



Neath Port Talbot  
Castell-nedd Port Talbot  
County Borough Council Cyngor Bwrdeistref Sirol

# **Statement of Accounts 2016/17**

# CONTENTS

<b>Section</b>	<b>Page</b>
Narrative Report	1-6
Statement of Responsibilities	7
Expenditure and Funding Analysis	8
Comprehensive Income and Expenditure Statement	9
Movement in Reserves Statement	10
Balance Sheet	11
Cash flow Statement	12
Notes to the Accounting Statements	13-87
Governance Statement	88-125
Auditors Report	126-127
Glossary of Terms	128-130

# NARRATIVE REPORT

## 1. INTRODUCTION

Welcome to the financial statements for Neath Port Talbot County Borough Council. The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

The purpose of this narrative report is to provide a guide to the main statements contained in the accounts and to comment on and summarise the Council's overall financial performance for the year.

A glossary is provided at the end of the Statement of Accounts which provides a description of some of the specialist terms used in the document.

## 2. ACCOUNTING STATEMENTS

The Statement of Accounts is made up of a number of statements which are accompanied by explanatory notes. The following paragraphs provide an explanation of the purpose of the information included within these Statements.

### **Statement of Responsibilities**

This Statement, which can be seen at the front of the Statement of Accounts, sets out the respective responsibilities of the Authority and the Section 151 officer.

### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis starts by showing how annual expenditure is used and funded from resources, such as government grants, council tax and business rates. It then updates this position to show those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure allocated for decision making purposes between directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### **Comprehensive Income and Expenditure Statement**

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

### **Movement in Reserves Statement**

This shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves', that is, those that can be applied to fund expenditure or reduce local taxation and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income

# NARRATIVE REPORT

and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance.

## **Balance Sheet**

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

## **Cash Flow**

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

# NARRATIVE REPORT

## 3. REVENUE SPENDING IN 2016/17

The Authority's Budget Requirement for 2016/17 was set at £270.896m. Actual spending compared to the budget was as follows:

<b>Council Management Accounts</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>
<b>Expenditure</b>		
Directly Controlled Expenditure	226,997	227,051
Capital Financing	16,519	16,519
Levies, Contributions and Miscellaneous Funds	7,020	7,001
Council Tax Support	17,404	16,864
Contingencies and Reserves	2,201	323
<b>Net Expenditure</b>	<b>270,141</b>	<b>267,758</b>
<b>Income</b>		
Revenue Support Grant / NNDR	(205,575)	(205,575)
Council Tax	(65,530)	(65,530)
Less Discretionary Rate Relief	209	200
<b>Total Income/Budget Requirement</b>	<b>(270,896)</b>	<b>(270,905)</b>
<b>NET BUDGET (SURPLUS)/DEFICIT TO BALANCES</b>	<b>(755)</b>	<b>(3,147)</b>
<b>General Fund Working Balance</b>		
Opening Working Balance 1st April		(16,590)
Movement in Balance		(3,147)
Closing Working Balance 31st March		<b>(19,737)</b>

## 4. CAPITAL SPENDING IN 2016/17

	<b>Actual £000</b>
Capital investment	<b>53,758</b>
<b>The expenditure was financed by:</b>	
Government Grants and Other Contributions	(19,870)
Loans	(30,035)
Capital Receipts	(1,412)
Direct Revenue Contributions and Reserves	(2,441)
	<b>(53,758)</b>

# NARRATIVE REPORT

## 5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £250.141m, which excludes accrued interest of £4.054m that is included within debt in the balance sheet. Sources of borrowing include the Public Works Loan Board and Banks for long term borrowing and other financial institutions for short term borrowing.

## 6. RESERVES AND BALANCES AT 31<sup>ST</sup> MARCH 2017

	<b>Actual £000</b>
Earmarked reserves to support revenue expenditure	30,628
Revenue reserve to support capital expenditure	912
General Reserve Working Balances	19,737
<b>Total General Reserve Balance</b>	<b>51,277</b>

## 7. REVALUATION OF ASSETS

The net book value of assets decreased during 2016/17 by £29.3m, with £34.4m relating to the revaluation of assets undertaken by the Director of Environment.

The Authority's Property, Plant and Equipment are valued on a 5 year rolling programme by the Director of Environment in accordance with the Royal Institute of Chartered Surveyors Statements of Asset Valuation Practice.

The significant assumption applied when estimating the fair value of Property, Plant and Equipment is that the asset will continue in its existing use. Where there is a market value for the asset, its value will be determined with reference to the market, but in instances where no market exists for an asset, Depreciated Replacement Cost, which is the current cost of replacing an asset with the modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, will be used as the basis of valuation.

During 2016/17, the following categories of assets were revalued:

- Schools were valued as at 1st December 2016 on a Modern Equivalent Asset Depreciated Replacement Cost valuation basis;
- Libraries were valued as at 1<sup>st</sup> January 2017 on a Depreciated Replacement Cost valuation basis;
- Civic & Office Buildings were valued as at 1<sup>st</sup> January 2017 on a Fair Value Existing Use basis;
- Depots, Stores & Workshops were valued as at 1<sup>st</sup> January 2017 on a Fair Value Existing Use basis;
- Museums, Cultural Centres, Theatres, Tourist Information Centres were valued as at 1<sup>st</sup> January 2017 on a Depreciated Replacement Cost.

Assets held for sale are valued annually and twenty three assets with a value of £5.8m were valued at 31<sup>st</sup> March 2017, using Level 2 and 3 inputs, or agreed sale price, where this was available.

# NARRATIVE REPORT

## 8. INTERNATIONAL ACCOUNTING STANDARD 19 - PENSIONS

The Accounts comply with the requirements of the above standard with the revenue accounts reflecting the current year cost of pension provision to employees as advised by the Pension Fund Actuary. The Balance Sheet contains the Actuary's assessment of the Authority's share of the Pension Fund liability at 31<sup>st</sup> March.

The pension fund liability disclosed in the Balance Sheet is the total projected deficit that exists over the expected life of the Fund. This deficit changes on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees. During 2016/17, the actuarial assumptions have changed to reflect the information identified as part of the 2016 Valuation. This valuation shows a significant increase in losses arising in the financial assumptions, resulting in the Council's unusable reserves showing a deficit position.

A recovery plan has been implemented by the Administering Authority which will be reflected in the contributions made by the Council in future years.

## 9. SIGNIFICANT PROVISIONS

There are three significant provisions:

- An insurance provision of £5.9m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £4.3m and a short term provision of £1.6m.
- A provision of £0.9m for Housing Warranties following the transfer of the Housing stock to Neath Port Talbot Homes in March 2011.
- A provision of £0.4m to provide the costs of early retirements and voluntary redundancies which have been agreed by 31<sup>st</sup> March 2017, with leaving dates during 2017/18.

## 10. GROUP ACCOUNTS

There is a requirement for local authorities to produce Group Accounts to recognise material financial or controlling interests in companies, voluntary organisations, public bodies etc. An assessment was made of all such interests and this did not identify any relationship which is considered material, therefore, Group Accounts have not been prepared.

## 11. IMPACT OF CURRENT ECONOMIC CLIMATE ON THE AUTHORITY

When the budget for 2016/17 was approved in February 2016, the medium term budget forecast, assumed a 3.5% reduction in the Council's funding from the Welsh Government for 2017/18 and 2018/19, with a further reduction in 2019/20 of 2%.

This Council consulted its stakeholders on the savings required to set a Budget for 2017/18 with the initial predicted gap standing at £11.2m. Despite the Settlement figure from the Welsh Government being higher than initially budgeted, Neath Port Talbot Council has still had to identify savings of £5.8m together with a Council Tax increase of 2.5% to achieve the required balance budget position for 2017/18.

In setting the Budget, Members have to consider the requirement of delivering its statutory services, as well as those other services that the public and users have

## NARRATIVE REPORT

come to expect. The challenge has been to set a budget at activity levels that are sustainable and equitable. Members also have to consider the demand for services and changes to these services in light of the impact on:

- Service users
- Employees
- Legislation including the Equality Act 2010 and Wellbeing of Future Generations (Wales) Act 2015 considerations
- Income generation
- Council tax level
- Welsh Government improvement targets

The Welsh Government has only provided funding information for 2017/18 and the Council now finds itself in a position where it will have to wait until next Autumn 2017 for information relating to firm funding arrangements in future years. Despite this lack of confirmed information, the Council envisages that funding for local government in Wales will continue to fall over the next few years and will be required to find additional savings of some £24m for the two years to March 2020. This assumption is supported by the fact that the UK Government is still to announce how it will make £3.5bn of annual revenue budget savings in 2019/20.

### 12. CHANGE IN ACCOUNTING POLICIES

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

The 2016/17 Statement of Accounts reflects changes introduced to comply with International Accounting Standards and CIPFA's Code of Practice. The accounts are now presented in a format that provides a link between management reporting and generally accepted accounting practices.

This change in accounting policy has required a full retrospective restatement of the Comprehensive Income and Expenditure Statement and the introduction of an External Funding Analysis. This change did not have any impact on the balance sheet.

### 13. FURTHER INFORMATION

Further information relating to the accounts can be obtained from the Director of Finance and Corporate Services, Neath Port Talbot County Borough Council, Civic Centre, Port Talbot, SA13 1PJ.



# STATEMENT OF RESPONSIBILITIES

## THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in accordance with Section 151 of the Local Government Act 1972. In this Authority, that officer is the Director of Finance and Corporate Services:
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

## SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code).

In preparing this statement of accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that the accounts show a true and fair view of the financial position and income and expenditure of the Authority.

**Section 151 Officer:**



**Director of Finance and Corporate Services**

**Date: 26<sup>th</sup> July 2017**

Approval of accounts for 2016/17 in accordance with Regulations 10(2) of the Accounts and Audit (Wales) Regulations 2014.

**Chair of Audit Committee:**



**Councillor Del Morgan**

**Date: 26<sup>th</sup> July 2017**

## EXPENDITURE AND FUNDING ANALYSIS

2015/16				2016/17		
Net Expenditure chargeable to the General Fund £000	Adjustment between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure chargeable to the General Fund £000	Adjustment between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
103,485	15,958	119,443	Education, Leisure & Lifelong Learning	105,334	43,782	149,116
79,183	2,273	81,456	Social Services, Health & Housing	75,757	1,364	77,121
30,261	19,215	49,476	Environment	33,083	20,346	53,429
16,667	99	16,766	Corporate Services	17,197	121	17,318
(13)	-	(13)	Other Housing Services	(14)	-	(14)
20,810	(6,938)	13,872	Other Central Services	23,495	(9,517)	13,978
<b>250,393</b>	<b>30,607</b>	<b>281,000</b>	<b>Net Cost of Services</b>	<b>254,852</b>	<b>56,096</b>	<b>310,948</b>
(256,278)	(5,525)	(261,803)	Other Income & Expenditure	(257,272)	(3,176)	(260,448)
<b>(5,885)</b>	25,082	<b>19,197</b>	<b>Surplus or deficit</b>	<b>(2,420)</b>	52,920	<b>50,500</b>
<b>42,972</b>			<b>Opening General Fund Balance</b>	<b>48,857</b>		
<b>5,885</b>			In Year Movement Surplus / (Deficit)	<b>2,420</b>		
<b>48,857</b>			<b>Closing General Fund Balance</b>	<b>51,277</b>		

Further information in relation to the adjustments column in the Expenditure and Funding Analysis can be found in note 4.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16				2016/17		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
160,747	(41,304)	119,443		189,849	(40,733)	149,116
127,666	(46,210)	81,456		124,447	(47,326)	77,121
78,957	(29,481)	49,476		86,765	(33,336)	53,429
28,634	(11,868)	16,766		28,914	(11,596)	17,318
55,927	(55,940)	(13)		56,075	(56,089)	(14)
16,687	(2,815)	13,872		16,313	(2,335)	13,978
<b>468,618</b>	<b>(187,618)</b>	<b>281,000</b>		<b>502,363</b>	<b>(191,415)</b>	<b>310,948</b>
18,011	-	18,011	8	18,773	-	18,773
21,113	(836)	20,277	9	22,084	(593)	21,491
-	(300,091)	(300,091)	10	-	(300,712)	(300,712)
<b>507,742</b>	<b>(488,545)</b>	<b>19,197</b>		<b>543,220</b>	<b>(492,720)</b>	<b>50,500</b>
		3,884	22			12,863
		128	22			-
		(12,240)	22			57,350
		<b>(8,228)</b>				<b>70,213</b>
		<b>10,969</b>				<b>120,713</b>

As outlined in the Narrative Report, the 2016/17 Statement of Accounts reflects changes introduced to comply with International Accounting Standards and CIPFA's Code of Practice. The accounts are now presented in a format that provides a link between management reporting and generally accepted accounting practices.

This change in accounting policy has required a full retrospective restatement of the Comprehensive Income and Expenditure Statement and the introduction of an External Funding Analysis. This change did not have any impact on the balance sheet.

## MOVEMENTS IN RESERVES STATEMENT

	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31st March 2015</b>	42,972	6,826	10,265	<b>60,063</b>	69,476	<b>129,539</b>
<b>Movement in reserves during 2015/16</b>						
Total Comprehensive Income and Expenditure	(19,197)	-	-	<b>(19,197)</b>	8,228	<b>(10,969)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	25,082	(1,342)	(2,412)	<b>21,328</b>	(21,328)	-
<b>Increase/(Decrease) in Year</b>	<b>5,885</b>	<b>(1,342)</b>	<b>(2,412)</b>	<b>2,131</b>	<b>(13,100)</b>	<b>(10,969)</b>
<b>Balance at 31st March 2016</b>	48,857	5,484	7,853	<b>62,194</b>	56,376	<b>118,570</b>
<b>Movement in reserves during 2016/17</b>						
Total Comprehensive Income and Expenditure	(50,500)	-	-	<b>(50,500)</b>	(70,213)	<b>(120,713)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	52,920	157	50	<b>53,127</b>	(53,127)	-
<b>Increase/(Decrease) in Year</b>	<b>2,420</b>	<b>157</b>	<b>50</b>	<b>2,627</b>	<b>(123,340)</b>	<b>(120,713)</b>
<b>Balance at 31st March 2017</b>	51,277	5,641	7,903	<b>64,821</b>	(66,964)	<b>(2,143)</b>

## BALANCE SHEET

31st Mar 2016		Note	31st Mar 2017
£000			£000
691,106	Property, Plant and Equipment	11	661,800
1,183	Heritage Assets	12	1,183
10,086	Long Term Investments	13	10,086
772	Long Term Debtors	13	1,101
<b>703,147</b>	<b>Long Term Assets</b>		<b>674,170</b>
69,988	Short Term Investments	13	60,942
7,282	Assets Held for Sale	18	5,804
631	Inventories	14	657
32,100	Short Term Debtors	16	38,096
4,700	Cash and Cash Equivalents	17	5,356
<b>114,701</b>	<b>Current Assets</b>		<b>110,855</b>
(9,459)	Short Term Borrowing	13	(18,540)
(60,181)	Short Term Creditors	19	(44,786)
(2,574)	Short Term Provisions	20	(1,903)
<b>(72,214)</b>	<b>Current Liabilities</b>		<b>(65,229)</b>
(33,698)	Long Term Creditors	13	(44,840)
(220,357)	Long Term Borrowing	13	(235,655)
(367,293)	Other Long Term Liabilities	13	(436,193)
(5,716)	Long Term Provisions	20	(5,251)
<b>(627,064)</b>	<b>Long Term Liabilities</b>		<b>(721,939)</b>
<b>118,570</b>	<b>Net Assets</b>		<b>(2,143)</b>
(62,194)	Usable Reserves	21	(64,821)
(56,376)	Unusable Reserves	22	66,964
<b>(118,570)</b>	<b>Total Reserves</b>		<b>2,143</b>

## CASH FLOW STATEMENT

Cash flow Restated 2015/16 £000		Note	2016/17 £000
(19,197)	Net surplus or (deficit) on the provision of services		(50,500)
74,455	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23a	58,368
(22,398)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23b	(21,171)
32,860	Net cash flows from Operating Activities	*	(13,303)
(65,128)	Investing Activities	24	(10,461)
31,405	Financing Activities	25	24,420
(863)	Net increase or decrease in cash and cash equivalents		656
5,563	Cash and cash equivalents at the beginning of the reporting period		4,700
4,700	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>5,356</b>

\* The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
(998)	Interest Received	(587)
9,471	Interest Paid	9,941

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March 2017.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

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

### ii. Accruals of expenditure and income

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract,
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

# NOTES TO THE ACCOUNTS

## iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents held as part of Treasury Management arrangements are included as short term investments in accordance with the CIPFA Code.

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

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

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance for a Minimum Revenue Provision by way of an adjusting transaction



# NOTES TO THE ACCOUNTS

with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## vi. Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and they are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

### Post-Employment Benefits

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

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

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 ordinarily be identified specifically to the Authority. The scheme is

## NOTES TO THE ACCOUNTS

therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education, Leisure and Lifelong Learning line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### The Local Government Pension Scheme

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

- the liabilities of the City and County of Swansea Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- liabilities are discounted to their value at current prices.
- the assets of the City and County of Swansea 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
  - utilised securities – current bid price
  - property – market value
- the change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as a result of years of service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

# NOTES TO THE ACCOUNTS

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset), which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the City and County of Swansea pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

## Discretionary Benefits

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

## vii. Financial Instruments

### Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus accrued

## NOTES TO THE ACCOUNTS

interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

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

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

## NOTES TO THE ACCOUNTS

the revised future cash flows discounted at the asset's original effective interest rate.

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

### Available for Sale Assets

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

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

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

### viii. Foreign Currency Translation

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

### ix. Government Grants and Contributions

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

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

## NOTES TO THE ACCOUNTS

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

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

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

### Business Improvement District

A Business Improvement District scheme applies within a restricted area in Neath Town Centre. The scheme is funded by non-domestic ratepayers in this area and the Council's role is to collect the levy due and to pay these funds across to the BID Company, which is called Neath Inspired. They will use their levy to fund projects within the BID boundaries.

### x. Heritage Assets

The Authority is required to include Heritage Assets in its Statement of Accounts and to provide information in relation to other Heritage Assets not included in the Accounts. Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. In the absence of historic cost the insurable sum is deemed as an appropriate and relevant method of valuation.

The Authority does not depreciate heritage assets and some of the other measurement rules have been varied in relation to Heritage Assets as follows:

If an item suffers physical deterioration the carrying value will be reviewed and any impairment recognised in the accounts. Also, any disposals will be recognised in the accounts and disclosed as a separate note to the financial statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where Heritage Assets are disposed of these are

# NOTES TO THE ACCOUNTS

accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Because of the diverse nature of heritage assets and the potential cost implication of obtaining specialist valuations, the Authority only recognises heritage assets in the balance sheet where an insurance valuation has been undertaken and where the valuation for an individual heritage asset is £5,000 or more. These items are deemed to have indeterminate lives and a high residual value and consequently the Authority does not consider it appropriate to charge depreciation.

## **xi. Interest in Companies and Other Entities**

The Authority holds no material value interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and therefore there is no requirement to prepare group accounts. Transactions for the Authority's companies are included within the Authority's own single entity accounts.

## **xii. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at average purchase price or latest purchase price. This is a departure from normal practice which values stock at the lower of cost or net realisable value. The effect of this departure is not material.

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

## **xiii. Joint operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

## **xiv. Leases**

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

# NOTES TO THE ACCOUNTS

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

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

## **The Authority as Lessee**

### ***Finance Leases***

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

Lease payments are apportioned between:

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

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

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

### ***Operating Leases***

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments, for example, where there is a rent free period at the commencement of the lease.



# NOTES TO THE ACCOUNTS

## The Authority as Lessor

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments, for example, where there is a premium paid at the commencement of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **xv. Overhead and Support Costs**

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

### **xvi. Property, Plant and Equipment**

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

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

## NOTES TO THE ACCOUNTS

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

The Authority's Accounting Policy for adopted roads is to recognise them as donated infrastructure assets. The measurement basis for adopted roads will be historic cost in line with other operational infrastructure assets. In the case of adopted roads the historic cost will be deemed to be zero.

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

- infrastructure, community assets and assets under construction – depreciated historical cost.
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market for office accommodation the measurement adopted is depreciated replacement cost (instant build).
- school buildings – current value, but because of their specialist nature, they are measured at depreciated replacement cost MEA (Modern Equivalent Asset).
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

## NOTES TO THE ACCOUNTS

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

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

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following basis:

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

## NOTES TO THE ACCOUNTS

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

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

### **Disposals and Non-current Assets Held for Sale**

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

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

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

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

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

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

# NOTES TO THE ACCOUNTS

## Componentisation

Land and buildings are separate assets and will always be accounted for separately.

Where a single asset may have a number of different components each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation.

- Materiality with regards to the Authority's financial statements.  
Componentisation will only be considered for individual non land assets that have a net book value of more than £2.5m or 0.5% of total net book value.
- Significance of component  
For individual assets meeting the above threshold, where services within a building, such as boilers, heating, lighting, ventilation, etc. are a material component of the cost of that asset, that is greater than 30%, then those services will be valued separately on a component basis.
- Difference in rate or method of depreciation compared to the overall asset.  
Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Consideration for componentisation is undertaken in the financial year after an asset is revalued or brought into use, this is due to the fact that the Authority charges depreciation based on opening balances.

Assets that fall below the de-minimis levels and the tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in material misstatements in the accounts.

Where assets are material and are to be reviewed for significant components, it is recommended that the minimum level of apportionment for the non-land element of assets is:

- Mechanical and electrical services
- Structure

Professional judgement will be used in establishing materiality levels, the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components. Revaluations of the Authority's property assets will continue to be undertaken on a five year rolling programme basis, at which point, the revaluation takes into account the value and condition of the assets, relevant components and also de-recognition where relevant. Where there is a major refurbishment of an asset, a new valuation is sought in the year of completion and a revision to the useful life.

The Authority does not undertake componentisation of Infrastructure assets.

# NOTES TO THE ACCOUNTS

Materiality levels will be periodically reviewed to ensure that they remain appropriate.

## xvii. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

# NOTES TO THE ACCOUNTS

## **xviii. Reserves**

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

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

## **xix. Revenue Expenditure Funded from Capital under statute**

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

## **xx. Schools**

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

## **xxi. Value Added Tax (VAT)**

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

## **xxii. Fair value measurement**

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

- In the principal market for the asset or liability, or

# NOTES TO THE ACCOUNTS

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liabilities, assuming those market participants were acting in their economic best interest.

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

## 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice requires that the Council disclose information relating to the anticipated impact of an accounting change required by a new standard that has been issued but not yet adopted by the Code. This requirement applies to the adoption of the following new or amended standards:

The 2017 Code introduces changes in relation to the Pension Fund Accounts. These accounts are prepared by the administering body, so in this case, the City and County of Swansea Council. These changes are in relation to:

- Transaction costs for financial assets as outlined in IAS39 Financial Instruments, Recognition and Measurement and IAS40 Investment Property.
- Providing details of any single investment exceeding 5% of the net assets available for benefits.

The Code requires implementation from 1<sup>st</sup> April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

## 3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **Provisions – Insurance Claims**

The Authority has a provision of £5.9m as at 31<sup>st</sup> March 2017 to meet the potential cost of insurance liabilities. The number and value of potential claims includes actuarial assumptions particularly in respect of the most recent financial years as these are immature in terms of insurance experience. Any significant change in



## NOTES TO THE ACCOUNTS

assumptions and/or number and value of claims could significantly alter the value of the provision. The Authority holds Insurance Reserves to mitigate any risk.

### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries was engaged to provide the Authority with expert advice and assumptions and the various costings and disclosures necessary to comply with the code of practice. If any of the assumptions change as a result of actual experience then the net liability of the Authority would increase or decrease as a result.

#### 4. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

These adjustments are made to present the Council's accounts on an accounting and funding basis in accordance with generally accepted accounting practices. Further details in relation to these adjustments can be found in the "Adjustments between accounting basis and funding basis under regulations" note 6 below.

	<b>2016/17</b>			
	Adjustments for Capital Purposes	Net Charge for Pensions	Other Differences	Total Adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	42,558	-	1,224	43,782
Social Services, Health & Housing	1,356	-	8	1,364
Environment	20,340	-	6	20,346
Corporate Services	117	-	4	121
Other Central Services	(8,970)	(550)	3	(9,517)
	<b>55,401</b>	<b>(550)</b>	<b>1,245</b>	<b>56,096</b>
Other Income & Expenditure	(15,276)	12,100	-	(3,176)
<b>Difference between General Fund and CIES surplus/deficit</b>	<b>40,125</b>	<b>11,550</b>	<b>1,245</b>	<b>52,920</b>

# NOTES TO THE ACCOUNTS

	<b>2015/16</b>			
	Adjustments for Capital Purposes	Net Charge for Pensions	Other Differences	Total Adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	17,156	-	(1,198)	15,958
Social Services, Health & Housing	2,305	-	(32)	2,273
Environment	19,229	-	(14)	19,215
Corporate Services	113	-	(14)	99
Other Central Services	(7,466)	540	(12)	(6,938)
	<b>31,337</b>	<b>540</b>	<b>(1,270)</b>	<b>30,607</b>
Other Income & Expenditure	(16,895)	11,370	-	(5,525)
<b>Difference between General Fund and CIES surplus/deficit</b>	<b>14,442</b>	<b>11,910</b>	<b>(1,270)</b>	<b>25,082</b>

## 5. EXPENDITURE AND INCOME ANALYSED BY NATURE

The following table discloses the nature of expenses and income, analysing the Comprehensive Income and Expenditure on a subjective basis. These figures include the expenditure and income for all schools, which follows the reporting requirements stipulated by the Code of Practice.

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure</b>	
166,584	Employee Benefits	168,755
243,391	Other Service Expenses	267,278
32,645	Support Service Recharges	34,795
25,998	Depreciation, amortisation and Impairment	31,535
21,113	Interest Payable	22,084
17,927	Precepts and Levies	18,436
385	Gain on the disposal of assets	337
(301)	Reversal of Prior year revaluation losses	-
<b>507,742</b>	<b>Total Expenditure</b>	<b>543,220</b>
	<b>Income</b>	
(49,741)	Fees, charges and other service income	(52,606)
(36,242)	Support Service Income	(37,257)
(836)	Interest and investment income	(593)
(117,215)	Income from Council Tax, National Non Domestic Rates	(121,961)
(284,511)	Government Grants and contributions	(280,303)
<b>(488,545)</b>	<b>Total Income</b>	<b>(492,720)</b>
<b>19,197</b>	<b>(Surplus) / Deficit for year</b>	<b>50,500</b>

The total income for Fees, charges and other service income identified in the table above is collected from the following service segments:

## NOTES TO THE ACCOUNTS

2015/16		2016/17
£000		£000
	<b>Income</b>	
(9,991)	Education, Leisure & Lifelong Learning	(10,799)
(20,509)	Social Services, Health & Housing	(21,211)
(16,805)	Environment	(17,462)
(2,159)	Corporate Services	(2,126)
(277)	Other Central Services	(1,008)
<b>(49,741)</b>	<b>Fees, charges and other service income</b>	<b>(52,606)</b>

### 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

#### **General Fund Balance**

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

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

# NOTES TO THE ACCOUNTS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>2016/17</b>	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>				
Charges for depreciation and impairment of non current assets	31,535	-	-	(31,535)
Revaluation losses on Property Plant and Equipment	21,568	-	-	(21,568)
Capital grants and contributions applied	(19,607)	-	-	19,607
Revenue expenditure funded from capital under statute	16,676	-	-	(16,676)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,901	-	-	(1,901)
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>				
Statutory provision for the financing of capital investment	(7,455)	-	-	7,455
Capital expenditure charged against the General Fund	(2,441)	-	-	2,441
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(313)	-	313	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(263)	263
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,564)	1,564	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,412)	-	1,412
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	5	-	(5)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	-	-	(1)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(176)	-	-	176
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	34,700	-	-	(34,700)
Employer's pension contributions and direct payments to pensioners payable in the year	(23,150)	-	-	23,150
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,245	-	-	(1,245)
<b>Total Adjustments</b>	<b>52,920</b>	<b>157</b>	<b>50</b>	<b>(53,127)</b>

# NOTES TO THE ACCOUNTS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
<b>2015/16</b>	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>				
Charges for depreciation and impairment of non current assets	25,998	-	-	(25,998)
Revaluation losses on Property Plant and Equipment	8,343	-	-	(8,343)
Capital grants and contributions applied	(21,674)	-	-	21,674
Revenue expenditure funded from capital under statute	10,237	-	-	(10,237)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,109	-	-	(1,109)
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>				
Statutory provision for the financing of capital investment	(6,438)	-	-	6,438
Capital expenditure charged against the General Fund	(1,836)	-	-	1,836
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(413)	-	413	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(2,825)	2,825
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(724)	724	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,077)	-	2,077
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	11	-	(11)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(160)	-	-	160
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	34,680	-	-	(34,680)
Employer's pension contributions and direct payments to pensioners payable in the year	(22,770)	-	-	22,770
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,270)	-	-	1,270
<b>Total Adjustments</b>	<b>25,082</b>	<b>(1,342)</b>	<b>(2,412)</b>	<b>(21,328)</b>

## NOTES TO THE ACCOUNTS

### 7. TRANSFERS TO/FROM RESERVES

This note sets out the amounts set aside from the General Fund into reserves to provide financing for future expenditure plans.

	<b>Balance at 1st Apr 2015</b>	Transfers out 2015/16	Transfers in 2015/16	<b>Balance at 31st Mar 2016</b>	Transfers out 2016/17	Transfers in 2016/17	<b>Balance at 31st Mar 2017</b>
	<b>£000</b>	£000	£000	<b>£000</b>	£000	£000	<b>£000</b>
Balances held by schools under a scheme of delegation	<b>(2,764)</b>	1,030	(1,482)	<b>(3,216)</b>	1,972	(1,511)	<b>(2,755)</b>
Other Education and Leisure	<b>(323)</b>	160	(122)	<b>(285)</b>	93	(71)	<b>(263)</b>
Hillside Secure Centre-Equalisation	<b>(1,670)</b>	58	(163)	<b>(1,775)</b>	303	(241)	<b>(1,713)</b>
Other Social Services	<b>(1,460)</b>	1,018	(198)	<b>(640)</b>	476	(180)	<b>(344)</b>
Environment	<b>(976)</b>	571	(700)	<b>(1,105)</b>	304	(651)	<b>(1,452)</b>
Operating Account	<b>(1,657)</b>	99	(298)	<b>(1,856)</b>	1,509	(1,506)	<b>(1,853)</b>
Finance and Chief Executive	<b>(2,955)</b>	758	(1,161)	<b>(3,358)</b>	819	(787)	<b>(3,326)</b>
Accommodation	<b>(2,919)</b>	-	-	<b>(2,919)</b>	158	-	<b>(2,761)</b>
Treasury Management	<b>(2,516)</b>	97	-	<b>(2,419)</b>	-	(655)	<b>(3,074)</b>
Housing Warranties	<b>(220)</b>	-	-	<b>(220)</b>	-	-	<b>(220)</b>
LAWDC	<b>(988)</b>	-	-	<b>(988)</b>	-	-	<b>(988)</b>
Insurance	<b>(2,222)</b>	64	(1,522)	<b>(3,680)</b>	4	(1,049)	<b>(4,725)</b>
Fire Authority	<b>(94)</b>	21	-	<b>(73)</b>	21	-	<b>(52)</b>
Waste	<b>(733)</b>	310	-	<b>(423)</b>	-	-	<b>(423)</b>
ERVR Transitional	<b>(6,829)</b>	1,980	(2,927)	<b>(7,776)</b>	2,226	(693)	<b>(6,243)</b>
Joint Committees	<b>(60)</b>	-	(34)	<b>(94)</b>	8	(100)	<b>(186)</b>
Corporate Other	-	-	(640)	<b>(640)</b>	390	-	<b>(250)</b>
<b>Earmarked Reserves</b>	<b>(28,386)</b>	<b>6,166</b>	<b>(9,247)</b>	<b>(31,467)</b>	<b>8,283</b>	<b>(7,444)</b>	<b>(30,628)</b>
Capital	<b>(772)</b>	-	(28)	<b>(800)</b>	-	(112)	<b>(912)</b>
General Fund	<b>(13,814)</b>	934	(3,710)	<b>(16,590)</b>	744	(3,891)	<b>(19,737)</b>
<b>GRAND TOTAL</b>	<b>(42,972)</b>	<b>7,100</b>	<b>(12,985)</b>	<b>(48,857)</b>	<b>9,027</b>	<b>(11,447)</b>	<b>(51,277)</b>

## NOTES TO THE ACCOUNTS

<b>Earmarked Reserves</b>		<b>2016/17 £000</b>
<b>Education, Leisure and Lifelong Learning</b>		
Primary Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	2,059
Secondary Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	569
Special Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	127
		2,755
Education Equalisation	This account will be used to fund any unforeseen pressures arising within the Education Leisure and Lifelong Learning budget.	55
Other	This includes funding to meet the cost of repairs and maintenance in schools, and to assist primary schools in funding ERVR.	208
		<b>3,018</b>
<b>Social Services and Health</b>		
Hillside General	The fund has been established to equalise the capital investment required over time for the Hillside Secure Unit.	1,713
Other Social Services	To fund development work required to transform services and deliver further savings in future, to fund unforeseen pressures arising within SS&H, to fund expenditure on renewal of equipment over several years.	344
		<b>2,057</b>
<b>Environment</b>		
Provision Building Maintenance	This reserve will be used to equalise the effect of the annual building maintenance spend on the revenue account budget.	100
Environment Equalisation Account	This reserve will be used to fund one off pressures across the Directorate.	184
Local Development Fund	To meet statutory obligation for LD Plan.	126
Winter Maintenance	To equalise the cost incurred during harsh winters.	764

## NOTES TO THE ACCOUNTS

		<b>£000</b>
<b>Environment (continued)</b>		
Other	This includes reserves for Concessionary Bus Pass replacement, Asset recovery reserve and Economic Development.	278
Vehicle	This reserve will be used to fund a cost effective transport and plant programme to meet service requirements.	1,705
Stock	This reserve will be used to write off obsolete stock.	36
General	This reserve will be used to fund Vehicle Tracking maintenance.	112
<b>Environment</b>		<b><u>3,305</u></b>
<b>Finance and Chief Executive's</b>		
IT Renewals Fund	This Reserve will be used to fund the costs of major IT projects.	1,512
Digital Modernisation	This Reserve will be used to fund the costs of digital modernisation.	270
Corporate Equalisation	This reserve will fund one off pressures arising across the directorate.	805
Election Equalisation	This reserve will be used to meet the cost of the five year cycle of elections.	367
Building Capacity & Capability	This relates to developing capacity in relation to transformational projects across the Council.	56
Other	This includes reserves for Health & Safety, member development and voluntary organisations.	316
<b>Finance and Chief Executive's Reserves</b>		<b><u>3,326</u></b>
<b>Corporate issues</b>		
Accommodation	This reserve will be used to support the Authority's Accommodation Strategy.	2,761
Treasury Management	This reserve will be used to equalise the impact of fluctuations in Treasury Management returns.	3,074
Housing Warranties	This reserve has been set aside in recognition of the warranties to potential liabilities following the transfer of Housing Services.	220
LAWDC	This reserve has been established to help set aside funds for future remedial costs.	988



## NOTES TO THE ACCOUNTS

£000

### Corporate issues (continued)

Insurance - Claims	This reserve is generated from insurance settlements and surpluses from claims handling arrangements. It will be used to fund future insurance related projects and claims.	4,725
Fire Authority	This relates to a refund from the Fire Authority and will be used to mitigate cost increase in future years.	52
Waste	This reserve will be used to fund future Waste Service projects.	423
ER VR Transitional Reserve	This reserve will fund future ER/VR costs.	6,243
Joint Committee	This reserve is for Western Bay Safeguarding Board, Substance Misuse and SWTRA.	186
Other	This reserve will be used to fund contribution toward the Swansea Bay City deal, and income generation project work.	250
<b>Corporate issues</b>		<b>18,922</b>
<b>Total Earmarked Reserves</b>		<b>30,628</b>
<b>Capital Reserves</b>	Revenue reserve earmarked for capital purposes.	912
<b>General Reserve Working Balances</b>	Revenue reserve to fund non-specific future expenditure.	19,737
<b>Total Reserves</b>		<b>51,277</b>

### 8. OTHER OPERATING ACCOUNTS

2015/16 £000		2016/17 £000
1,872	Community Council precepts	1,912
16,055	Levies (Police and Fire)	16,524
385	(Gains)/losses on the disposal of non current assets	337
(301)	Reversal of prior year revaluation losses	-
<b>18,011</b>	<b>Total</b>	<b>18,773</b>

## NOTES TO THE ACCOUNTS

### 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £000		2016/17 £000
9,743	Interest payable and similar charges	9,984
11,370	Pension interest cost and expected return on pension assets	12,100
(836)	Interest receivable and similar income	(593)
<b>20,277</b>	<b>Total</b>	<b>21,491</b>

### 10. TAXATION AND NON SPECIFIC GRANT

2015/16 £000		2016/17 £000
(76,781)	Council Tax income	(79,724)
(40,434)	Non domestic rates	(42,237)
(165,899)	Non ring fenced government grants	(163,137)
(16,977)	Capital grants and contributions	(15,614)
<b>(300,091)</b>	<b>Total</b>	<b>(300,712)</b>

### 11. PROPERTY, PLANT AND EQUIPMENT

2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>							
At 1st April 2016	408,025	28,171	368,881	612	11,808	37,567	<b>855,064</b>
additions	4,085	2,982	10,055	-	-	23,560	40,682
revaluation increases/(decreases) recognised in the Revaluation Reserve	(27,847)	-	-	-	(940)	-	(28,787)
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(28,098)	57	-	-	(57)	-	(28,098)
derecognition-disposals	(157)	(1,836)	-	-	(685)	-	(2,678)
derecognition-other	(19,165)	-	-	-	(2)	-	(19,167)
assets reclassified (to)/from Held for Sale	353	-	-	-	(68)	-	285
change in asset classification	48,148	-	599	-	1,384	(50,131)	0
<b>At 31st March 2017</b>	<b>385,344</b>	<b>29,374</b>	<b>379,535</b>	<b>612</b>	<b>11,440</b>	<b>10,996</b>	<b>817,301</b>

## NOTES TO THE ACCOUNTS

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	<b>Total Property, Plant and Equipment £000</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1st April 2016	(59,547)	(17,213)	(87,194)	-	-	(4)	<b>(163,958)</b>
depreciation charge	(20,271)	(2,021)	(9,222)	-	(21)	-	(31,535)
depreciation written out to the Revaluation Reserve	15,943	-	-	-	32	-	15,975
depreciation written out to the Surplus/Deficit on the Provision of Services	6,581	-	-	-	-	-	6,581
derecognition-disposals	-	1,627	-	-	-	-	1,627
derecognition-other	15,481	1	13	-	-	-	15,495
change in asset classification	30	-	-	-	(30)	-	0
other movements in depreciation and impairment	314	-	-	-	-	-	314
<b>At 31st March 2017</b>	<b>(41,469)</b>	<b>(17,606)</b>	<b>(96,403)</b>	<b>0</b>	<b>(19)</b>	<b>(4)</b>	<b>(155,501)</b>
<b>Net Book Value</b>							
At 31st March 2017	343,875	11,768	283,132	612	11,421	10,992	<b>661,800</b>
At 31st March 2016	348,478	10,958	281,687	612	11,808	37,563	<b>691,106</b>

## NOTES TO THE ACCOUNTS

2015/16	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Cost or Valuation</b>	£000	£000	£000	£000	£000	£000	£000
At 1st April 2015	394,170	27,016	358,690	612	14,434	26,766	<b>821,688</b>
additions	4,714	2,931	9,273	-	-	38,589	55,507
revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,611)	128	-	-	(1,408)	-	(3,891)
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(5,901)	-	-	-	(3,397)	-	(9,298)
derecognition-disposals	(118)	(1,379)	-	-	-	-	(1,497)
derecognition - charged to the revaluation reserve	(128)	-	-	-	-	-	(128)
derecognition-other	(4,722)	(525)	-	-	(229)	(1,044)	(6,520)
assets reclassified (to)/from Held for Sale	(1,752)	-	-	-	162	-	(1,590)
change in asset classification	24,371	-	918	-	1,455	(26,744)	0
other movements in cost of valuation	2	-	-	-	791	-	793
<b>At 31st March 2016</b>	<b>408,025</b>	<b>28,171</b>	<b>368,881</b>	<b>612</b>	<b>11,808</b>	<b>37,567</b>	<b>855,064</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1st April 2015	(45,960)	(17,045)	(78,815)	-	(565)	(4)	<b>(142,389)</b>
depreciation charge	(14,940)	(1,894)	(8,967)	-	(197)	-	(25,998)
impairment charged to surplus/deficit on provision of services	-	-	-	-	-	-	0
depreciation written out to the Revaluation Reserve	777	-	-	-	363	-	1,140
depreciation written out to the Surplus/Deficit on the Provision of Services	607	-	-	-	57	-	664
derecognition - disposals	-	1,233	-	-	-	-	1,233
derecognition - other	24	493	588	-	10	-	1,115
change in asset classification	(332)	-	-	-	332	-	0
other movements in depreciation and impairment	277	-	-	-	-	-	277
<b>At 31st March 2016</b>	<b>(59,547)</b>	<b>(17,213)</b>	<b>(87,194)</b>	<b>0</b>	<b>0</b>	<b>(4)</b>	<b>(163,958)</b>
<b>Net Book Value</b>							
At 31st March 2016	348,478	10,958	281,687	612	11,808	37,563	<b>691,106</b>
At 31st March 2015	348,210	9,971	279,875	612	13,869	26,762	<b>679,299</b>

### Depreciation

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

Land	Depreciation not applicable
Buildings	At least 40 years
Vehicles, Plant, Furniture and Equipment	5 - 20 years
Infrastructure	40 years

# NOTES TO THE ACCOUNTS

## Effects of Changes in Estimates

During 2016/17, there have been no material changes made to the accounting estimates for property, plant and equipment.

## Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic cost.

## 12. HERITAGE ASSETS

### Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	<b>Total £000</b>
<b>Cost or Valuation</b>	
1st Apr 2015	1,183
Movements	-
<b>31st Mar 2016</b>	<b>1,183</b>
<b>Cost or Valuation</b>	
1st Apr 2016	1,183
Movements	-
<b>31st Mar 2017</b>	<b>1,183</b>

The Heritage Assets recognised in the balance sheet consist of works of Art and are held in the balance sheet at the value used for insurance purposes. The Heritage Assets were last revalued in 2013/14 by Sotheby's, recognised experts in the valuation of works of art. The two most significant items included in the balance sheet are:

- Mathieu Kessels (1784-1836) Scene of the Deluge which can be found on display in the Orangery at Margam Country Park.
- A Roman marble statue of Lucius Aelius Verus Caesar the Second which again can be found on display in the Orangery at Margam Country Park.

### Heritage Assets not included on the balance sheet

The Authority also identified Heritage Assets which are not recorded in the Balance Sheet. The majority of these assets are held by the Authority's Library and Museum Service, the collection is located currently at Y Wern School stores in Ystalyfera.

These Assets are of a diverse nature and therefore the cost or valuation information is not available as conventional valuation approaches lack sufficient reliability. The

# NOTES TO THE ACCOUNTS

Council is of the opinion that the costs of obtaining the valuations for these assets would be disproportionate in terms of the benefit derived.

**Heritage Assets considered but not recognised in the Balance Sheet are listed below:**

Heritage Land, Buildings and Infrastructure

- Margam Park including the Orangery, Castle and Citrus House is an operational asset because it has varied operational uses and is used by the Authority to provide educational and leisure services. Although the asset includes historical buildings they are not used solely for the achievement of the Authority's objectives in relation to heritage. Consequently, these assets need not be classed as heritage assets and remain capitalised in Property, Plant and Equipment.
- Hen Egwlys at Margam Country Park
- Gnoll House and Cellar Remains at Gnoll Country Park

Art and Museums

- Thomas Horner collection of watercolours
- Charcoal drawing by eminent Welsh artist Will Roberts
- Oil painting by Dorothy Coombe Tennant

Transport

- Full scale renovated gas tram

Other

- Floor tiles from Neath Abbey
- Pottery Shards from the Neath Roman fort excavations
- Industrial Tools
- Collections of books, newspapers and photographs
- Civic Regalia including mayoral chains

## 13. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

## NOTES TO THE ACCOUNTS

	Long Term		Current	
	31st Mar 2017 £000	31st Mar 2016 £000	31st Mar 2017 £000	31st Mar 2016 £000
<b>Investments</b>				
Loans and receivables at amortised cost:				
Fixed Term Investments	10,000	10,000	54,122	62,118
Cash	-	-	6,820	7,870
Unquoted equity at cost	86	86	-	-
<b>Total investments</b>	<b>10,086</b>	<b>10,086</b>	<b>60,942</b>	<b>69,988</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost:				
Market Loans (LOBO)	(62,500)	(75,644)	(13,805)	(736)
PWLB	(173,155)	(144,713)	(3,641)	(7,593)
Other loans	-	-	(1,094)	(1,130)
<b>Total borrowings</b>	<b>(235,655)</b>	<b>(220,357)</b>	<b>(18,540)</b>	<b>(9,459)</b>
<b>Other Long Term Liabilities</b>				
Pension Liability	(436,193)	(367,293)	-	-

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at principal plus accrued interest. Accrued interest is included within the current values above as it is effectively payable or receivable within one year.

### Income, Expenses, Gains and Losses

	2016/17			2015/16		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	9,984	-	<b>9,984</b>	9,743	-	<b>9,743</b>
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	9,984	0	<b>9,984</b>	9,743	0	<b>9,743</b>
Interest income	-	(578)	<b>(578)</b>	-	(433)	<b>(433)</b>
Interest income accrued on impaired financial assets	-	(15)	<b>(15)</b>	-	(403)	<b>(403)</b>
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	0	(593)	<b>(593)</b>	0	(836)	<b>(836)</b>
<b>Net gain/(loss) for the year</b>	<b>9,984</b>	<b>(593)</b>	<b>9,391</b>	<b>9,743</b>	<b>(836)</b>	<b>8,907</b>

# NOTES TO THE ACCOUNTS

## Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. The fair value of the loans and receivables and financial liabilities is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future as at 31<sup>st</sup> March 2017, using the following assumptions:

- For loans from the PWLB and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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 as at 31<sup>st</sup> March 2017, for an instrument with the same duration. Where it is difficult to obtain the rate for an instrument with identical features in an active market then the prevailing rate of a similar instrument with a published market rate has been used as the discount factor. For those banks that have gone into administration or receivership the NPV calculation uses the rate at which the investment was originally placed.

The values calculated are as follows:

	31st Mar 2017		31st Mar 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	(174,713)	(217,110)	(150,258)	(180,966)
Non-PWLB Debt	(75,428)	(108,140)	(75,428)	(92,274)
<b>Total debt</b>	<b>(250,141)</b>	<b>(325,250)</b>	<b>(225,686)</b>	<b>(273,240)</b>
<b>Long Term creditors</b>	(44,840)	(44,840)	(33,698)	(33,698)

### 31<sup>st</sup> March 2017 – Debt

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of PWLB loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31<sup>st</sup> March 2017, arising from a commitment to pay interest to lenders above market rates.



# NOTES TO THE ACCOUNTS

## Fair Value of Assets

	31st Mar 2017		31st Mar 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	70,820	71,234	79,870	80,263
Long term debtors	1,101	1,101	772	772

## 14. INVENTORIES

	Stores	
	2016/17 £000	2015/16 £000
Balance outstanding at start of year	631	597
Movement in year	26	34
<b>Balance o/s at year end</b>	<b>657</b>	<b>631</b>

## 15. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2017, the Authority has entered into a number of contracts for the construction of Property, Plant and Equipment. The budgeted cost of these commitments for 2017/18 and future years are shown in the table below. Similar commitments at 31<sup>st</sup> March 2016 were £28.5m. The major commitments are:

Major Capital Commitments	2017/18 £000	Future £000	Total £000
Ysgol Gyfun Ystalyfera Re-modelling	4,497	217	4,714
Street Lighting Replacement Programme	1,650	-	1,650
Port Talbot Integrated Transport Hub	2,539	-	2,539
<b>Total</b>	<b>8,686</b>	<b>217</b>	<b>8,903</b>

For the purpose of this note, a major commitment is defined as being in excess of one million pounds.

## NOTES TO THE ACCOUNTS

### 16. DEBTORS

31st Mar 2016		31st Mar 2017
£000		£000
18,898	Central government bodies	23,284
2,658	Other local authorities	2,990
1,162	NHS bodies	2,707
11,810	Other entities and individuals	10,397
2,824	Payments in advance	3,321
(5,252)	Less provision for doubtful debts	(4,603)
<b>32,100</b>	<b>Total</b>	<b>38,096</b>

### 17. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31st Mar 2016		31st Mar 2017
£000		£000
111	Cash held by the Authority	112
4,589	Bank current accounts	5,244
<b>4,700</b>	<b>Total</b>	<b>5,356</b>

### 18. ASSETS HELD FOR SALE

	Current	
	2016/17 £000	2015/16 £000
<b>Balance outstanding at start of year</b>	7,282	5,811
Assets newly classified as held for sale:		
Property, Plant and Equipment	568	2,168
Revaluation losses	(442)	(135)
Revaluation gains	103	571
Assets declassified as held for sale:		
Property, Plant and Equipment	(853)	(578)
Assets sold	(854)	(555)
<b>Balance outstanding at year end</b>	<b>5,804</b>	<b>7,282</b>

## NOTES TO THE ACCOUNTS

### 19. CREDITORS

31st Mar 2016		31st Mar 2017
£000		£000
(3,041)	Central government bodies	(3,750)
(8,522)	Other local authorities	(6,729)
(377)	NHS bodies	(850)
(43,061)	Other entities and individuals	(31,581)
(5,180)	Receipts in advance	(1,876)
<b>(60,181)</b>	<b>Total</b>	<b>(44,786)</b>

### 20. PROVISIONS

#### Long Term Provisions

	Injury and Damage Compensation Claims	Other provisions	Total
	£000	£000	£000
<b>Balance at 1st April 2015</b>	(5,204)	(904)	(6,108)
Net Transfer (to)/from	397	(5)	392
<b>Balance at 31st March 2016</b>	(4,807)	(909)	(5,716)
Net Transfer (to)/from	479	(14)	465
<b>Balance at 31st March 2017</b>	<b>(4,328)</b>	<b>(923)</b>	<b>(5,251)</b>

#### Short Term Provisions

	Injury and Damage Compensation Claims	Other provisions	Total
	£000	£000	£000
<b>Balance at 1st April 2015</b>	(2,027)	(103)	(2,130)
Net Transfer (to)/from	252	(696)	(444)
<b>Balance at 31st March 2016</b>	(1,775)	(799)	(2,574)
Net Transfer (to)/from	208	463	671
<b>Balance at 31st March 2017</b>	<b>(1,567)</b>	<b>(336)</b>	<b>(1,903)</b>

#### Long and Short Term - Injury and Damage Compensation Claims

This provision covers the estimated cost of settling all the outstanding insurance claims of the Authority that existed at 31<sup>st</sup> March 2017.

## NOTES TO THE ACCOUNTS

### Long and Short Term - Other Provisions – Housing Warranties

This long term provision has been set aside in recognition of the warranties and commitments relating to potential liabilities following the transfer of housing services in 2010/11. A short term provision has been created for £0.923m which reflects the costs likely to be incurred in the next financial year.

### Short Term - Other Provisions – Voluntary Redundancy

The Council undertook a significant exercise to seek volunteers for voluntary redundancy as part of the Council's savings strategy and in line with the Council's commitment to avoid compulsory redundancy as far as is possible. Many of those who agreed to finish left the Authority before 31<sup>st</sup> March 2017. However, there were some agreements to leave after this date and accounting regulations require the Authority to account for the costs in the year that the agreement was made. A charge has been made to the individual revenue accounts for the cost of these leavers in 2016/17 with this provision of £0.336m being set up to meet the costs when the individuals actually leave.

## 21. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and summarised below:

31st Mar 2016		31st Mar 2017
£000		£000
(48,857)	Earmarked and General Reserve Working Balance	(51,277)
(7,853)	Unapplied Grants	(7,903)
(5,484)	Usable Capital Receipts	(5,641)
<b>(62,194)</b>	<b>Total</b>	<b>(64,821)</b>

## 22. UNUSABLE RESERVES

31st Mar 2016		31st Mar 2017
£000		£000
(94,130)	Revaluation Reserve	(79,127)
(334,835)	Capital Adjustment Account	(296,472)
2,366	Financial Instruments Adjustment Account	2,190
367,293	Pensions Reserve	436,193
(30)	Deferred Capital Receipts Reserve	(25)
2,960	Accumulated Absences Account	4,205
<b>(56,376)</b>	<b>Total</b>	<b>66,964</b>

### Revaluation Reserve

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

## NOTES TO THE ACCOUNTS

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

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

2015/16		Revaluation Reserve	2016/17	
£000	£000		£000	£000
(6,901)	(100,367)	<b>Balance at 1st April</b>	(7,444)	(94,130)
10,785		Upward revaluation of assets	20,307	
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
128		Impairment losses on non-current assets	-	
	4,012	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		12,863
1,532		Difference between fair value depreciation and historical cost depreciation	1,826	
693		Accumulated gains on assets sold or scrapped	314	
	2,225	Amount written off to the Capital Adjustment Account		2,140
	<b>(94,130)</b>	<b>Balance at 31st March</b>		<b>(79,127)</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## NOTES TO THE ACCOUNTS

2015/16		Capital Adjustment Account	2016/17	
£000	£000		£000	£000
	(343,447)	<b>Balance at 1st April</b>		(334,835)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
25,998		Charges for depreciation and impairment of non current assets	31,535	
8,343		Revaluation losses on Property, Plant and Equipment	21,568	
10,237		Revenue expenditure funded from capital under statute	16,676	
1,109		Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,901	
	45,687			71,680
	(2,225)	Adjusting amounts written out of the Revaluation Reserve		(2,140)
	(299,985)	Net written out amount of the cost of non current assets consumed in the year		(265,295)
		Capital financing applied in the year:		
(2,077)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,412)	
(24,499)		Application of grants to capital financing from the Capital Grants Unapplied Account	(19,870)	
(6,438)		Statutory provision for the financing of capital investment charged against the General Fund	(7,455)	
(1,836)		Capital expenditure charged against the General Fund	(2,441)	
	(34,850)			(31,178)
-		Deferred Sale proceed to Comprehensive Income and Expenditure Account	1	
	-			1
	<b>(334,835)</b>	<b>Balance at 31st March</b>		<b>(296,472)</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to release premiums and discounts paid which were received on the early redemption of loans. Over time, the premiums are posted back to the General Fund Balance in accordance

## NOTES TO THE ACCOUNTS

with statutory arrangements for spreading the effect on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance of the premiums at 31<sup>st</sup> March 2017 will be charged to the General Fund until 2055.

2015/16		Financial Instruments Adjustment	2016/17	
£000	£000		£000	£000
(160)	2,526	<b>Balance at 1st April</b>	(176)	2,366
		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		
	(160)			(176)
	<b>2,366</b>	<b>Balance at 31st March</b>		<b>2,190</b>

### Pensions Reserve

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

2015/16 £000	Pension Reserve	2016/17 £000
367,623	<b>Balance at 1st April</b>	367,293
(12,240)	Actuarial gains or losses on pensions assets and liabilities	57,350
34,680	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	34,700
(22,770)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,150)
<b>367,293</b>	<b>Balance at 31st March</b>	<b>436,193</b>

## NOTES TO THE ACCOUNTS

### Deferred Capital Receipts Reserve

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

2015/16 £000	Deferred Capital Receipts Reserve	2016/17 £000
(41)	<b>Balance at 1st April</b>	(30)
11	Transfer to the Capital Receipts Reserve upon receipt of cash	5
<b>(30)</b>	<b>Balance at 31st March</b>	<b>(25)</b>

### Accumulated Absences Account

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

2015/16		Accumulated Absences Account	2016/17	
£000	£000		£000	£000
(4,230)	4,230	<b>Balance at 1st April</b>	(2,960)	2,960
2,960		Settlement or cancellation of accrual made at the end of the preceding year		
		Amounts accrued at the end of the current year	4,205	
	(1,270)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,245
	<b>2,960</b>	<b>Balance at 31st March</b>		<b>4,205</b>



## NOTES TO THE ACCOUNTS

### 23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

- a. Adjustments to net surplus or deficit on the provision of services for non-cash movements

Restated 2015/16 £000		2016/17 £000
25,998	Depreciation and impairment on non current assets	31,535
8,343	Revaluation losses on Property Plant and Equipment	21,568
(38)	(Increase)/decrease in long term debtors	(329)
13,434	(Increase)/decrease in short term debtors	(5,996)
(34)	(Increase)/decrease in inventories	(26)
12,838	Increase/(decrease) in short term creditors	(15,395)
(2,523)	Increase/(decrease) in long term creditors	11,142
444	Increase/(decrease) in short term provisions	(671)
(392)	Increase/(decrease) in long term provisions	(465)
1,109	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,901
11,910	Increase/ (decrease) in Pension Liability	11,550
(208)	Impairments charged to the CIES	-
3,574	Other non-cash items charged to net surplus/deficit on the provision of services	3,554
<b>74,455</b>		<b>58,368</b>

- b. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2015/16 £000		2016/17 £000
724	Proceeds from the sale of property, plant and equipment	1,564
21,674	Other receipts from investing activities	19,607
<b>22,398</b>		<b>21,171</b>

### 24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2015/16 £000		2016/17 £000
(55,507)	Purchase of property, plant and equipment	(40,682)
(871,360)	Purchase of short term and long term investments	(915,128)
724	Proceeds from the sale of property, plant and equipment	1,564
839,341	Proceeds from short term and long term investments	924,178
21,674	Other receipts from investing activities	19,607
<b>(65,128)</b>	<b>Net cash flows from Investing Activities</b>	<b>(10,461)</b>

## NOTES TO THE ACCOUNTS

### 25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Restated 2015/16 £000		2016/17 £000
34,115	Cash receipts of short and long term borrowing	45,280
(2,710)	Repayments of short and long term borrowing	(20,860)
<b>31,405</b>	<b>Net cash flows from Financing Activities</b>	<b>24,420</b>

### 26. TRADING OPERATIONS

The Authority has established two trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Authority or other organisations. Details of these units are as follows:

2015/16 £000		2016/17 £000
(762)	Catering Services Turnover	(743)
912	Expenditure	920
150	(Surplus)/Deficit	177
(642)	Trade Refuse Turnover	(686)
642	Expenditure	686
0	(Surplus)/Deficit-excluding full overheads	0

### 27. AGENCY SERVICES

#### South Wales Trunk Road Agency

The Authority performs agency work on trunk roads in South and West Wales on behalf of the Welsh Government and the expenditure is fully reimbursed. The financial activity relating to this contract is not included in the Comprehensive Income and Expenditure Statement.

2015/16 £000		2016/17 £000
46,746	Expenditure - fully reimbursed by Welsh Government	57,570

#### Houses to Homes, Home Improvement Loans and Vibrant and Viable Places

The Welsh Government has established a funding stream to provide loans to homeowners and landlords wishing to renovate properties and to offer them for sale or rent. They have arranged for local authorities to act as their agents to implement these schemes.

The terms and conditions for the scheme have been determined by the Welsh Government as follows:

- loans will be interest free;
- the maximum loan period is dependent upon whether the renovated property is to be sold or let;

## NOTES TO THE ACCOUNTS

- the amount of loan is capped at £25,000 per unit of accommodation with the maximum funding per applicant being £150,000.

Neath Port Talbot's role is to promote these schemes, manage the applications, undertake financial and property checks and to submit the application to the lead authority. Funding is provided to the Council before any loan is issued to a successful applicant.

	<b>Agency Funds from Welsh Government £000</b>	<b>Issued £000</b>	<b>Repayments £000</b>	<b>Balance Available £000</b>
Houses to Homes	(382)	291	(74)	(165)
Houses to Homes 2	(475)	39	-	(436)
Private Sector Loans	(425)	60	(23)	(388)
VVP Loans	(600)	51	(4)	(553)
<b>TOTAL</b>	<b>(1,882)</b>	<b>441</b>	<b>(101)</b>	<b>(1,542)</b>

### 28. POOLED BUDGETS

#### **Community Equipment Store – Health, Neath Port Talbot Council and the City and Country of Swansea**

Neath Port Talbot Council is party to a pooled arrangement with the Health Board and the City and County of Swansea. This arrangement is led by the City and County of Swansea.

The agreement for this pool is that the host partner shall retain operational responsibility for any costs, expenses or liabilities in excess of the Pooled Fund at any time during its existence, other than where these have been incurred with the express agreement of the Partners. Where this agreement has been made, the Partners are jointly responsible in the proportions of their respective contributions to the pool.

## NOTES TO THE ACCOUNTS

2015/16			2016/17	
£000	£000		£000	£000
	(106)	Net (surplus)/deficit b/f		0
		Funding provided to the pooled budget:		
		Grant	(97)	
-		City and County of Swansea	(616)	
(607)		Neath and Port Talbot Council	(388)	
(382)		The Health Board	(970)	
(956)				
	(1,945)	In year contributions		(2,071)
	(2,051)	Total Income		(2,071)
	2,051	Expenditure met from the pooled budget:		2,071
		Net (surplus)/deficit arising on the pooled budget during the year		0
	0	Authority share of the net (surplus)/deficit arising on the pooled budget		-
	-			-

### Intermediate Care – Neath Port Talbot Council and Health

Neath Port Talbot Council is host to a pooled arrangement with the Health Board, which covers arrangements to plan and arrange provision of adult and older people's services.

The arrangement for this pool is that the Partners shall be jointly responsible, in accordance with the funding agreement for any costs, claims, expenses or liabilities incurred in accordance with the terms of the pool agreement. Also, Partners to the agreement shall share any underspends in the proportions of their respective contributions to the pool.

2015/16			2016/17	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
		Neath and Port Talbot Council	(2,600)	
(2,633)		The Health Board	(2,306)	
(2,306)				
	(4,939)	Total Contributions		(4,906)
	4,939	Expenditure met from the pooled budget:		5,001
		Net (surplus)/deficit arising on the pooled budget during the year		95
	0	Authority share of the net (surplus)/deficit arising on the pooled budget		95
	-			-

## NOTES TO THE ACCOUNTS

### 29. MEMBERS REMUNERATION

The Authority paid the following amounts to members of the Council during the year.

2015/16 £000		2016/17 £000
1,201	Basic and Senior Salaries	1,209
10	Expenses	8
<b>1,211</b>	<b>Total</b>	<b>1,217</b>

### 30. OFFICERS REMUNERATION

The Council is required to provide details on a range of remuneration issues, such as the median remuneration for all employees compared to the Chief Executive, the amounts earned by senior officers, salary costs greater than £60,000 and the cost and number of any exit packages. As the effect of including voluntary aided schools is not material, the information prepared for the remuneration notes includes the staff employed at the voluntary aided Faith Schools in the area, which are:

- Alderman Davies Church in Wales Primary
- Bryncoch Church in Wales Primary
- St Therese's Catholic Primary
- St Joseph's Catholic Primary, infants and junior schools
- St Joseph's Comprehensive.

The Accounts and Audit Regulations (Wales) 2014 introduced the requirement for the Statement of Accounts to include a ratio showing the remuneration of the Council's highest paid officer, its Chief Executive, compared to the median remuneration of all employees which is £21,745. The ratio is:

	Pay multiple
Median employee earnings : Chief Executive's earnings	1 : 6.17

The remuneration paid to the Authority's senior employees is as follows:

## NOTES TO THE ACCOUNTS

		Salary, Fees and Allowances £	Expenses Allowances £	Employers Pension Contribution £	Total £
Chief Executive Mr Steven J Phillips	2016/17	134,253	29	21,749	156,031
	2015/16	134,253	29	21,749	156,031
Director of Education, Leisure & Lifelong Learning	2016/17	106,680	-	17,282	123,962
	2015/16	103,680	-	16,796	120,476
Director of Environment	2016/17	104,199	-	16,880	121,079
	2015/16	100,225	-	16,236	116,461
Director of Social Services, Health & Housing	2016/17	-	-	-	-
	2015/16	-	-	-	-
Director of Finance and Corporate Services	2016/17	109,161	-	17,684	126,845
	2015/16	106,149	-	17,196	123,345

The Employers pension contribution of 16.2% (16.2% in 2015/16) excludes any deficit contribution to the fund and represents the normal contribution required for the year.

The Chief Executive's figures do not include any remuneration for the Chief Executive in his role as Returning Officer, the amount paid in 2016/17 was £22,008 (2015/16 £5,899), which is based on rates defined by the respective election bodies.

Although not included in the table above, the former Director of Education Leisure and Lifelong Learning was employed by the Council until April 2016. He had been seconded to the Welsh Government on a full time basis from 2<sup>nd</sup> May 2013. The former director was paid salary, fees, allowances and expenses of £11,000 (£108,618 during 2015/16), with the Authority being fully reimbursed for the costs incurred during his time with the Welsh Government.

The Director of Social Services, Health and Housing post has not been filled by a council employee, but if it had been the salary range would have been £101,729 to £109,704 (2015/16 £100,722 to £108,618). A payment of £168,700 has been made to Windsor Transformational Limited in 2016/17 (2015/16 £170,100), who provided the services of the Interim Director of Social Services, Health and Housing to the Council. This is an all-inclusive payment and the company takes responsibility for all taxes.

The number of Authority's other employees, including Headteachers, receiving more than £60,000 remuneration for the year, excluding employer's pension contributions, in bands of £5,000 is listed below.

## NOTES TO THE ACCOUNTS

			2016/17 Number of employees	2015/16 Number of employees
£60,000	-	£64,999	20	21
£65,000	-	£69,999	10	6
£70,000	-	£74,999	6	7
£75,000	-	£79,999	11	11
£80,000	-	£84,999	3	4
£85,000	-	£89,999	3	3
£90,000	-	£94,999	3	1
£95,000	-	£99,999	2	1
			<b>58</b>	<b>54</b>

As a result of a voluntary redundancy scheme in 2016/17, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

			2016/17 Number of employees	2015/16 Number of employees
£60,000	-	£64,999	2	5
£65,000	-	£69,999	-	1
£70,000	-	£74,999	1	1
£75,000	-	£79,999	1	2
£80,000	-	£84,999	2	-
£85,000	-	£89,999	-	1
£100,000	-	£104,999	2	-
			<b>8</b>	<b>10</b>

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

Exit Package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
							£000	£000
£0 - £20,000	16	42	135	133	151	175	1,247	1,320
£20,001 - £40,000	2	2	35	54	37	56	1,046	1,592
£40,001 - £60,000	1	-	7	15	8	15	366	711
£60,001 - £80,000	-	-	-	4	-	4	-	284
<b>Total</b>	<b>19</b>	<b>44</b>	<b>177</b>	<b>206</b>	<b>196</b>	<b>250</b>	<b>2,659</b>	<b>3,907</b>

## NOTES TO THE ACCOUNTS

### 31. EXTERNAL AUDIT COSTS

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
177	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	177
99	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	99
62	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	51
<b>338</b>	<b>Total</b>	<b>327</b>

### 32. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:



## NOTES TO THE ACCOUNTS

2015/16 £000		2016/17 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
1,452	Improvement agreement grant	-
164,447	Revenue Support Grant	163,137
403	Harbour Way Peripheral Development Road (PDR)	281
2,135	Regeneration and Town Centre Redevelopments	6,493
7,307	Ysgol Bae Baglan	1,064
475	Ysgol Gyfyn Ystalyfera re-modelling	1,100
-	Welsh Medium School - South Campus	1,500
-	Intermediate Care Fund	435
-	Local Transport Fund	946
946	Safe Routes / Accident Reduction Measures	724
1,500	Caegarw Gypsy Site Extension	-
1,609	Port Talbot Integrated Transport Hub	1,404
804	Resource Recovery Vehicles	582
-	Coastal Risk Management Projects	230
-	Aberafan Seafront Adventure Golf	205
594	Port Talbot, Neath and Swansea Bay Bus Priority Corridors	-
277	Swansea University Bay Campus Cycleway	-
298	Contribution from Margam Crematorium Joint Cttee	-
629	Other Capital Grants	650
<b>182,876</b>	<b>Total</b>	<b>178,751</b>
	<b>Credited to Services</b>	
2,448	Housing Renewal Area Grants	1,635
4,505	Pupil Deprivation Grant	5,022
2,194	Families First Grant	1,964
1,368	Post 16 Provision in Schools Grant	1,341
3,852	Flying Start Grant	3,885
4,093	Foundation Phase Grant	5,688
1,186	School Effectiveness Grant	1,510
2,548	Other Education Grants	-
2,747	Concessionary Fares Re-imburement Grant	2,748
562	Other Highways Grants	524
5,597	Social Services Grants	5,746
55,668	Mandatory Rent Allowances Grant	56,002
272	Mandatory Rent Rebates Grant	87
4,795	Supporting People Grant	4,881
2,660	General Capital Grant used to fund Housing Expenditure	2,671
2,711	Waste / Environment and Sustainable Development	2,562
2,163	Community Purpose Grant	2,157
495	Recreation and Sports Grant	521
1,771	Other Services Grants	2,608
<b>101,635</b>	<b>Total</b>	<b>101,552</b>

# NOTES TO THE ACCOUNTS

## 33. RELATED PARTIES

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

### Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties, such as council tax bills and housing benefits. Grants and contributions received from government departments are set out in the note to the External Funding Analysis, Note 5. Grant receipts are shown in Note 32.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' s paid in 2016/17 is shown in Note 29.

The following relationships have been identified between the Council and its Members:

- A taxi firm owned by a Member of the Authority had a contract with the Authority for the provision of specified taxi services. This contract was entered into in full compliance with the Authority's Standing Orders and services of £344,000 were purchased during the year (2015/16 - £350,000).
- The Council has a lease with another Member for the provision of three vending machines at the cost of £1 per machine.
- One member owns Heddfan Properties and has a property rented out through the Council's Social Letting Agency, whilst another Member uses this service to rent out a flat. There were no direct transactions between the Council and the members in relation to these properties.
- Four Council Members are on the board of NPT Homes
- An estate agent, where a Member has significant influence, receives rental income from the Council for housing benefits for 21 properties, this income is collected on behalf of the estate agents clients.
- A Member is a Director of Afan Village Café Ltd. Payments under £1,000 have been made to Afan Village Café during 2016/17 and 2015/16. This Member is also a Director of Croeserw and Glyncorrwg Little Wings Playgroups and payments of £54,000 were made to the Playgroups during 2016/17.
- In addition, various grants and funds were paid to organisations in which Members have an interest. These payments were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

Details of all these arrangements are recorded in the Register of Members Interest.

# NOTES TO THE ACCOUNTS

## Officers

The Chief Executive of the Authority and the Director of Environment are both unpaid appointed directors of Baglan Bay Company Ltd and Coed Darcy Ltd. Baglan Bay Ltd has been established to oversee the transformation of the former BP Baglan Bay petrochemicals plant into a multi-million pound employment site by St Modwen, who is one of the UK's leading regeneration specialists, whilst Coed Darcy Ltd has responsibility for overseeing the development of the former BP site at Llandarcy.

The Chief Executive and Head of Legal Services are unpaid shareholder representatives on behalf of the Council with Neath Port Talbot Waste Management Ltd. The role does not involve any decision making on the day to day running of the Company. The Council's Group Accountant-Environment is the Company Secretary for this company.

The Chief Executive is the unpaid Secretary to the Swansea Bay City Region Board which advises Ministers on economic development, infrastructure and related matters across South West Wales. This Board was disbanded on 31<sup>st</sup> March 2017.

The Director of Social Services, Health and Housing is a major shareholder, director and company secretary for Windsor Transformational Education Services Limited, which is the company providing the services of the Director to the Council. Details of the payments made to this company are shown in officers remuneration, note 30.

The Director of Environment, is a paid director of Neath Port Talbot Waste Management Company Ltd and Neath Port Talbot Recycling Ltd who are the companies providing waste disposal services to Neath Port Talbot County Borough Council.

The Director of Environment is a board member of the Neath Canal Company which oversees the running and development of the canal network within the Authority's boundary.

The Director of Environment is a board member of the Neath Port Authority which oversees the running and development of the Neath Estuary and Harbour.

## Entities Significantly influenced by the Authority

### Waste

The Authority owns a Waste Management Company (Neath Port Talbot Waste Management Company Ltd) and relevant transactions and details are included in notes to the Balance Sheet.

The Waste Management Company has a 100% shareholding in the operating company for the materials recycling plant (Neath Port Talbot Recycling Ltd). The Authority paid waste management charges to NPT Recycling Ltd in 2016/17 on behalf of Neath Port Talbot CBC and Bridgend CBC of £9.318m (£9.007m in 2015/16) and received income from Bridgend CBC. At the 31<sup>st</sup> March 2017 the Council owed the Company £554,000 and had made payments in advance of services of £710,000.

# NOTES TO THE ACCOUNTS

## Celtic Leisure

The Council has contracted with Celtic Leisure to manage its indoor leisure activities and the Gwyn Hall. This body is a company limited by guarantee. The Authority pays Celtic Leisure an annual management fee to run the service (excluding the structural maintenance of buildings) which for 2016/17 was £2.11m (£2.29m in 2015/16). There was £44,000 outstanding balance owed by Celtic Leisure on 31<sup>st</sup> March 2017.

## Neath Port Talbot Homes

Neath Port Talbot Homes is an industrial provident charitable organisation which was established in 2011 to take ownership and management of council housing in Neath Port Talbot. It is run by a voluntary Board made up equally of four tenants, four Councillors and also four independent people. The Authority paid Neath Port Talbot Homes £480,000 from April 2016 to March 2017; £295,000 of this relates to supporting people charges. In the same period, the Authority charged Neath Port Talbot Homes £298,000. There was a £44,000 outstanding balance owed by Neath Port Talbot Homes on the 31<sup>st</sup> March 2017.

## Baglan Bay Company Limited

This is a company whose principal activity is that of monitoring the remediation of former BP sites in the Swansea Bay Area with the Authority holding 50% of the shares. There is no ultimate controlling party for this company.

## Coed Darcy Limited

The principal activity of this company is that of property investment and regeneration. The company is also responsible for monitoring the remediation of the former BP oil refinery at Llandarcy. It also has an aim to stimulate and promote the creation within Wales of new enterprises.

The Authority holds a 46% share in Coed Darcy Limited and there is no ultimate controlling party for this company.

The Company paid the Authority £27,000 in 2015 for rates on empty properties and had no creditors at that time. The 2016 position is not yet available, but no major changes are anticipated.

## NOTES TO THE ACCOUNTS

### 34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

2015/16 £000		2016/17 £000
55,507	<b>Capital Investment</b>	
7,492	Property, Plant and Equipment	40,682
	Revenue Expenditure Funded From Capital Under Statute	13,076
<b>62,999</b>		<b>53,758</b>
	<b>Sources of Finance</b>	
(2,077)	Capital receipts	(1,412)
(24,499)	Government grants and other contributions: Sums Set aside from revenue	(19,870)
(1,836)	Direct revenue contributions and reserves	(2,441)
(34,587)	Loans	(30,035)
<b>(62,999)</b>		<b>(53,758)</b>

Where Capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

2015/16 £000		2016/17 £000
<b>(242,118)</b>	<b>Opening Capital Financing Requirement</b>	<b>(270,244)</b>
(4,372)	Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	(4,390)
(30,215)	Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	(25,645)
23	De-recognition of finance lease asset	-
6,438	Minimum Revenue Provision and prudential borrowing	7,455
<b>(270,244)</b>	<b>Closing Capital Financing Requirement</b>	<b>(292,824)</b>

## NOTES TO THE ACCOUNTS

### 35. LEASES

#### Authority as Lessee

##### Finance Leases

The Authority has one finance lease recognised in its balance sheet.

31st Mar 2016		31st Mar 2017
£000		£000
2,577	Other Land and Buildings	3,452

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

31st Mar 2016 £000		31st Mar 2017 £000
	<b>Finance Lease Liabilities</b>	
9	Current	9
895	Non current	885
1,002	Finance lease costs payable in future years	959
<b>1,906</b>	<b>Minimum Lease Payments</b>	<b>1,853</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st Mar 2016 £000	31st Mar 2017 £000	31st Mar 2016 £000	31st Mar 2017 £000
Not later than one year	52	52	9	9
Between 1 and 5 years	206	206	40	42
Later than 5 years	1,648	1,595	855	843
	<b>1,906</b>	<b>1,853</b>	<b>904</b>	<b>894</b>

#### Authority as Lessor

##### Operating Lease

The Authority currently leases out property under operating lease agreements ranging from Indoor Market units to shops, clubs, land etc. Following a review of the agreements no changes to the accounts are necessary.

## NOTES TO THE ACCOUNTS

The lease income received in 2016/17 was £1.120m and in 2015/16 was £1.578m. The leases are short term by nature and future income streams will be affected by external factors most noticeably economic conditions and therefore cannot be estimated with certainty.

The Council has transferred the following care homes to Gwalia on a Full Repairing and Insuring (FRI) lease basis:

- Arwelfa
- Dan Y Bryn
- Trem Y Glyn

On the 31<sup>st</sup> March, Arwelfa was handed back to the Council.

In addition, Gwalia has built two new care homes, Plas Bryn Rhosyn and Llys y Seren land owned by the Council.

### 36. TERMINATION BENEFITS

The Council has continued to seek volunteers for voluntary redundancy as part of the Council's savings strategy and in line with the Council's commitment to minimise compulsory redundancy as far as is possible. There have been a small number of compulsory redundancies, mainly linked to school budget reductions and those areas where the way in which the service is provided has changed. The number of compulsory redundancies continues to be minimised through use of alternatives such as voluntary redundancy and redeployment to alternative employment. Those who left under either voluntary or compulsory redundancy received redundancy payments in line with the Council's Scheme and where eligible, accessed their pensions. Full details of the numbers and costs are included in Note 30 – Exit Packages.

### 37. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £7.377m or 16.48% to Teachers' Pensions in respect of teachers' retirement benefits. The figure for 2015/16 was £6.996m, representing 14.10% up until 31<sup>st</sup> August 2015 before increasing to 16.48%.

# NOTES TO THE ACCOUNTS

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 38.

## 38. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

- the Local Government Pension Scheme, administered locally by the City and County of Swansea. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. Benefits earned up to 31<sup>st</sup> March 2014 were linked to final salary, with benefits after this date based on a Career Average Revalued Earnings Scheme.
- arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The City and County of Swansea Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the City and County of Swansea Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, such as large-scale withdrawals, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute.

### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### Transactions Relating to Post-employment Benefits

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



## NOTES TO THE ACCOUNTS

	Local Government Pension		Discretionary Benefits Arrangements	
	2016/17	2015/16	2016/17	2015/16
	£m	£m	£m	£m
<b>Comprehensive Income and Expenditure Statement (CIES)</b>				
<b>Cost of Services:</b>				
current service cost	21.52	22.00	-	-
past service costs	0.80	0.99	0.28	0.32
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	10.89	10.18	1.21	1.19
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>33.21</b>	<b>33.17</b>	<b>1.49</b>	<b>1.51</b>
<b>Other Post-employed Benefit Charged to the CIES</b>				
<b>Remeasurement of the net defined benefit liability comprising</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(66.44)	28.03	-	-
Actuarial gains and losses arising on changes in financial assumptions	206.85	(31.73)	3.85	(1.14)
Actuarial gains and losses arising on changes in demographic assumptions	(22.31)	-	(0.56)	-
Actuarial gains and losses due to liability experience	(63.76)	(6.71)	(0.28)	(0.69)
<b>Total Amount recognised in Other Comprehensive Income</b>	<b>54.34</b>	<b>(10.41)</b>	<b>3.01</b>	<b>(1.83)</b>
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>87.55</b>	<b>22.76</b>	<b>4.50</b>	<b>(0.32)</b>
<b>Movement in Reserves Statement</b>				
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(87.55)</b>	<b>(22.76)</b>	<b>(4.50)</b>	<b>0.32</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>				
employers' contributions payable to scheme	20.46	19.96		
retirement benefit payable to pensioners			2.69	2.81

## NOTES TO THE ACCOUNTS

### Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plan is as follows:

	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
<b>Present Value of liabilities:</b>					
Local Government Scheme	(813.85)	(734.93)	(843.08)	(839.99)	(992.12)
Discretionary Benefits	(37.48)	(39.14)	(39.83)	(36.70)	(38.51)
<b>Total</b>	<b>(851.33)</b>	<b>(774.07)</b>	<b>(882.91)</b>	<b>(876.69)</b>	<b>(1,030.63)</b>
Less					
Fair value of assets in the Local Government Pension Scheme:	449.63	459.78	515.29	509.40	594.44
<b>Total</b>	<b>(401.70)</b>	<b>(314.29)</b>	<b>(367.62)</b>	<b>(367.29)</b>	<b>(436.19)</b>
Equals					
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(364.22)	(275.15)	(327.79)	(330.59)	(397.68)
Discretionary Benefits	(37.48)	(39.14)	(39.83)	(36.70)	(38.51)
<b>Closing balance at 31st March</b>	<b>(401.70)</b>	<b>(314.29)</b>	<b>(367.62)</b>	<b>(367.29)</b>	<b>(436.19)</b>

### Reconciliation of the movements in the fair value of the scheme (plan) assets.

2015/16 £m		2016/17 £m
515.29	Opening fair value of scheme assets	509.40
16.58	Interest Income on assets	17.35
(28.03)	Remeasurement gains/(losses) on assets	66.44
19.96	Contributions by the employer	20.46
5.07	Contributions by participants	5.14
(19.47)	Net benefits paid out	(24.35)
<b>509.40</b>	<b>Closing fair value of assets</b>	<b>594.44</b>

## NOTES TO THE ACCOUNTS

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

	<b>Funded liabilities: Local Government Pension Scheme</b>		<b>Unfunded liabilities: Discretionary Benefits</b>	
	<b>2016/17 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2015/16 £m</b>
Opening Balance at 1st April	(839.99)	(843.08)	(36.70)	(39.83)
Current service cost	(21.52)	(22.00)	-	-
Interest cost	(28.24)	(26.76)	(1.21)	(1.19)
Contributions from scheme participants	(5.14)	(5.07)	-	-
Remeasurement gains and (losses)				
Actuarial gains/losses arising from changes in financial assumption	(206.85)	31.73	(3.85)	1.14
Actuarial gains/losses arising from changes in demographic assumptions	22.31	-	0.56	-
Actuarial gains and losses due to liability experience	63.76	6.71	0.28	0.69
Net benefits paid out	24.35	19.47	2.69	2.81
Past service cost (incl. curtailments)	(0.80)	(0.99)	(0.28)	(0.32)
Closing balance at 31st March	<b>(992.12)</b>	<b>(839.99)</b>	<b>(38.51)</b>	<b>(36.70)</b>

# NOTES TO THE ACCOUNTS

## Local Government Pension Scheme assets comprised:

	Fair value of scheme	
	2016/17	Restated 2015/16
	£000	£000
Cash and cash equivalents	23,230	22,233
Equity instruments		
By industry type		
Consumer	66,435	62,879
Manufacturing	41,913	30,812
Energy and utilities	36,017	27,733
Financial institutions	60,273	46,983
Health and care	31,154	25,621
Information Technology	26,230	21,106
Telecommunications Services	12,307	12,107
Property	1,430	-
Sub total	275,759	227,241
Pooled Equity Investment Vehicles		
UK	51,522	45,291
Overseas	106,503	83,656
Sub total	158,025	128,947
Property	27,978	28,519
Fixed Interest		
Fixed Interest	62,640	62,512
Index linked	10,353	9,067
Sub total	72,993	71,579
Hedge Funds	16,779	16,331
Private Equity	18,680	14,288
Net Current Assets	996	262
Total assets	594,440	509,400

The figures for 2015/16 have been amended to reflect an audit adjustment made to the City and County of Swansea Pension Fund figures for Private Equity.

All scheme assets have quoted prices in active markets.

The risks relating to assets in the scheme are also analysed by company size below:

## NOTES TO THE ACCOUNTS

	Fair Value of scheme	
	2016/17	Restated 2015/16
	£000	£000
Equity instruments:		
By company size		
Large capitalisation	217,898	169,146
Small capitalisation	57,861	58,095
Sub total equity instruments	275,759	227,241

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries, estimates for the City and County of Swansea Pension Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2016.

BABTIE Group exited the Fund during the inter-valuation period and Neath Port Talbot CBC subsumed the assets and liabilities upon their exit. The total liability of this employer represented approximately 0.3% of the total 31<sup>st</sup> March 2016 valuation liabilities for Neath Port Talbot CBC.

The significant assumptions used by the actuary have been:

	Local Government Pension		Discretionary Benefits Arrangements	
	2016/17	2015/16	2016/17	2015/16
	£m	£m	£m	£m
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
Men	22.9	22.7	22.9	22.7
Women	24.4	25.2	24.4	25.2
Longevity at 65 for future pensioners:				
Men	24.5	24.9	-	-
Women	26.2	27.5	-	-
<b>Rate of inflation:</b>				
RPI	3.1%	2.9%	3.1%	2.9%
CPI	2.0%	1.8%	2.0%	1.8%
Rate of increase in salaries	3.5%	3.3%	-	-
Rate of increase in pensions	2.0%	1.8%	2.0%	1.8%
Rate for discounting scheme liabilities	2.5%	3.4%	2.5%	3.4%

# NOTES TO THE ACCOUNTS

## Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31<sup>st</sup> March 2017 and the projected service cost for the year ending 31<sup>st</sup> March 2018 is set out below:

### Discount Rate assumption

Adjustment to discount rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£m's)	974.72	1,009.83
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£m's)	27.95	29.57
Approximate % change in projected service cost	-2.8%	2.9%

### Rate of general increase in salaries

Adjustment to salary increase rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£M's)	997.05	987.24
% change in present value of total obligation	0.5%	-0.5%
Projected service cost (£m's)	28.75	28.75
Approximate % change in projected service cost	0.0%	0.0%

### Rate of increase to pensions in payment and deferred and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£M's)	1,004.85	979.56
% change in present value of total obligation	1.3%	-1.3%
Projected service cost (£m's)	29.57	27.95
Approximate % change in projected service cost	2.9%	-2.8%

### Post retirement mortality assumption

Adjustment to mortality age rating assumption	<b>-1 year</b>	<b>+1 year</b>
Present value of total obligation (£M's)	1,022.38	962.03
% change in present value of total obligation	3.0%	-3.0%
Projected service cost (£m's)	29.79	27.71
Approximate % change in projected service cost	3.6%	-3.6%

## Asset Liability Matching Strategy

The City and County of Swansea Pension Fund has not formally adopted any asset liability matching strategies within its current statement of investment principles. The Pension Fund is an open defined benefit LGPS fund which is open to new membership. Noting the positive cash flow of the Fund at this present time, the Fund has adopted a medium/long term investment horizon in its allocation to growth assets, however, the need to meet on-going liabilities, is addressed by the allocation to cash distributing assets in the form of bonds, property and infrastructure.

# NOTES TO THE ACCOUNTS

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The City and County of Swansea Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next twenty five years and they monitor these funding levels. Cash flows used in the valuation were estimated based on the updated 2016 actuarial valuation data provided.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2018 is £21.64m. Expected payments to beneficiaries of the Discretionary Benefits schemes in the year to 31<sup>st</sup> March 2018 are £1.33m for the LGPS Scheme and £1.38m for Teachers.

## 39. CONTINGENT LIABILITIES AND ASSETS

### Liability - Municipal Mutual Insurance (MMI)

MMI ceased writing insurance business on 30<sup>th</sup> September 1992 and an arrangement was put in place in 1994 to ensure an orderly run off. In the event of it becoming clear that a solvent run off was unlikely to be achieved, it was identified that a Scheme of Arrangement would be triggered which would pass some of the liability to repay old claims to the Council.

The Scheme was triggered on 13<sup>th</sup> November 2012 and since this time, charges have been made to take account of known costs of £162,000, together with a long term provision of £86,000 to reflect the estimated clawback. As further claims are met, the Scheme Administrator may revisit the levy rate and increase the Council's liability by up to £398,000, but as this has not happened and the liability is not certain, this element has not been included in the accounts.

### Asset – VAT and Royal Mail

Royal Mail has operated on the mistaken basis that when it supplied postal services to businesses, it could exempt such services from VAT, which means that we have been prevented from reclaiming VAT that should have been included in the charge. The Council, working with its VAT advisers, submitted two claims in 2015, one to HMRC for £211,000 and another to the Royal Mail which includes the £211,000, plus an additional £1,500,000. There may also be interest due on the VAT reclaimed.

The Council continues to follow the progress of this case and receives regular updates on the current position.

The likelihood of this claim being paid is difficult to determine as is the time scale of any successful claim, so this value has not been included in the Council accounts.

# NOTES TO THE ACCOUNTS

## 40. DISCLOSURE OF NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

### Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

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

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations / standing order / constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting;
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial



## NOTES TO THE ACCOUNTS

instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy, which incorporates the Investment Strategy and the prudential indicators, was approved by the full Council on 1<sup>st</sup> February 2017 and is available on the Council website.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody’s and Standard and Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied after this initial criteria is applied.

The key areas of the Investment Strategy in relation to minimum criteria for investment counterparties and investment limits are:

### Specified Investments

	Minimum “High” Credit Criteria	Funds Managed	Maximum amount	Maximum Duration
<b>Term deposits</b>				
Term Deposits -Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local authorities, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & part nationalised UK banks/ building societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/ building societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/ building societies	Fitch short-term rating F1	In-house	£15m	6 months or 185 days

## NOTES TO THE ACCOUNTS

	Minimum "High" Credit Criteria	Funds Managed	Maximum amount	Maximum Duration
<b>Callable deposits</b>				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & part nationalised UK banks/building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & part nationalised UK banks/building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits – UK banks/ building societies	Fitch short-term rating F1+ or F1	In-house	£15m*	
* Where necessary these limit may be temporarily exceeded with the Authority's bankers only				
Term deposits – non UK banks	Fitch Short-term rating F1+	In-house	£5m	6 months or 185 days

Other specified investments are as follows:

1. The UK Government – in addition to the Debt Management Account facility, there are UK Treasury Bills or Gilts with less than one year to maturity.
2. Supranational Bonds of less than one year duration – there are two categories:
  - a. Multilateral development bank bonds such as European Investment Bank Bonds
  - b. A financial institution that is guaranteed by the UK Government, such as, the Guaranteed Export Finance Company.
3. Pooled Investment Vehicles (such as Money Market Funds) that have been awarded a high credit rating.

### Non-Specified Investments

A maximum of £25m will be held in aggregate in non-specified investments. All non-specified investments will be sterling denominated, as reflected below:

# NOTES TO THE ACCOUNTS

## Maturities in excess of one year

	Minimum "High" Credit Criteria	Funds Managed	Maximum amount	Maximum Duration
<b>Term deposits</b>				
Debt Management Agency Deposit Facility	N/A	In-house	Unlimited	5 years
Term deposits – local authorities	N/A	In-house	£10m	5 years
Term deposits – UK banks/ building societies	Fitch long-term rating A	In-house	£10m	5 years
Term deposits – Non UK Banks	Fitch long-term rating A	In-house	£3m	5 years
Term deposits – building societies	Fitch long-term rating A	In-house	£3m	5 years
<b>Fixed Term deposits with variable rate and variable maturities</b>				
Callable deposits	Fitch long-term rating A	In-house	Criteria as above	

The Authority's maximum exposure to credit risk in relation to its investments in individual banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Authority's deposits but by adopting stringent investment criteria this risk can be minimised.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not allow credit for its trade debtors. The following analysis shows the age profile of the due amounts:

31st Mar 2016 £000		31st Mar 2017 £000
1,650	Current - up to one month	2,186
990	One to three months	2,307
441	Three to six months	297
555	Six months to one year	749
2,811	More than one year	2,646
<b>6,447</b>	<b>Total</b>	<b>8,185</b>

# NOTES TO THE ACCOUNTS

## Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual treasury and investment strategies) as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finances to meet its commitments under financial instruments.

## Refinancing and Maturity Risk

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

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

The maturity analysis of financial liabilities (excluding interest) is as follows:

<b>31st Mar 2016 £000</b>		<b>31st Mar 2017 £000</b>
(5,546)	Less than 1 year	(14,486)
(14,486)	Between 1 and 2 years	(5,184)
(20,357)	Between 2 and 5 years	(16,174)
(18,207)	Between 5 and 10 years	(17,439)
(167,090)	More than 10 years	(196,858)
<b>(225,686)</b>	<b>Total</b>	<b>(250,141)</b>

## Market Risk

**Interest Rate Risk** – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

## NOTES TO THE ACCOUNTS

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. This Strategy is used to set a treasury indicator which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor the market and interest rate forecasts during the year and adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect at 31<sup>st</sup> March would be:

	<b>31st Mar 2017 £000</b>
Increase/decrease in interest received and credited to the CIES Account	708
Increase/decrease in external interest payable and debited to the CIES Account	2,501

**Price Risk** – The Council does not invest in equity shares or marketable bonds.

### 41. TRUST FUNDS

The Authority administers various trust funds. The application of these funds covers a wide field ranging from educational, social and recreational needs, to the relief of sickness and protection of historic buildings. As these funds are not the property of the Authority, they are not included in the Balance Sheet or Comprehensive Income and Expenditure Statement.

Details of the unaudited accounts balances at 31<sup>st</sup> March are as follows:

## NOTES TO THE ACCOUNTS

2015/16 £000	Trust Funds	2016/17 £000
609	Welsh Church Acts (WCA)	603
2,168	Education Trust Funds	2,286
<b>2,777</b>		<b>2,889</b>

The Education Trust Funds balance as at 31<sup>st</sup> March is made up of the following:

2015/16 £000	Education Trust Fund - Lewis and Alldworth	2016/17 £000
1,197	Investment at Market Value	1,349
445	Cash	406
91	Investment at Book Value	91
<b>1,733</b>		<b>1,846</b>

2015/16 £000	Education Trust Fund - Harold and Joyce Charles	2016/17 £000
435	Cash	440
<b>435</b>		<b>440</b>

## 42. LOCAL TAXATION

### Council Tax

Council tax is the current form of local taxation for domestic properties. All domestic properties are placed into one of nine valuation bands according to their open market value at 1<sup>st</sup> April 2003. The average amount of council tax for a property in Band D in 2016/17 was £1,657.04. This was calculated by dividing the amount of council tax required by Neath Port Talbot CBC, each community council, and the South Wales Police Authority by the council tax base of 46,538 (which is the number of properties we collect council tax from, adjusted by discounts etc., and converted to the equivalent number of Band D properties). The amounts for properties in other bands are calculated by multiplying the Band D figure by the relevant multiplier in the table below:

Band	A	B	C	D	E	F	G	H	I	Total
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
No. of chargeable dwellings	13,085	26,293	11,104	6,954	4,175	1,342	494	83	13	63,543

### Business Rates

Non domestic rates are calculated by multiplying a property's rateable value by the rating multiplier (or rate in the pound). Rateable values are determined by the Valuation Office Agency and the multiplier is set by the Welsh Government. The multiplier for 2016/17 was 48.6p (2015/16 48.2p). The Authority is responsible for collecting rates due from businesses in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government

## NOTES TO THE ACCOUNTS

redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

In 2016/17, the total non domestic rateable value at the year end was £103.082m (2015/16 £102.574m).

### Significant precepts or demands

An element of the council tax bill relates to funding which is paid over to other organisations. The main demands and precepts were:

<b>Community Councils</b>	<b>2016/17 £000</b>
Blaengwrach	36
Blaenhonddan	220
Briton Ferry	140
Cilybebyll	88
Clyne and Melincourt	19
Coedffranc	358
Crynant	44
Cwmllynfell	29
Dyffryn Clydach	44
Glynneath	132
Gwaencaegurwen	69
Neath	330
Onllwyn	21
Pelenna	34
Pontardawe	164
Resolven	46
Seven Sisters	47
Tonna	27
Ystalyfera	64
	<b>1,912</b>
<b>Other Levies and Demands</b>	
Police and Crime Commission for South Wales	9,673
Fire Authority	6,851
	<b>16,524</b>

### 43. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

The Authority participates in a number of Joint Venture Operations which have not involved the establishment of a separate entity.

All revenue transactions other than those relating to Margam Crematorium are included within the Comprehensive Income and Expenditure Statement and any associated current liabilities and/or current assets are held on the balance sheet. The Margam Crematorium, being a significant non-current asset is included on the

## NOTES TO THE ACCOUNTS

balance sheet of the Authority at the appropriate fair value. Due to materiality, no other balances / reserves are included on the balance sheet of the Authority and are held by the organisation(s) as outlined in the following notes:

### Margam Joint Crematorium Committee

The Authority manages a Crematorium facility under a joint arrangement with Bridgend County Borough Council. The share of operating expenditure and income relating to Neath Port Talbot County Borough Council is shown below:

<b>Expenditure £000</b>	<b>Income £000</b>	<b>Net £000</b>
385	(556)	(171)

This Authority's share of the net equity within the crematorium balance sheet is £349,000.

### Education through Regional Working (ERW) (formerly SWAMWAC)

The Authority is part of a joint committee with five other neighbouring authorities to deliver Education through Regional Working. This is managed by Pembrokeshire County Council.

The total annual contribution of all participating authorities for 2016/17 was £250,000 (2015/16 £250,000) of which this Authority's share was £40,000 (2015/16 £40,000).

There are specific reserves held for constituent authorities of £406,308 with this Council's share being £65,009. Any other assets belonging to the Committee are held by the host authority in trust for each of the constituent members in equal share.

## 44. GROUP ACCOUNTS

As stated in the Narrative Report, no Group Accounts have been prepared on the basis of materiality. However, the Council holds a significant interest in the following companies:

### Neath Port Talbot Waste Management Company Limited

The Authority has a 100% shareholding in Neath Port Talbot Waste Management Company Ltd (NPTWM) (Registration Number 2633569) who ran the former landfill site. NPTWM has a 100% shareholding in Neath Port Talbot Recycling Ltd which continues to take residual domestic and commercial waste from Neath Port Talbot and Bridgend Councils. NPTWM also has a 50% interest in a joint venture company Green Energy (South Wales) Ltd, through a wholly owned shell company, Neath Port Talbot (Green Energy) Ltd, with Maesgwyn Energy Ltd, a subsidiary of the Walters Group. This is examining the possibility of developing other facilities.

Included within the balance sheet of the Authority at 31<sup>st</sup> March 2017 are the land of NPT WM (at nil value) and the fair value of land, buildings, equipment and plant of Neath Port Talbot (Recycling) Ltd of £2.3m (2015/16 £2.5m).



## NOTES TO THE ACCOUNTS

Final 2015/16 £000		Draft 2016/17 £000
(51)	Net Assets/(Liabilities)	71
(1,111)	Net Profit/(Loss)	122

### Neath Port Talbot (Recycling) Limited

The accounts for Neath Port Talbot (Recycling) Ltd. (Registration Number 3595980) for 2016/17 are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

Final 2015/16 £000		Draft 2016/17 £000
(396)	Net Assets/(Liabilities)	531
314	Net Profit/(Loss)	927

The accounts for both companies in 2016/17 reflect a management fee of £175,000 (2015/16 £175,000) payable from NPT Recycling to NPT Waste Management. The accounts for both companies can be obtained from the Companies House website upon completion of their respective audits.

#### 45. LANDFILL SITES

The Authority has an obligation to account for obligations relating to landfill sites. This includes the duty to undertake restorative works and provide after care.

The Authority is required to recognise a provision when:

- there is a legal or constructive present obligation arising from a past event;
- it is probable that this will lead to an outflow of resources; and
- the entity can reliably estimate the amount.

The landfill site at Giants Grave is operated by Neath Port Talbot Waste Management Limited (the Company) which is a wholly owned subsidiary of the Authority. The Company is liable for the aftercare costs at the site, however, if the Company ceased to exist then the liability would pass to the Authority.

The site is now in aftercare phase and the Company is in receipt of the closure report and aftercare plan which has been agreed by Natural Resources Wales. The Company has a provision within its unaudited accounts as at 31<sup>st</sup> March 2017 of £0.750m to deal with any unforeseen residual restoration work. The Council also holds a reserve of £0.988m to meet any future landfill obligations.

At present, the Company generates sufficient income to cover the on-going annual monitoring costs at the site. In the event that responsibility for these costs transfers to the Council, then the Council will provide funding within its base budget to cover these on-going costs.

# ANNUAL GOVERNANCE STATEMENT

## Section One – Scope and responsibility

Neath Port Talbot County Borough Council must ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council has a general duty under the Local Government (Wales) Measure 2009 to “make arrangements to secure continuous improvement in the exercise of its functions” and in discharging this duty, the Council must have regard in particular to the need to improve the exercise of its functions in terms of the following seven aspects of improvement:

1. Making progress towards an authority’s strategic objectives (as set out in the Corporate Improvement Plan).
2. Improving service quality.
3. Improving service availability.
4. Fairness especially in reducing inequality in accessing or benefiting from services, or improving the wellbeing of disadvantaged groups.
5. Exercising functions in ways that contribute to the sustainable development of an area.
6. Improving the efficiency of services and functions.
7. Innovation and change which contributes to any of the above.

The Council also has a duty to reflect the requirement of the Well-being of Future Generations (Wales) Act 2015, (which commenced on 1<sup>st</sup> April 2016) to ensure that our governance structures enable different parts of the organisation to work together on setting well-being objectives and taking all reasonable steps to meet well-being objectives. The Act is about improving the social, economic, environmental and cultural well-being of Wales and to make sure we are all working towards the same vision, the Act puts in place seven well-being goals (a prosperous Wales, a resilient Wales, a healthier Wales, a more equal Wales, a Wales of cohesive communities, a Wales of vibrant culture and thriving Welsh language and globally responsible Wales).

## **ANNUAL GOVERNANCE STATEMENT**

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

### **Section Two - The Purpose of the Governance Framework:**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have resulted in the delivery of appropriate, cost effective and efficient services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives and to evaluate the likelihood of those risks and the impact, and to manage them efficiently, effectively and economically.

### **Section Three - The Governance Framework:**

The Council has updated this Annual Governance Statement to comply with the new 2016, Delivering Good Governance in Local Government: Framework published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in association with the Society of Local Authority Chief Executives (SOLACE). The Framework demonstrates the system of internal controls which have been in place within the Council for the year ending 31<sup>st</sup> March 2017. The Framework illustrates examples of how the Council demonstrates compliance with good practice and meets the core and sub principles of effective governance. The Framework also provides details on the assurances taken during the year on the effectiveness of governance arrangements and the improvement work that arises from taking such assurances. The Council's governance environment embraces the seven core principles of the new Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016).

## **ANNUAL GOVERNANCE STATEMENT**

The improvement work is overseen by the Corporate Governance Group and progress is reported as follows:

- Corporate Directors Group receive a quarterly progress report on the improvement action plan;
- Policy and Resources Cabinet Board receive a half year and end of year progress report on the improvement action plan and ;
- Audit Committee receive the end of year progress via the Annual Governance Statement.

# ANNUAL GOVERNANCE STATEMENT

## Section Three - The Governance Framework

Acting in the public interest requires a commitment to and effective arrangements for:

Core Principle A	Sub principle	Demonstrated by
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Behaving with integrity	<ul style="list-style-type: none"> <li>➤ The Council's political leadership have provided clear and consistent direction in terms of what is expected from senior officers, i.e. a workplace culture based on trust, respect, early and meaningful consultation.</li> <li>➤ <b>Anti-fraud, corruption and malpractice policy/whistle blowing policy:</b> conduct of Members is monitored by the Public Services Ombudsman for Wales and the Council's Standards Committee. Last year we dealt with one referral from the Public Services Ombudsman for Wales.</li> <li>➤ <b>Whistle blowing Policy/Procedure:</b> whistle blowing complaints are monitored by the Council's Audit Section to ensure that complaints are responded to.</li> <li>➤ <b>Standards Committee:</b> the Committee monitors the operation of the Council's adopted Members Code of Conduct throughout the Authority.</li> <li>➤ <b>Annual monitoring</b> of key employment policies, discipline, grievance, and whistle blowing takes place and is reported to Members in the annual equalities employment information report (published on the Council's website).</li> <li>➤ <b>Standing declarations register:</b> this is updated by Members as and when a declaration is made or amended when there has been a change in circumstances e.g. taking up new posts.</li> <li>➤ Officers' declarations are audited annually and Members are done on a cyclical basis. No material considerations were known during 2016-17. The information</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle A	Sub principle	Demonstrated by
		<p>for Members is provided on the Council's website.</p> <ul style="list-style-type: none"> <li>➤ <b>Internal Audit Service:</b> the service undertakes, when required, case by case checks on officer compliance with the Employee Code of Conduct. Last year a number of special investigations were undertaken in relation to non-compliance of the Employee Code of Conduct.</li> <li>➤ <b>Audit Committee:</b> the Committee meets on a quarterly basis throughout the year and is responsible for examining, approving and keeping under review the adequacy and effectiveness of risk assessment, risk management and internal controls/compliance. The Committee is also responsible for reviewing the work and performance of both internal and external audit and receives reports from both. The terms of reference of the Committee are consistent with those recommended by CIPFA. During 2016-2017, training was undertaken with members of the Audit Committee to support their role contained within the Corporate Risk Management Policy.</li> <li>➤ The above arrangements ensure that members and officers exercise leadership by behaving in ways that demonstrate high standards of conduct and effective governance.</li> <li>➤ <b>Corporate Comments, Compliments and Complaints Policy:</b> the Policy is published on the Council's website and reports are submitted on a regular basis to elected Members as follows: quarterly reports to Scrutiny Cabinet Boards; annual report to Policy and Resources Cabinet Board; and annual Ombudsman Complaint Report to Policy &amp; Resources Cabinet Board. No systemic weaknesses have been identified.</li> <li>➤ Directorate complaints officers meet regularly to discuss any issues arising</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle A	Sub principle	Demonstrated by
		<p>across the Council and make improvements as necessary. Last year, as a result of an increase in the number of complaints being received from persistent complainers, the Policy and Resources Cabinet Board approved a corporate Unreasonable/Unacceptable Customer Behaviour Policy. Within Social Services there have not been any requirements for significant improvements as a result of complaint outcomes; as part of the quality assurance process the Department will revisit practice as and when issues arise or if recurring themes are identified. Learning and training for front-line staff is continually monitored as part of 1-2-1/supervision on an individual basis, particularly when directly relating to complaints received.</p> <ul style="list-style-type: none"> <li>➤ The Customer Services Manager attends the all Wales Complaints group meetings (which is also attended by the Public Services Ombudsman) to share good practice with representatives from the 22 Welsh Local authorities. Last the group visited the Public Services Ombudsman Wales office to gain a better understanding of their set up and meet individuals to strengthen working relationships.</li> <li>➤ The Corporate Comments, Compliments and Complaints activity is also integrated into the Council's wider performance management arrangements via business plans and service report cards to better support Members with a holistic overview of performance.</li> </ul>
	Demonstrating strong commitment to ethical values:	<ul style="list-style-type: none"> <li>➤ The Council's People Strategy 2012/2017, "Delivering Through People" contains a 'People Charter', which sets out what the Council expects from everyone who works for the Council, what they can expect in return from the Council, and specifically from their managers or, in the case of schools staff, from their Head Teachers and other school leaders. The behaviours set out in the Charter</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle A	Sub principle	Demonstrated by
		<p>demonstrate our strong commitment to ethical values.</p> <ul style="list-style-type: none"> <li>➤ Across the Council we have a number of professions that are obliged to comply with their relevant professional body's code of ethics. For example, all of our social workers must meet the standards set out in the code of conduct or code of practice from the Care Council for Wales.</li> </ul>
	Respecting the rule of law	<ul style="list-style-type: none"> <li>➤ <b>Council's Constitution:</b> the Constitution sets out how the Council operates and the process for policy and decision making. Within this framework all the decisions are taken by Council, Cabinet or Cabinet Boards. The decisions are presented in a comprehensive written format in a standard template. The Cabinet Scrutiny Committee considers any decisions directly before the Cabinet meets. This is referred to as contemporaneous scrutiny.</li> <li>➤ The Council complies with a number of different legislation to ensure the proper running of the organisation, for example Employment statutory obligations, Health &amp; Safety legislation and Financial Regulations, with an overall good track record (as confirmed by our regulators).</li> </ul>

Core Principle B	Sub principle	Demonstrated by
Ensuring openness and comprehensive stakeholder engagement	Openness	<ul style="list-style-type: none"> <li>➤ We aim to be an open and responsive Council that encourages those who use our services to tell us what is important to them and to suggest how services might improve. Examples of how we engage with individual citizens and service users effectively are listed under the sub principle : Engaging with individual citizens and service users effectively.</li> <li>➤ <b>Corporate Communications Strategy:</b> we are currently developing a Corporate Communications Strategy which will be designed to focus our</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<p>communications efforts on the Council’s corporate priorities. The strategy will also make our communications activities fit for purpose in response to the significant changes that the Council has undergone in recent years and ensure that they reflect the continuing growth in and demand for online communications channels. As such, this strategy will support and influence our engagement activities.</p> <ul style="list-style-type: none"> <li>➤ <b>Consultation Portal:</b> we have an online corporate consultation portal (Objective) which is used across the Council for external and internal stakeholder engagement.</li> <li>➤ <b>Scrutiny Committees</b> engage with stakeholders directly where appropriate as part of specific work. Last year The Economic and Community Regeneration Scrutiny Committee undertook a review of the support for Tourism within Neath Port Talbot and invited organisations including Welsh Government and specific tourism businesses to a meeting to gather evidence before making recommendations. Scrutiny Committees and Cabinet boards engage indirectly with stakeholders when changes to policies are proposed the consultation responses are presented to the respective Committee so that the views of the public and service users are understood.</li> <li>➤ <b>Performance reports:</b> we have a number of channels where performance is reported to and scrutinised by Members via scrutiny committees, e.g. quarterly budget and performance monitoring reports are submitted to the Council, chief officers and scrutiny committees, and Annual Report published in October which contains an assessment of our overall performance in the previous financial year including progress made against our improvement objectives. This information is also available for our citizens to view on our</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<p>website.</p> <ul style="list-style-type: none"> <li>➤ <b>Council Website:</b> we recently updated our website so that more customers can access the information/service (bilingually) they want first time and to make it easier for our citizens to use.</li> <li>➤ <b>Equality Impact Assessment (EIA) Framework:</b> the EIA Framework enables the Council to recognise and address possible discrimination; avoid or remove any inequalities; improve the services provided and improve customer access and relationships. The Framework is robust and includes a set of principles known as the Gunning Principles which set out the legal expectations of what is appropriate consultation. The emphasis of the Gunning Principles is on 'fairness'. Last year the EIA Framework was revised to strengthen the consultation sections as well as taking into account the specific Welsh Language Standards relating to policy development.</li> <li>➤ <b>Record of decision making and supporting materials:</b> all publically accessible reports are published on the Council's website via Modern.gov.</li> <li>➤ <b>Decision making protocols:</b> the Council agrees its meeting cycle at its Annual Meeting and this is published. Forward work programmes are required to be maintained for the next 3 meetings of the relevant committee. Report templates are used to ensure the relevant information and advice is presented to substantiate recommendations</li> </ul>
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>➤ <b>Partnership Governance Arrangements</b> (including Terms of Reference): the Council has in place governance arrangements for partnerships which: <ul style="list-style-type: none"> <li>○ Clarify the roles of members both individually and collectively in relation to the partnership and to the Council;</li> <li>○ Clearly set out the legal status of the partnership; and</li> </ul> </li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>○ Make clear the extent to which representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</li> <li>➤ <b>Compact:</b> last year, we undertook a review of the existing Compact (last updated in 2005) between the Council and the Neath Port Talbot Voluntary and Community Sector. A key consideration in the development of the Compact was to ensure the Compact embraced the principles contained within two key pieces of recently introduced legislation; the Well-being of Future Generations (Wales) Act 2015; and the Social Services and Well-being (Wales) Act 2014. The draft Compact was subject to an extensive consultation and engagement exercise with key stakeholders to help validate the purpose and commitments made in the revised document.</li> <li>➤ <b>Public Service Board (formerly known as Local Service Board) arrangements:</b> to ensure the Council fulfils the statutory duties contained within the Well-being of Future Generations (Wales) Act 2015 (Schedule 3, Para 4 (e), the Public Services Board has developed a Citizen Engagement Scheme to provide those who are conducting an engagement activity for, or on behalf of, the Public Services Board a reference for good practice, together with a common template for procedures and documents. The draft Scheme has been piloted on the engagement exercise for the Public Services Board draft Wellbeing Assessment (15<sup>th</sup> March – 12<sup>th</sup> April 2017) and an evaluation of the pilot will be undertaken during early 2017 to inform further development of the Scheme, before referral back to the Public Services Board</li> <li>➤ <b>Partnership working arrangements:</b> during 2016-17 we continued to work on a number of partnerships as follows: Think Family Partnership, Community</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<p>Safety Partnership, Low Income Families Partnership, Digital Inclusion Partnership, and Third Sector Partnership. Partnership working with our trade unions and teaching associations is a predominant feature of the Council's culture in relation to workforce engagement. It involves elected Members, managers, employees and trade unions developing and implementing a way of working based on mutual respect and trust, shared objectives and joint ownership of problem solving.</p> <p>➤ <b>Regional collaborative arrangements:</b> we continued with our regional working arrangements via Education through Regional Working, Western Bay, City Region and Waste Services. A number of reports have been brought forward to the Council to ensure the participation of the Council is properly authorised.</p>
	Engaging with individual citizens and service users effectively	<p>➤ <b>Corporate communications and engagement activities:</b> It's important that our citizens and other stakeholders have a voice at an early stage to influence the development of policies and strategies that affect their lives and inform the way services are planned and delivered. However, due to the complexity of the differing needs of citizens it is not always possible to meet all needs, but a good understanding means we are better placed to divert valuable resource into the right places, at the right times and in the right ways.</p> <p>➤ <b>Stakeholder:</b> we have a list of key stakeholders that we engage with on major policies and plans. These include: Youth Council; Older Persons' Council; Older Persons' Consultation Forum (which consists of representatives from organisations who are working to improve services for older people); Black Minority Ethnic Forum; and the Disability Network Action Group (whose members have direct experience of disability issues and offer to meet with</p>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<p>service providers to help them address the needs of people with disabilities).</p> <ul style="list-style-type: none"> <li>➤ Working in partnership with trade unions and the Council’s formal employee relations framework is an important feature in how we engage with our employees. We have Staff Council at the highest level in the organisation, the LGS Green Book Negotiating Forum, LSPG (Schools trade union partnership forum), Service Joint Consultative Groups, and the Corporate Health &amp; Safety Trade Union forum. All of these groups meet regularly and are an opportunity for 2 way information sharing, consultation (formal and informal) and where necessary, negotiation. As part of our approach to partnership working, trade unions have representation in other forums; so for example, trade unions sit as an integral part of the Head of Service Voluntary Redundancy Group.</li> <li>➤ We have a number of channels of communication in place with all sections of the community, stakeholders and staff. Our corporate communications and engagement system comprises of internal and external networks.</li> <li>➤ <b>Internal networks</b> include: <ul style="list-style-type: none"> <li>○ Staff monthly e-newsletter - which features stories on our improvement objectives and other important information relevant to staff;</li> <li>○ Staff Intranet – acts as an internal information portal ( including press releases);</li> <li>○ Staff consultations – e.g. consultation on 2017-18 budget proposals and Children and Young People Services staff survey;</li> <li>○ Chief Executive Roadshows – a series of Chat with the Chief sessions were held with staff to explain the Forward Financial Plan and its implications; and</li> </ul> </li> <li>➤ <b>External networks</b> include:</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>○ Public consultations – we undertook a number of public consultations/surveys throughout the year on various topics, e.g. residential care, home to school transport, young carers, carers and local development plan.</li> <li>○ Partnership events – we held a number of partnership events throughout the year, these included one on the 2017-18 budget proposals. Public meetings - last year senior Officers from the Council attended public meetings to brief the public on residential care proposals in Croeserw and Glynneath.</li> <li>➤ <b>Budget 2017-18:</b> last year, an extensive public and staff consultation exercise took place over the three month period to the end of December which generated over 600 responses from a wide range of stakeholders which shaped the final budget proposals.</li> <li>➤ The monitoring arrangements in place to ensure that our internal and external networks mentioned above are operating effectively are limited and more work needs to be done to test how effective they are (to be covered in the Corporate Communications Strategy).</li> <li>➤ <b>Citizen Engagement Scheme:</b> Further information can be found within the sub principle: Engaging comprehensively with institutional stakeholders-Public Services Board.</li> </ul>

Core Principle C	Sub principle	Demonstrated by
Defining outcomes in terms of	Defining outcomes	<ul style="list-style-type: none"> <li>➤ The key plans listed below, describe the Council’s short term and long term priorities to ensure citizens receive high quality services whether directly, or in</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle C	Sub principle	Demonstrated by
<p>sustainable economic, social, and environmental benefits</p>		<p>partnership.</p> <ul style="list-style-type: none"> <li>➤ <b>Corporate Improvement Plan:</b> our Corporate Improvement Plan for 2016-2019 (Addendum) is the Council’s business plan. It sets out what we are going to prioritise, how we will meet those priorities and how we will measure the difference we make. Reducing budgets mean that we have to be absolutely clear about the areas that are most important and will make the biggest difference for people in Neath Port Talbot. The Plan satisfies statutory requirements laid out in the Local Government (Wales) Measure 2009 but also discharges new statutory duties set out in the Well-being of Future Generations (Wales) Act 2015.</li> <li>➤ <b>Strategic Equality Plan:</b> the Council has a Strategic Equality Plan to make sure we work towards treating all people fairly, promoting equality of opportunity, combating discrimination and harassment and promoting good community relations. Last year, the Heads of Service Equality and Community Cohesion Group continued to monitor progress against the equality objectives. Areas of success have included the development of the Violence against Women, Domestic Abuse and Sexual Violence Draft Strategy, the implementation of a Digital by Choice Policy and work to better support and develop the Black Minority Ethnic Forum. In addition a number of actions to help meet the equality objectives have now become ‘business and usual’, e.g. access audits of council buildings and consultation with local groups on regeneration projects. There were no complaints in relation to the Strategic Equality Plan during 2016-2017.</li> <li>➤ <b>Asset Management arrangements:</b> we maintain a number of asset plans to ensure we get value for money from our assets (these include Property, Fleet,</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle C	Sub principle	Demonstrated by
		<p>Highways, Bridges and Structures and ICT):</p> <ul style="list-style-type: none"> <li>○ <b>Strategic Asset Management Group:</b> the formalisation of this Group was completed last year (including terms of reference for the Group). The Group met regularly to discuss a range of accommodation issues/pressures at a strategic level.</li> <li>○ <b>Property Asset Management:</b> last year we updated the Property Asset Management Plan to reflect the changing circumstances and the Council's primary aims and objectives. The Plan links to, feeds off, and reacts to a range of other corporate plans, programmes and strategies, including the Forward Financial Plan, the ICT Strategy and Workforce planning. Property asset management is also included in the Council's business planning process to ensure the identification of any property consequences of the delivery of the Council's priorities.</li> <li>○ <b>ICT Asset Management:</b> the ICT Asset Management Plan has been linked to the Corporate Property Asset Management Plan and the ICT Strategy and is a regular agenda item at the Corporate Governance Group. An exercise is underway to project asset depreciation and on-going needs over the next five years; highlighting any significant pressures and identifying the funding required.</li> </ul>
	Sustainable economic, social and environmental benefits	<p>➤ <b>Revenue and Capital Budgets:</b> the Council's Annual Budget and Capital Programme were set in the context of the revised Forward Financial Plan and Corporate Improvement Plan. Monthly reports are produced for senior officers and quarterly reports for elected Members, to support the monitoring expenditure forecasts against the agreed cash limits for the revenue budget. A <b>Capital Programme Steering Group</b> meets regularly to review expenditure</p>



## ANNUAL GOVERNANCE STATEMENT

Core Principle C	Sub principle	Demonstrated by
		<p>against budget on the capital programme and to update the capital programme as funding decisions are made on relevant specific grants with reports to senior officers and elected Members as appropriate. Capital expenditure is also monitored and reported to Members quarterly.</p> <ul style="list-style-type: none"> <li>➤ <b>Well-being of Future Generations Act 2015:</b> work is underway to meet the requirements of the Act, which will ensure the Council acts in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. The Act places a duty on the Council to make sure that when making its decisions it takes into account the impact it could have on people living their lives in Wales in the future (long-term view).</li> <li>➤ <b>Budget 2017-18:</b> whilst the Council has made efforts to embrace the sustainable development principle in developing its budget proposals, it is inevitable, given the scale of changes that there will be some negative impacts arising from proposals.</li> </ul>

Core Principle D	Sub principle	Demonstrated by
Determining the interventions necessary to optimise the achievement of the intended outcomes	Determining interventions	<ul style="list-style-type: none"> <li>➤ <b>Record of decision making and supporting materials</b></li> <li>➤ <b>Decision making protocols</b></li> </ul> <p>Further information in relation to these items can be found within the sub principle : Openness.</p>
	Planning	➤ <b>Corporate Planning Arrangements:</b> the Council has a number of robust

## ANNUAL GOVERNANCE STATEMENT

Core Principle D	Sub principle	Demonstrated by
	interventions	<p>corporate planning and control arrangements in place in the following areas: Strategic Plans, Forward Financial Plan, Workforce Plan, Asset Plans, Risk Management and Performance Management.</p> <ul style="list-style-type: none"> <li>➤ <b>Committee Cycle dates:</b> committee dates are confirmed at the annual Council meeting and have clear terms of reference and membership. Amendments to committee arrangements are taken back to full Council for consideration and agreement during the civic year. The dates of committee meetings are circulated in the form of work programmes to ensure officers produce reports in a timely manner. Forward work programmes have also been developed for Cabinet Board and Scrutiny Committees.</li> <li>➤ <b>Key stakeholders:</b> we have a list of key stakeholders (internally and externally) that we engage with on major policies and plans throughout the year. Each of these would be supported by its own communications plan.</li> <li>➤ <b>Corporate Risk Policy:</b> The Council has a Corporate Risk Policy, which aims to promote an open, consistent and proactive risk management attitude.</li> <li>➤ <b>Corporate Performance Management Framework:</b> we have a range of local performance indicators included within directorate business plans and service report cards (operational level) that enables the Council to measure performance of services. To support the delivery of the framework, there is a corporate performance management team as well as directorate performance management teams.</li> </ul>
	Optimising achievement of intended	<ul style="list-style-type: none"> <li>➤ <b>Financial management arrangements:</b> the Council has sound financial management arrangements in place (including a range of policies and procedures such as financial regulations, financial procedures, contract</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle D	Sub principle	Demonstrated by
	outcomes	<p>standing orders, accounting instructions and officer delegations). These arrangements conform to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2010), all relevant legislation and within the terms of its Constitution. Last year as part of their follow up audit work on Financial Resilience, the Wales Audit Office commented they were satisfied with our arrangements.</p> <ul style="list-style-type: none"> <li>➤ The Director of Finance and Corporate Services is responsible for ensuring there are proper arrangements in place for the administration of the financial affairs of the Council. Corporate Directors are responsible for the financial management of their respective services and are supported by regular financial management information, which includes monthly financial monitoring reports.</li> <li>➤ In addition, quarterly budget and Forward Financial Plan monitoring reports are submitted to the Council, Chief Officers and Scrutiny Committees, culminating in the production of the statutory Annual Statement of Accounts.</li> <li>➤ The budget setting process for last year continued to be challenging and difficult decisions on cuts were unavoidable as a consequence, however the final settlement from Welsh Government was better than expected. The savings identified came from a prolonged and intense professional and Cabinet Member input and where appropriate subject to consultation with service users, staff and trade unions, and scrutinised by the relevant committee.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle E	Sub principle	Demonstrated by
<p>Developing the entity's capacity including the capability of its leadership and the individuals within it</p>	<p>Developing the entity's capacity</p>	<ul style="list-style-type: none"> <li>➤ The <b>NPT People Strategy</b> sets out how the Council will lead manage and develop everyone within its workforce, in social partnership with the trade unions and with the overall aim of ensuring that the workforce capacity and capability required to deliver its priorities are in place.</li> <li>➤ The Council's political leadership have provided clear and consistent direction in terms of what is expected from senior officers, i.e. a workplace culture based on trust, respect, and early and meaningful consultation.</li> <li>➤ An agreed programme of work for the Human Resources team is in place to support the delivery of our improvement priorities and related change management activity. Since 2010, we have implemented seven major voluntary redundancy programmes and as a result we face a number of ongoing challenges, such as:               <ul style="list-style-type: none"> <li>○ sustaining sufficient capacity and capability to deliver services and functions,</li> <li>○ ensuring that services can continue to operate safely and effectively with a reduced workforce,</li> <li>○ providing the learning, training and development needed for the residual workforce to cope with huge changes in the organisation, and</li> <li>○ ensuring there is capacity to support our improvement and budget priorities within a context of diminishing resources, as well as delivering the business as usual work programme.</li> </ul> </li> </ul> <p>It will be an ongoing challenge to have the right number of people, with the right skills, in the right place, doing the right things. During 2017-18 we will be developing a Corporate Workforce Plan.</p>

## ANNUAL GOVERNANCE STATEMENT

Core Principle E	Sub principle	Demonstrated by
	Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>➤ The Council's Constitution clearly sets out the different, but complementary, responsibilities of Members and Officers to ensure there is effective leadership throughout the authority and there are clear job descriptions for all staff, which highlight their roles and responsibilities.</li> <li>➤ <b>Cross party panel:</b> the panel which is made up elected Members (chaired by the Leader) undertakes the Chief Executive's appraisal and agrees the objectives for year ahead and personal learning aims.</li> <li>➤ The <b>Chief Executive</b> (as Paid Head of Service) leads the Council Officers and chairs the Corporate Directors and Corporate Management Groups (includes all Heads of Service). The Director of Finance and Corporate Services is the <b>Section 151 officer</b> under the Local Government Act 1972 and the <b>Designated Monitoring Officer</b> (Head of Legal Services) carries overall responsibility for legal compliance. The <b>Head of Democratic Services</b> created by the Local Government Measure 2011 is the Head of Corporate Strategy and Democratic Services and reports formally to the Democratic Services Committee on the adequacy of resources available to deliver the support related to the democratic functions of the Council.</li> <li>➤ <b>Members' induction programme:</b> all new Members and those returning Members following an election, receive an induction programme to familiarise themselves with protocols, procedures, values and aims of the Council. Following a by-election in the year, 1 new Member received a tailored induction programme. Last year we reviewed the adequacy of the Member Induction arrangements with Members of the Democratic Services Committee (last reviewed in 2008). This has resulted in a new induction programme that is now more focused to provide Members with the skills and knowledge to perform their roles effectively. This will be implemented after the local</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle E	Sub principle	Demonstrated by
		<p>government elections in May 2017, to support the new administration.</p> <ul style="list-style-type: none"> <li>➤ <b>Member Support and Development:</b> we continue to implement improvements from the review of democratic arrangements undertaken in 2013-14. A recent survey has been undertaken to gather Member thoughts on scrutiny and its processes to inform future scrutiny functions. A schedule of Member seminars has also been compiled ready for the new administration post May 2017, covering a wide range of topics such as performance management and budget.</li> <li>➤ <b>Officer Development (Performance Appraisal System and Employment Development Review):</b> the Council's corporate training and development capacity has been reduced significantly over several years, and continues to reduce. Learning, training and development opportunities are now primarily service-initiated, with staff within adult and children's services being best supported as a result of the Welsh Government Social Care Workforce Development Programme and NPT council match funding. Social workers receive a full induction programme in their first year of practice and ongoing support throughout their career. Training and Development opportunities are identified during employee personal development reviews and agreed in the Individual Learning Plan as part of this process. We also continue to embed the Council's corporate Performance Appraisal Policy across the organisation.</li> <li>➤ <b>Health and wellbeing of the workforce:</b> we have a number of arrangements in place to maintain the health and wellbeing of the workforce, these include: <ul style="list-style-type: none"> <li>○ Maximising Attendance at Work Policy, which has a number of options to support people to return to work and remain in work, for example, early occupational health referrals, rehabilitation and phased return</li> </ul> </li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle E	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>○ Stress risk assessments are available for everyone signed off work with stress even if its non-work related stress</li> <li>○ NPT Staff lottery, has a number of agreed wellbeing activities planned through the year</li> </ul>

Core Principle F	Sub principle	Demonstrated by
Managing risks and performance through robust internal control and strong public financial management	Managing risk	<ul style="list-style-type: none"> <li>➤ <b>Corporate Risk Policy, Corporate Risk Register and procedures for Risk management:</b> the Director of Finance is responsible for overseeing the implementation and continuous development of corporate risk. During last year we continued to make significant progress on the improvement work required to provide and sustain effective corporate risk management by liaising with our external regulators to seek assurance on work undertaken on our Corporate Risk Register. This has led to arranging training for a number of officers to sufficiently support the directorates and help build capacity across the Council in relation to maintaining the Corporate Risk Register.</li> <li>➤ <b>Senior Information Risk Owner (SIRO):</b> the Head of Information and Communications Technology is the Authority's designated Senior Information Risk Owner (SIRO), a role recommended in the Local Government Data Handling guidance and which is reinforced by the Public Services Network (PSN) Information Assurance requirements.</li> <li>➤ It has been agreed that the SIRO will report directly to the Corporate Directors Group on information security matters.</li> <li>➤ The SIRO is accountable for information risk throughout the Authority.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
	Managing performance	<ul style="list-style-type: none"> <li>➤ <b>Corporate Performance Management Framework:</b> Last year's improvement work included the following:               <ul style="list-style-type: none"> <li>○ We introduced service report card guidance for all managers to use. This consistent approach has been positively received by council Members at scrutiny committees and managers.</li> <li>○ Our external regulators (Wales Audit Office) supported us with our improvement work in performance scrutiny and held a number of workshops with committee Members to get feedback on: the purpose of scrutiny, understanding of their roles in driving improvements, performance reports and key things that would help Members to scrutinise performance better. Feedback from Members about the workshops was positive and they generated some practical ideas for improvement, which are being implemented and have contributed to the new Member Induction Programme for 2017-18.</li> </ul> </li> <li>➤ <b>Council's Corporate Performance Management Group:</b> the group meet quarterly, to ensure the Council's performance management arrangements are robust, fit for purpose and are consistently applied across the Council. The Group also discuss and share good practice between service areas of the Council and continually review the Council's arrangements for performance management.</li> </ul>
	Robust internal control	<ul style="list-style-type: none"> <li>➤ <b>Internal Audit Section:</b> this is an independent and objective assurance service that audits the management of the Council and an effective way of identifying failures in service delivery. During 2016-17, 63 formal reports were issued with recommendations made where appropriate. These will be</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
		<p>presented in July to the Audit Committee, via the annual Audit Report, to give Members “<b><i>Reasonable assurance that there have been no major weaknesses noted in relation to the various internal control systems operating within the Authority</i></b>”.</p> <ul style="list-style-type: none"> <li>➤ Each year, the section has an <b>Internal Audit Plan</b>, which involves carrying out a series of audit reviews in order to provide an opinion on the internal controls, risk management and governance arrangements of the Council. In addition, the section also carries out a number of special investigations which will include investigations into suspected incidents of fraud, irregularity and malpractice. No significant governance issues were identified during 2016-17. The <b>Audit Manager</b> provides an annual Audit Report to Audit Committee highlighting any concerns and to give assurance to elected Members regarding the Council’s internal systems.</li> <li>➤ The <b>Audit Committee</b> monitors the work plan of the Internal Audit Section, and the work of external audit, throughout the year. Enhancements have been made throughout the year to the reports provided to Members by Internal Audit. Work is ongoing to strengthen the role of Audit Committee.</li> <li>➤ <b>IT Health Checks</b>: the Council continues to undertake annual IT Health Checks which incorporate internal and external penetration testing as part of yearly PSN (Public Services Network) accreditation. The accreditation takes the form of an annual submission detailing how the Authority performs against a host of controls based upon ISO27001 and will give the Council confidence that effective arrangements are in place regarding the collection, storage and use of data (including personal data). The last reaccreditation, which was successful, took place in November 2016.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>➤ <b>IT audits:</b> we will work with both the Wales Audit Office and the Internal Audit Section to put in place a series of IT audits which will be undertaken during 2017-18.</li> <li>➤ <b>Annual Governance Statement:</b> annually, officers undertake a review of the effectiveness of the Council's governance framework when compiling the annual governance statement. This is a shared effort with wide input from a range of services outside the finance and audit functions (e.g. legal, ICT, H&amp;S and HR). The annual governance statement is approved by senior officers of the Corporate Governance Group.</li> </ul>
	Managing data	<ul style="list-style-type: none"> <li>➤ <b>Senior Information Risk Owner (SIRO)</b> – Further information can be found within the sub principle : Managing Risk</li> <li>➤ <b>Information Commissioner's Office audit:</b> one of the outstanding actions from the voluntary audit in October 2013 was to make improvements in existing arrangements to reduce the risk of non-compliance with the Data Protection Act. The training of staff in areas relating to the Data Protection Act and Information Security was disrupted during 2016-17 due to the fact that the All Wales Academy changed the way the service is delivered. The system is now provided via the NHS training portal. The Information Governance Team took the opportunity to redraft the Data Protection module and this is now available via this portal and training has resumed.</li> <li>➤ <b>Strengthening and Modernising Democratic Arrangements:</b> last year we implemented the next phase of the 'Modern.Gov' Committee Administration Management software system, which included the following: <ul style="list-style-type: none"> <li>○ embedding the system functionality from phase 1,</li> <li>○ development of 'automated workflow', which will allow automatic</li> </ul> </li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
		<p>reminders to be sent to officers for them to produce reports in a timely manner and avoid late report submissions,</p> <ul style="list-style-type: none"> <li>○ introduction of automatic calendar notifications, which will ensure Members get real time updates to any changes in committee meeting dates, avoiding miss-communication and non-attendance,</li> <li>○ To date 72% of the 64 elected Members now receive papers electronically via iPad or the 'Modern Gov' system.</li> </ul>
	Strong public financial management	<ul style="list-style-type: none"> <li>➤ The Director of Finance and Corporate Services is the responsible officer for the proper administration of the financial affairs of the Authority. This finance function provides support to directorates and determines the budget preparation and financial monitoring processes. This function also provides the annual statement of accounts for the Authority.</li> <li>➤ The budget setting process for last year continued to be challenging and difficult decisions on cuts were unavoidable as a consequence, however the final settlement from Welsh Government was better than expected. The savings identified came from a prolonged and intense professional and Cabinet Member input and subject to an extensive programme of consultation with service users, staff and trade unions, and scrutinised by the relevant committee. The Council also took steps to ensure the equality impact of budget proposals was explicitly considered when developing and agreeing the proposals within the revised Forward Financial Plan.</li> <li>➤ In addition, quarterly budget and Forward Financial Plan monitoring reports are submitted to the Council, Chief Officers and Scrutiny Committees, culminating in the production of the statutory Annual Statement of Accounts, all available for the public to view on the Council's website.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>➤ The Annual Statement of Accounts is a statutory summary of the Council's financial affairs for the financial year and is prepared in accordance with the local government Accounting Code of Practice (ACOP). The purpose of the Statement of Accounts is to give electors, local taxpayers, council members and any other interested parties clear information on the overall finances of the Council and to demonstrate the good stewardship of public money for the year.</li> <li>➤ Capital and revenue expenditure and related activities are subject to annual audit by the Wales Audit Office and an unqualified opinion (our information in the financial statements was sound) was provided on the Annual Statement of Accounts by WAO for 2016-17.</li> </ul>

Core Principle G	Sub principle	Demonstrated by
Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Implementing good practice in transparency	<ul style="list-style-type: none"> <li>➤ Members' Allowance scheme and Staff Pay Structure: the Council has a clear scheme setting out the terms and conditions for remunerating members and officers and an effective structure for managing the process. No new non-compliance issues were identified in relation to the NPT Scheme during 2016-2017.</li> </ul>
	Implementing good practices in reporting	<ul style="list-style-type: none"> <li>➤ <b>Annual Governance Statement:</b> annually, officers undertake a review of the effectiveness of the Council's governance framework when compiling the annual governance statement. This is a shared effort with wide input from a range of services outside the finance and audit functions (e.g. legal, ICT, H&amp;S and HR). The annual governance statement is approved by senior officers of</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle G	Sub principle	Demonstrated by
		the Corporate Governance Group.
	Assurance and effective accountability	<ul style="list-style-type: none"> <li>➤ <b>Procurement:</b> the Procurement Team aim to ensure that best use is made of resources and that tax payers and service users receive value for money. The team continue to make improvements to the way goods and services are procured and the roll out of the electronic ordering and receipting system is ongoing. The electronic systems replace the old fashioned, labour intensive paper based process and has resulted in better management information regarding the goods and services the Authority buys as well as better adherence to corporate, regional and national procurement frameworks.</li> <li>➤ Internal Audit continues to have oversight of the electronic purchasing systems and have undertaken reviews of the same during 2016-17. Further Internal Audit, system and compliance reviews, will take place during 2017-18</li> <li>➤ The Auditor General for Wales reports annually on his audit and assessment work in relation to whether the Council has discharged its duties and met the requirements under the Local Government (Wales) Measure 2009. At the time of preparing this Statement, the Council is yet to receive the WAO's Annual Improvement Report for 2016 – 2017.</li> </ul>

### Section Four - Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Officers and the Internal Audit Service who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates. A Corporate Governance Group, reporting to the Corporate Directors Group ensures that improvement work is scheduled, resourced and monitored.

## ANNUAL GOVERNANCE STATEMENT

The review mechanism includes:

- **Constitution review and monitoring** - the Chief Executive and the Head of Legal Services are required to monitor and review the operation of the Constitution, and to report to Council at least annually on any proposed changes. During 2016-17, the Head of Legal Services has reported to Council on a number of occasions with amendments to the Constitution.
- **A resourced Scrutiny function** (which holds the Executive to account) - last year we replaced a scrutiny officer that left to continue to provide adequate support to the scrutiny function and appointed a modern apprentice, which allowed scrutiny officers to provide more focused support to scrutiny committee Members.
- **Standards Committee** – during the year the committee met to consider reports relating to decisions of the Adjudication Panel for Wales and the Ombudsman grant of dispensations to Councillors. Last year we dealt with one referral from the Public Services Ombudsman for Wales.
- **Audit Committee** - work is ongoing to strengthen the role of the Audit Committee. Last year the Committee undertook a review and assessment of the corporate risk management arrangements and were satisfied with the adequacy and effectiveness of those arrangements.
- **Internal Audit Service** – the service prepares an annual plan of work which is then monitored throughout the year by the Audit Committee. A series of audit reviews are carried out throughout the year, in order to provide an opinion on the internal control, risk management and governance arrangements of the Council. During 2016-17, 63 formal reports were issued.
- **Financial and performance information** – we continued to build on arrangements in place from last year and the Wales Audit Office commented they were satisfied with our arrangements as part of their follow up audit work on Financial Resilience.
- **Information Commissioners audit report** - following the audit report from the Information Commissioner, we developed an action plan to implement the recommendations made and the Corporate Governance Group has responsibility to oversee this action plan. The final elements of the action plan are now underway and staff are currently piloting an on line training system.

## ANNUAL GOVERNANCE STATEMENT

- **Wales Audit Office audit report** (Annual Improvement Report) – At the time of preparing this Statement, the Council is yet to receive the WAO’s Annual Improvement Report for 2016-17. However, it is not expected for the Council to receive any statutory recommendations within that report.
- **Annual Reports** – the Council produces a number of annual reports throughout the year to give assurances on our governance arrangements. These include the following: Asset Management, Audit Service Annual Report, Complaints, Compliments and Comments Annual Report, Occupational Health and Safety and Joint Resilience Annual Report, Information Management & Information Governance Annual report, Ombudsman Annual Report, Performance Annual Report, Social Services Director’s Annual Report, Strategic Equality Plan Annual Report, Welsh Language Scheme - Annual Monitoring Report. The Corporate Governance group will oversee any risks identified to governance arrangements, arising from these annual reports and none were received during 2016-17.

### Governance Issues – progress to date

The table below describes the governance issues identified during 2015-16 and the progress made against these during 2016-17.

Key Improvement area	Lead Officer	Progress during 2016-17	Carry forward for 2017-18
1. Corporate Performance Management Framework: <ul style="list-style-type: none"> <li>• further embed the business planning and service report card arrangements</li> </ul>	Head of Corporate Strategy and Democratic Services	<b>Work completed:</b> during 2016-17, 67% of services reported their service report cards to relevant scrutiny committees, which is an improvement on the 48% reported during 2015-16. All business plans have gone to their relevant Cabinet Board this financial year.	No

## ANNUAL GOVERNANCE STATEMENT

Key Improvement area	Lead Officer	Progress during 2016-17	Carry forward for 2017-18
<ul style="list-style-type: none"> <li>complete Member training on scrutiny of service report cards</li> </ul>		<p>Well-being of Future Generations Act (Wales) 2015 - Work is underway to update the Corporate Performance Management Framework in light of the requirements of the Act</p> <p><b>Work completed:</b> Wales Audit Office supported a review of Members' role in scrutiny performance. The actions arising from the review have been substantially completed.</p>	No
<ul style="list-style-type: none"> <li>complete the roll-out of new performance appraisal process across the Council</li> </ul>	Head of Human Resources	<p>Roll out completed. A review is being carried out of the new process to iron out any design flaws. To help inform the review a 'spot check' of a cross section of services is being undertaken to confirm whether or not appraisals have been undertaken for all staff, and for quality assurance purposes</p>	Yes
<ul style="list-style-type: none"> <li>review the outcomes of the workforce planning process in business plans to identify any corporate issues that require a corporate response</li> </ul>		<p>A corporate workforce plan will be developed in 2017-18, in line with Wales Audit Office guidance developed with the Welsh Local Government Association/ HRD Network</p>	Yes
<b>2. Modernise and Strengthen</b>			



## ANNUAL GOVERNANCE STATEMENT

Key Improvement area	Lead Officer	Progress during 2016-17	Carry forward for 2017-18
<p>Democratic Services:</p> <ul style="list-style-type: none"> <li>• Address the remaining issues raised by Members in the survey undertaken during 2014-2015</li> <li>• Initiate roll-out of workflow functions of Modern Gov to ensure consistency in the way reports are administered and realise efficiency savings</li> <li>• Roll-out the Modern Gov application to more Members in line with the revised ICT Scheme for Members</li> </ul>	<p>Head of Corporate Strategy and Democratic Services</p>	<p><b>Work completed:</b> Member Induction Programme (2017) ready for implementation following the Local Government elections in May</p> <p>The next phase of the Modern.Gov roll-out programme is currently being assessed to cater for further development requirements in relation to embedding the automated work flow into council governance processes</p> <p><b>Work completed:</b> The Member ICT Scheme has been revised and approved by council. Members elected in 2017 will be inducted on a digital first platform</p>	<p>No</p> <p>Yes</p> <p>No</p>
<p>3. Corporate Risk Management:</p> <ul style="list-style-type: none"> <li>• Implement work plan for Audit Committee to discharge their role contained within the Corporate Risk Management Policy and as contained in the Audit Committee Terms of Reference</li> </ul>	<p>Head of Financial Services</p>	<p><b>Work completed:</b> training has been provided for Members and the first two quarterly audit exercises have been carried out</p>	<p>No</p>

## ANNUAL GOVERNANCE STATEMENT

Key Improvement area	Lead Officer	Progress during 2016-17	Carry forward for 2017-18
<ul style="list-style-type: none"> <li>Undertake post-implementation review of the Corporate Risk Management Policy to identify any changes required to the process</li> </ul>		Following the post implementation review no changes have been identified to the policy. Training has been arranged for a number of officers to sufficiently support the directorates and help build capacity across the Council in relation to maintaining the Corporate Risk Register	Yes
4. Regional collaborative arrangements – to continue to strengthen scrutiny arrangements by identifying areas for work programmes for the 2016-17 civic year	Head of Corporate Strategy and Democratic Services.	<b>Work completed:</b> a response to publication of the white paper on Councils working regionally was presented to Council in March.	No
5. Information Commissioner’s Audit action plan: <ul style="list-style-type: none"> <li>complete roll-out of Data Protection training across the Council</li> </ul>	Head of ICT and Procurement	The training is being facilitated by the All Wales Academy System. The system changed platform during 2016-17 which led to a loss of service for much of the year. The system is now being made available via the NHS training portal and the HR Training Team is to begin an advertising campaign.	Yes
6. Finalise the Council’s Information Strategy and communicate this to all staff and provide an annual report on information management and	Head of ICT and Procurement	The Information Strategy has been reviewed by the Corporate Governance Group and will now go forward to Members once the new administration is	Yes

## ANNUAL GOVERNANCE STATEMENT

Key Improvement area	Lead Officer	Progress during 2016-17	Carry forward for 2017-18
information governance matters to members to enable them to evaluate performance and the effectiveness of arrangements		in place.	
7. Review the mechanisms for recording decisions taken by officers under delegated authority	Head of Legal Services	<b>Review completed</b>	No
8. Ensure the Council's planning and partnership arrangements comply with the requirements of the Wellbeing of Future Generations (Wales) Act 2015	Head of Corporate Strategy and Democratic Services	<p>We published an Addendum to the existing Corporate Improvement Plan "Rising to the Challenge" 2016-2019. This contains a roll-over of the current six corporate improvement objectives (now referred to as interim well-being objectives) for the period 1st April to 30th September 2017. Cabinet agreed to delay the publication of the Council's next Corporate Plan until September 2017. This will provide the new Administration with the opportunity to consider its new priorities over the summer and to develop the Council's proposed draft well-being objectives to ensure they match the context in which the new Administration wishes to operate.</p> <p>The Public Services Board undertook an</p>	Yes

## ANNUAL GOVERNANCE STATEMENT

Key Improvement area	Lead Officer	Progress during 2016-17	Carry forward for 2017-18
		assessment of well-being in Neath Port Talbot which will be published early May to meet the statutory requirements contained within the Act	Yes
9. Complete the scheduled review of the Council's Workforce Strategy Collective Agreement	Head of Human Resources	<b>Review completed</b>	No
10. Asset Management: <ul style="list-style-type: none"> <li>• Ensure the Strategic Asset Management Group is operational</li> <li>• Make progress on updating the Council's:               <ul style="list-style-type: none"> <li>○ Property Asset Management Plan</li> </ul> </li> </ul>	Head of Property and Regeneration	The formalisation of this Group was completed last year (including terms of reference for the Group). The Group met regularly to discuss a range of accommodation issues/pressures at a strategic level.	No
	Head of Property and Regeneration	Last year we updated the Property Asset Management Plan to reflect the changing circumstances and the Council's primary aims and objectives. The Plan also links to, feeds off, and reacts to a range of other corporate plans, programmes and strategies, including the Forward Financial Plan, the ICT Strategy and Workforce planning.	No

## ANNUAL GOVERNANCE STATEMENT

Key Improvement area	Lead Officer	Progress during 2016-17	Carry forward for 2017-18
<ul style="list-style-type: none"> <li>○ ICT Asset Management Plan</li> </ul>	Head of ICT and Procurement	The ICT Asset Management Plan has been linked to the Corporate Property Asset Management Plan and the ICT Strategy and is a regular agenda item at the Corporate Governance Group. An exercise is underway to project asset depreciation and on-going needs over the next five years; highlighting any significant pressures and identifying the funding required.	Yes
<p>11. Equalities - ensure support is available for those officers completing complex and complicated Equality Impact Assessments.</p> <ul style="list-style-type: none"> <li>• To revise associated guidance to incorporate examples of good practice for data collection, data sources</li> </ul>	Head of Corporate Strategy and Democratic Services	<p>Support continues to be provided.</p> <p>Revised Equalities Impact Assessment guidance and forms issued in December and now available on the Performance Hub. To be further updated to include reference to the sustainable development principle</p>	No
<p>12. Welsh Language - ensure the systems established to implement the Welsh Language Standards are robust</p>	Head of Corporate Strategy and Democratic Services	Awaiting the final compliance statement to determine further risk/action	Yes

## ANNUAL GOVERNANCE STATEMENT

### Section Five - Governance Issues for 2017-18 (including those carried forward from last year and new ones identified)

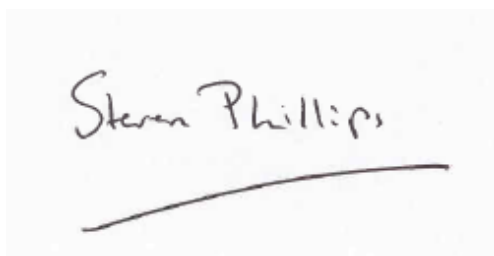
Key Improvement Area		Carried Over from 2016-17	New 2017-18
1.	Modernise and Strengthen Democratic Services – further development work required to Modern.Gov in relation to embedding the automated work flow into council governance processes	✓	
2.	Corporate Risk Management – further improvement work required to the existing policy and corporate risk register	✓	
3.	Wellbeing of Future Generations (Wales) Act 2015 - ensure the Council's decision making, planning and partnership arrangements comply with the requirements of the Wellbeing of Future Generations (Wales) Act 2015	✓	
4.	Equalities (Equalities Impact Assessment) to revise associated guidance to incorporate examples of good practice for data collection, data sources	✓	
5.	Welsh Language - ensure the systems established to implement the Welsh Language Standards are robust	✓	
6.	Develop a corporate workforce plan – in line with Wales Audit Office guidance developed with the Welsh Local Government Association / HRD Network	✓	
7.	Information Commissioner's Audit action plan – monitor roll-out of Data Protection training across the Council	✓	
8.	Council's Information Strategy: <ul style="list-style-type: none"> <li>• to report the Strategy to Members</li> <li>• communicate the Strategy to all staff</li> <li>• provide an annual report on information management and information governance matters to members to enable them to evaluate performance and the effectiveness of arrangements</li> </ul>	✓	

## ANNUAL GOVERNANCE STATEMENT

Key Improvement Area		Carried Over from 2016-17	New 2017-18
9.	ICT Asset Management Plan – review outcome of the exercise to project asset depreciation and on-going needs over the next five years; highlighting any significant pressures and identifying the funding required.	✓	
10.	Corporate Code of Governance - review of assurances in place to fully comply with core principle A on behaviours and values		✓
11.	City Deal – ensure the governance arrangements for the emerging City Deal are aligned and dove tailed with local government arrangements		✓

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements and we will monitor their implementation and operation as part of our next annual review.

**Signed:**



**Chief Executive: Steven Phillips**

**Date: 30<sup>th</sup> May 2017**

**Signed:**



**Leader of the Council: Councillor Rob Jones**

**Date: 31<sup>st</sup> May 2017**

# AUDIT REPORT OF THE AUDITOR GENERAL TO NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

I have audited the accounting statements and related notes of Neath Port Talbot County Borough Council for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Neath Port Talbot County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

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

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

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Opinion on the accounting statements of Neath Port Talbot County Borough Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Neath Port Talbot County Borough Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



# AUDIT REPORT OF THE AUDITOR GENERAL TO NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

## Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

## Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

## Certificate of completion of audit

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



For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
26<sup>th</sup> July 2017

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Electronic Publication

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

## GLOSSARY OF TERMS

This Glossary of Terms has been prepared on the basis that a basic knowledge of accountancy terms is held. It provides a description of specialist terms relating to local government finance.

Accumulated Absences	The Code of Practice requires an adjustment for accumulated absences which gives a monetary value to the cost of holidays accrued by staff but not taken at the end of the financial year. The net effect of this adjustment is reversed from the accounts.
Actuary	An actuary is someone who works with complex mathematical models to predict the likelihood of future years. Their skills are used to work out insurance and pension fund valuations, taking into account relevant factors such as trends in insurance claims and life expectancy.
Cash flow Statement	This statement summarises the movements in cash during the year for both revenue activities and capital activities.
Comprehensive Income and Expenditure Statement	This accounts records day to day spending and income on items such as salaries and wages, the running costs of services and the financing of capital expenditure. It shows the accounting cost in the year, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Componentisation	Accounting standards require that assets are split into separate components where there are significant differences in the life of elements of the assets which would have a significant effect on the depreciation costs.
Contingent Asset	This is a possible asset that arises from past events but whose existence will only be confirmed after an uncertain future.
Contingent Liability	This is a possible obligation that may arise from past events and whose existence will be confirmed by the occurrence of uncertain future events.
Expenditure and Funding Analysis	This analysis is designed to provide a more direct link between the Council's budgeted spend and the figures reported under generally accepted accounting practices. It provides a link between management information and the figures included in the Comprehensive Income and Expenditure Statement.
Fair Value	This is the estimated value of an asset or liability at the balance sheet date. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Financial Instruments	This relates to any contract which gives rise to a financial asset in on organisation and a financial liability or equity instrument of another. A collective name for investments, trade debtors and borrowings.

## GLOSSARY OF TERMS

General Fund Balance	This represents the cumulative retained surpluses on the Council's revenue budget. It includes reserves the Council has earmarked to fund its plans as well as a cushion against unexpected events or emergencies. The level of the balance is considered as part of the annual budget process each year.
Impairment	This happens when fixed asset or investment values change significantly due to changes in circumstances. It can occur if there is a significant change in a fixed asset's market value or significant physical damage such as fire. The cost of impairment is charged to the revenue account in the year it occurs.
Jointly Controlled	This refers to operations that the Authority participates in where a separate entity has not been created and would include joint committees with other organisations.
Minimum Revenue Provision (MRP)	A minimum annual charge that has to be made to the revenue accounts to systematically reduce the principal element of loans which have been raised and used to pay for capital schemes.
Movement in Reserves Statement	This statement shows the movement in the year on the different reserves held by the Authority, analysed between the usable reserves which can be applied to fund expenditure or reduce local taxation and other reserves and the unusable reserves which cannot be utilised in this way.
National Non Domestic Rates (NNDR)	Also known as the Business Rate, it is the charge occupiers of business premises pay which is collected by this Authority and paid to the Welsh Government for reallocation. The charge is based on the rateable value of the business premises.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits (pensions) and for funding benefits in accordance with statutory provisions.
Pooled Budgets	These are budgets which are joined up across differing organisations with similar objectives and used to ensure improvements through coordinating expenditure.
Precepts	Precepts are levied on the Authority by non-billing organisations such as the police and community councils to enable them to cover their costs in the performance of their services or duties.
Provision	This is an amount set aside in the accounts for a past event which is likely or certain to result in a financial cost some time in the future, though the exact amount and date may be uncertain.
Public Works Loans Board (PWLB)	This is a Government Agency which provides longer term loans to local authorities.

## GLOSSARY OF TERMS

Related Party Transactions	These are disclosed to highlight any relationships that may exist between the Authority and third parties who may materially affect or influence the way the Authority or third parties are able to operate.
Reserves	These are sums set aside to meet future expenditure. This Council analysis the total reserve as those earmarked to fund specific expenditure and general reserves to fund non-specific future expenditure.
Revaluation Reserve	This reserve is used to record gains in fixed asset values as a result of formal revaluations of the Authority's fixed assets.
Revenue Expenditure funded from Capital under Statute	This represents revenue expenditure which the Council is allowed to apply to Capital under statutory provisions. It does not result in fixed assets controlled by the Authority.
Revenue Support Grant/NNDR	This is general government grant in support of local authority services which is paid by the Welsh Government. The distribution of this grant tries to take account of the differing needs in each Authority.
Wales Audit Office	A body that independently examines the activities of the Authority.