119
Current assets	674	74	659	72
Current liabilities	(55)	(6)	(65)	(7)
<b>Total Assets less Liabilities</b>	<b>5,371</b>	<b>591</b>	<b>1,680</b>	<b>184</b>
Capital adjustment account	(4,744)	(522)	(1,077)	(118)
Revenue reserves	(627)	(69)	(603)	(66)
	<b>(5,371)</b>	<b>(591)</b>	<b>(1,680)</b>	<b>(184)</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.

<u>Greater Gwent Cremation Joint Committee</u>	<u>2008/2009</u>		<u>2007/2008</u>	
	<u>Total £000</u>	<u>CCBC share £000</u>	<u>Total £000</u>	<u>CCBC share £000</u>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	846	128	668	101
Income	(1,028)	(156)	(922)	(140)
<b>Net Cost of Service</b>	<b>(182)</b>	<b>(28)</b>	<b>(254)</b>	<b>(39)</b>
Pension interest cost / expected return on assets	4	1	(12)	(2)
<b>Net Operating Cost</b>	<b>(178)</b>	<b>(27)</b>	<b>(266)</b>	<b>(41)</b>
Distributions	150	23	130	20
Statement of Movement	(40)	(6)	(32)	(5)
<b>(Surplus) / Deficit for the Year</b>	<b>(68)</b>	<b>(10)</b>	<b>(168)</b>	<b>(26)</b>
<b><u>Balance Sheet</u></b>				
Fixed Assets	405	61	438	66
Current assets	467	71	409	62
Current liabilities	(39)	(6)	(52)	(8)
Pension liability	(214)	(32)	(143)	(22)
<b>Total Assets less Liabilities</b>	<b>619</b>	<b>94</b>	<b>652</b>	<b>98</b>
Pension Reserve	214	32	143	22
Capital Adjustment Account	(405)	(61)	(438)	(66)
General Reserve	(428)	(65)	(357)	(54)
	<b>(619)</b>	<b>(94)</b>	<b>(652)</b>	<b>(98)</b>

## Notes to the Core Financial Statements (continued)

### **Gwent Joint Records Committee**

The Gwent Joint Records Committee manages and administers 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.

<u>Gwent Joint Records Committee</u>	2008/2009		2007/2008	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	701	104	677	100
Income	(697)	(104)	(621)	(92)
<b>Net Cost of Service</b>	<b>4</b>	<b>1</b>	<b>56</b>	<b>8</b>
Pension interest cost / expected return on assets	(7)	(1)	(27)	(4)
<b>Net Operating Cost</b>	<b>(3)</b>	<b>(0)</b>	<b>29</b>	<b>4</b>
Contributions	(11)	(2)	(8)	(1)
<b>(Surplus) / Deficit for the Year</b>	<b>(14)</b>	<b>(2)</b>	<b>21</b>	<b>3</b>
<b><u>Balance Sheet</u></b>				
Current assets	33	5	257	38
Current liabilities	(7)	(1)	(245)	(36)
Pension liability	(135)	(20)	(30)	(4)
<b>Total Assets less Liabilities</b>	<b>(109)</b>	<b>(16)</b>	<b>(18)</b>	<b>(2)</b>
Pension Reserve	135	20	30	4
General Reserve	(26)	(4)	(12)	(2)
	<b>109</b>	<b>16</b>	<b>18</b>	<b>2</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 for the provision of an efficient and effective integrated equipment service to the service users who are resident in the partner authorities. The five authorities being Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen. The agreement to pool budgets came into effect from 1<sup>st</sup> October 2008, and consequently, no comparative information is available for 2007/2008.

<u>Gwent Wide Integrated Community Equipment Service Project</u>	2008/2009	
	Total £000	CCBC share £000
<b><u>Income &amp; Expenditure Account</u></b>		
Expenditure	1,334	277
Income	(1,339)	(278)
<b>(Surplus) / Deficit for the Year</b>	<b>(5)</b>	<b>(1)</b>



## Notes to the Core Financial Statements (continued)

### **South East Wales Transport Alliance**

Sewta (The South East Wales Transport Alliance) is a consortium established on 1 April 2003 by the ten local authorities in South East Wales to carry out their functions in respect of public transport and some other transport matters. Sewta works in close liaison with partners representing public transport operators and users.

<u>South East Wales Transport Alliance</u>	2008/2009		2007/2008	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	368	37	435	44
Income	(330)	(33)	(593)	(59)
<b>(Surplus) / Deficit for the Year</b>	<b>38</b>	<b>4</b>	<b>(158)</b>	<b>(15)</b>
<b><u>Balance Sheet</u></b>				
Current assets	257	26	294	29
Current liabilities	(120)	(12)	(119)	(11)
<b>Total Assets less Liabilities</b>	<b>137</b>	<b>14</b>	<b>175</b>	<b>18</b>
General Reserve	(137)	(14)	(175)	(18)
	<b>(137)</b>	<b>(14)</b>	<b>(175)</b>	<b>(18)</b>

### **Welsh Purchasing Consortium**

The Welsh Purchasing Consortium ("the consortium") is a partnership between the twelve County Borough and City Councils of South Wales. The Consortium exists to increase economies of scale by combining the purchasing requirements of the twelve authorities. No comparative information is available in respect of 2007/2008.

<u>Welsh Purchasing Consortium</u>	2008/2009	
	Total £000	CCBC share £000
<b><u>Income &amp; Expenditure Account</u></b>		
Expenditure	144	9
Income	(288)	(18)
<b>(Surplus) / Deficit for the Year</b>	<b>(144)</b>	<b>(9)</b>
<b><u>Balance Sheet</u></b>		
Current assets	144	9
<b>Total Assets less Liabilities</b>	<b>144</b>	<b>9</b>
General Reserve	(144)	(9)
	<b>(144)</b>	<b>(9)</b>

### **58. Authorisation for Issue**

The Head of Corporate Finance, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 23 September 2009. In doing so, the Financial Accounts include any material events, relating to the financial year, but occurring after the date of the balance sheet.

**Statement of Financial Position**

The following table shows the Housing Revenue Account for the year ended 31 March 2009. The account is a summary of the financial position of the Housing Revenue Account at the end of the year. It shows the assets and liabilities of the account and the income and expenditure for the year.

	2008/09	2007/08
<b>Assets</b>		
Fixed Assets	1,000	1,000
Current Assets	1,000	1,000
<b>Liabilities</b>		
Current Liabilities	1,000	1,000
<b>Total</b>	<b>2,000</b>	<b>2,000</b>

**Housing Revenue Account  
for the year ended 31 March 2009**

The following table shows the Housing Revenue Account for the year ended 31 March 2009. The account is a summary of the financial position of the Housing Revenue Account at the end of the year. It shows the assets and liabilities of the account and the income and expenditure for the year.

	2008/09	2007/08
<b>Income</b>		
Income from Housing	1,000	1,000
Income from Other Sources	1,000	1,000
<b>Expenditure</b>		
Expenditure on Housing	1,000	1,000
Expenditure on Other Sources	1,000	1,000
<b>Total</b>	<b>2,000</b>	<b>2,000</b>

## Housing Revenue Account

	2008/2009		2007/2008	
	£000	£000	£000	Note
<b>Income</b>				
Dwelling rents	(33,604)		(33,002)	1
Non-dwelling rents	(329)		(302)	
Charges for services and facilities	(1,116)		(1,077)	
Contributions towards expenditure	(2,340)		(2,477)	
HRA subsidy receivable	0		0	
Amortisation of Deferred Grants	(7,736)		(13,846)	
Grants applied to Revenue Expenditure Funded from Capital Under Statute	0		(30)	
<b>Total Income</b>		<b>(45,125)</b>	<b>(50,734)</b>	
<b>Expenditure</b>				
Repairs and maintenance	16,600		16,922	
Supervision and management	5,216		5,745	
Special Services	3,744		3,272	
Rents, rates, taxes and other charges	383		640	
Negative housing revenue account subsidy payable	7,132		6,775	
Depreciation and impairment of fixed assets	71,368		1,535	2
Non-Enhancing capital expenditure	8,209		7,815	
Debt Management Costs	16		16	
Increase in bad debt provision	396		264	
<b>Total Expenditure</b>		<b>113,064</b>	<b>42,984</b>	
<b>Net Cost/(Income) of HRA Services per Authority Income and Expenditure Account</b>		<b>67,939</b>	<b>(7,750)</b>	
HRA services share of Corporate and Democratic Core Costs		117	160	
HRA share of other amounts included in the whole Authority Net Cost of services but not allocated to specific services		0	0	
<b>Net Cost of HRA Services</b>		<b>68,056</b>	<b>(7,590)</b>	
Interest payable and similar charges	2,908		3,048	
(Gain) / Loss on sale of HRA fixed assets	(276)		(221)	
Interest and investment income	(124)		(261)	
		2,508	2,566	
<b>(Surplus)/deficit for the year on HRA services</b>		<b>70,564</b>	<b>(5,024)</b>	

## Statement of Movement on the HRA Balance

	2008/2009	2007/2008	
	<u>£000</u>	<u>£000</u>	<u>Note</u>
(Surplus)/deficit for the year on the HRA Income and Expenditure Account	70,564	(5,024)	
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(71,079)	5,408	
(Increase)/decrease in the Housing Revenue Account Balance	(515)	384	
Housing Revenue Account surplus brought forward	(3,907)	(4,291)	
<b>Housing Revenue Account surplus carried forward</b>	<b>(4,422)</b>	<b>(3,907)</b>	<b>9</b>

## Note to the Statement of Movement on the HRA Balance

	2008/2009		2007/2008	
	£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>				
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(128)		165	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	0		0	
Depreciation and impairment of fixed assets	(79,577)		(9,350)	8
Gain or loss on sale of HRA fixed assets	276		0	
Net charges made for retirement benefits in accordance with FRS 17	(726)		(712)	
Amortisation of Deferred Grants	7,736		13,876	8
Sums directed by the Welsh Assembly Government to be debited/credited to the HRA that are not income or expenditure in accordance with UK GAAP.	0		0	
		(72,419)	3,979	
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>				
Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	834		885	
HRA Minimum Revenue Provision	1,078		1,149	8
Capital expenditure funded by the HRA	0		0	
Transfers to / from Reserves	(572)		(605)	
		1,340	1,429	
<b>Net additional amount required by statute to be debited/ (credited) to the HRA Balance for the year</b>		<b>(71,079)</b>	<b>5,408</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 1.77% of lettable properties were void (an increase from 1.39% in 2007/2008). The average weekly rent at 31 March 2009 was £64.95 (£61.66 in 2007/2008), based on a 48-week collection period.

### 2. Depreciation and Impairment

	2008/2009 £000	2007/2008 £000
Council Dwellings (refer to Note 25 Core Financial Statements)	4,747	4754
Other Land & Buildings	6	0
Vehicles, Plant & Equipment	52	0
Depreciation written back on revaluation	(14,014)	0
Asset Impairments	80,577	0
Deferred Charge Writedown	0	30
Gain on Disposal	0	(3,249)
<b>Total HRA Depreciation and Impairment of Fixed Assets</b>	<b>71,368</b>	<b>1,535</b>

### 3. Rent Arrears

The rent arrears encompasses monies owed by both current and former council tenants. During the year, total rent arrears increased by £65,757. Total current rent arrears represent 2.53% of Gross Rent Income.

	£
Arrears at 1 April 2008	1,138,721
Bad Debt Provision 1 April 2008	(628,595)
<b>Net Arrears at 1 April 2008</b>	<b>510,126</b>
Arrears at 31 March 2009	1,204,478
Bad Debt Provision 31 March 2009	(687,036)
<b>Net Arrears at 31 March 2009</b>	<b>517,442</b>

### 4. Housing Subsidy

Housing Subsidy contributions of £7.132m were payable in 2008/2009. This compares to the previous year of £6.775m. Approximately 73% of the Authority's tenants receive assistance to meet the cost of their rent.

## Notes to the Housing Revenue Account (continued)

### 5. Housing Stock

The Authority was responsible for managing an average of 11,018 dwellings during 2008/09. The type of stock managed by the Authority is made up of approximately 60% houses, 26% flats and 14% bungalows.

	<u>2008/2009</u>	<u>2007/2008</u>
	Number	Number
Stock at 1 April	11,025	11,087
Acquisitions/New Build	0	0
Sales/Demolitions/Expired Leases	(15)	(62)
<b>Stock at 31 March</b>	<b><u>11,010</u></b>	<b><u>11,025</u></b>

### 6. Capital Expenditure and Financing

	<u>Assets</u>	<u>Revenue Expenditure Funded from Capital</u>	<u>TOTAL</u>
	£000	£000	£000
<b>Capital Expenditure</b>			
Enhancement to Council Stock	8,209	0	8,209
Environmental Work	0	0	0
<b>Total Expenditure</b>	<b><u>8,209</u></b>	<b><u>0</u></b>	<b><u>8,209</u></b>
<b>Capital Financing</b>			
Major Repairs Allowance	(7,300)	0	(7,300)
Capital Receipts	(561)	0	(561)
Capital Grants	(348)	0	(348)
Revenue Reserves	0	0	0
<b>Total Income</b>	<b><u>(8,209)</u></b>	<b><u>0</u></b>	<b><u>(8,209)</u></b>

### 7. Capital Receipts and Unapplied Capital Income

	<u>2008/2009</u>	<u>2007/2008</u>
	£000	£000
Balance at 1st April	(492)	0
Amounts received - Right to Buy	(525)	(3,021)
Amounts received - Other	(276)	(269)
Less Statutory Set aside for debt repayment	601	2,383
Less Applied to Capital Financing	561	415
<b>Balance at 31st March</b>	<b><u>(131)</u></b>	<b><u>(492)</u></b>

## Notes to the Housing Revenue Account (continued)

### 8. Transfer to / (from) Capital Adjustment account

	2008/2009		2007/2008
	£000	£000	£000
Deferred Grants		(7,736)	(13,846)
Minimum Revenue Provision		(1,078)	(1,149)
<i>Depreciation:</i>			
In year charge	4,805		4,754
Attributable to revaluations	(158)		
Written back on revaluation	(14,014)		
Written back on disposal	0	(9,367)	
Amortisation of non-enhancing expenditure		8,209	7,814
<i>Asset Revaluations / Impairments:</i>			
Economic losses	0		0
Price adjustments	80,577	80,577	0
Disposal at revaluation to sales value - HRA	525		(3,249)
Transfer to revaluation reserve	(525)	0	0
Revenue expenditure funded from capital	0		0
Funding of revenue expenditure funded from capital	0	0	0
<b>Balance to Revenue Account</b>		<b>70,605</b>	<b>(5,676)</b>

### 9. Balance Carried Forward

The working balance at 31 March 2009 was £4.422m, a net increase of £0.515m over the year.

Reserves	Balance at 01.04.08 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.09 £000
Housing Fund Balances	(2,272)	0	(1,104)	(3,376)
Supporting People	(417)	42	0	(375)
Housing Earmarked Capital	(547)	547	0	0
Week 53 Debit	(671)	0	0	(671)
	<b>(3,907)</b>	<b>589</b>	<b>(1,104)</b>	<b>(4,422)</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.

**Housing Earmarked Capital** – represents funds set aside to fund public housing capital schemes.

**Week 53 Debit** – represents the additional week's rent collection during 2007/2008 that is due to be released back to revenue over the following five years.



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

**10. Major Repairs Allowance**

	<b>2008/2009</b>	<b>2007/2008</b>
	<b>£000</b>	<b>£000</b>
Amount Received in Year	(7,300)	(7,400)
Amounts Applied in Year	7,300	7,400
<b>Amounts Carried Forward</b>	<b>0</b>	<b>0</b>

