



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

# **Statement of Accounts 2017/18**

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# **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 is 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 unusable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive

# **NARRATIVE REPORT**

Income 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 Statement**

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 2017/18

The Authority's Budget Requirement for 2017/18 was set at £274.677m. 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	229,384	229,801
Capital Financing	18,270	18,522
Levies, Contributions and Miscellaneous Funds	7,264	7,247
Council Tax Support	17,397	16,968
Contingencies and Reserves	1,697	1,896
<b>Net Expenditure</b>	<b>274,012</b>	<b>274,434</b>
<b>Income</b>		
Revenue Support Grant / NNDR	(207,571)	(207,571)
Council Tax	(67,318)	(67,318)
Less Discretionary Rate Relief	212	212
<b>Total Income/Budget Requirement</b>	<b>(274,677)</b>	<b>(274,677)</b>
<b>NET BUDGET (SURPLUS)/DEFICIT TO BALANCES</b>	<b>(665)</b>	<b>(243)</b>
<b>General Fund Working Balance</b>		
Opening Working Balance 1st April		(19,737)
Movement in Balance		(243)
Closing Working Balance 31st March		<b>(19,980)</b>

## 4. CAPITAL SPENDING IN 2017/18

	<b>Actual £000</b>
Capital investment	<b>58,963</b>
<b>The expenditure was financed by:</b>	
Government Grants and Other Contributions	(30,345)
Loans	(28,013)
Direct Revenue Contributions and Reserves	(605)
	<b>(58,963)</b>

# NARRATIVE REPORT

## 5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £267.196m, which excludes accrued interest of £3.125m 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 2018

	<b>Actual £000</b>
Earmarked reserves to support revenue expenditure	38,577
Revenue reserve to support capital expenditure	912
General Reserve Working Balances	19,980
<b>Total General Reserve Balance</b>	<b>59,469</b>

## 7. REVALUATION OF ASSETS

The net book value of assets increased during 2017/18 by £30.106m, with £13.7m 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 2017/18, the following categories of assets were revalued:

- Industrial Workshops & Sites were valued as at 1st December 2017 on a Current Value Existing Use valuation basis;
- Sports Centres & Pools were valued as at 1<sup>st</sup> February 2018 on a Current Value Depreciated Replacement Cost valuation basis;
- Country Parks were valued as at 1<sup>st</sup> January 2018 on an Historic Cost and Current Value Depreciated Replacement Cost basis;
- Cemeteries & Crematorium were valued as at 1<sup>st</sup> December 2017 on an Historic Cost and Current Value Depreciated Replacement Cost basis;
- Residential Homes (including Hillside Secure Unit), Day & Other Centres were valued as at 1<sup>st</sup> December 2017 on a Current Value Depreciated Replacement Cost and Current Value Existing Use basis.

Assets held for sale are valued annually and eighteen assets with a value of £5.1m were valued at 31<sup>st</sup> March 2018.

# **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.

## **9. SIGNIFICANT PROVISIONS**

There are three significant provisions:

- An insurance provision of £4.8m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £3.4m and a short term provision of £1.4m.
- 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 £0.6m to provide the costs of early retirements and redundancies which have been agreed by 31<sup>st</sup> March 2018, with leaving dates during 2018/19.

## **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 2017/18 was approved in February 2017, the medium term budget forecast, assumed a 2.5% reduction in the Council's funding from the Welsh Government for 2018/19, with a further reduction of 2% expected in 2019/20.

This Council consulted stakeholders on the draft savings required to set a Budget for 2018/19 with the initial predicted gap standing at £10.24m for 2018/19 and the gap for the next four years at £55m. The initial draft savings set out in the consultation report, covering the next two years, amounted to £11.2m.

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 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:

# NARRATIVE REPORT

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

The actual Welsh Government's budget announcement for 2018/19 included a funding settlement of 0.2% for the Council, which is equal to the All Wales position. The budget announcements from the Welsh Government indicate that core funding for local government will further reduce by 1% in 2019/20. The Council will continue its work to update the Forward Financial Plan to 2022/23 and to identify additional income and savings in order to balance the annual budgets for that period. It is projected that savings of some £58m will be needed for the four years to March 2023.

Brexit creates some uncertainty in relation to financial matters, with the expectation that the UK will leave the European Union on 29<sup>th</sup> March 2019. It remains unclear on the impact that this may have on this Council's finances.

## 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.

## 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 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.

## **DIRECTOR OF FINANCE & CORPORATE SERVICES RESPONSIBILITIES**

The Director of Finance and Corporate Services 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 the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Finance and Corporate Services has:

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

The Director of Finance and Corporate Services 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 of the Authority as at the date of preparation and of its expenditure and income for the year ended 31<sup>st</sup> March 2018.



**Director of Finance and Corporate Services**

**Date: 25<sup>th</sup> July 2018**

I confirm that the Statement of Accounts was approved by Audit Committee on 25<sup>th</sup> July 2018.



**Chair of Audit Committee**

**Date: 25<sup>th</sup> July 2018**

# EXPENDITURE AND FUNDING ANALYSIS

Restated 2016/17						2017/18		
Net Expenditure chargeable to the General Fund	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement				Net Expenditure chargeable to the General Fund	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000	£000	£000	£000
105,334	43,604	148,938	Education, Leisure & Lifelong Learning			104,122	13,688	117,810
75,757	1,209	76,966	Social Services, Health & Housing			74,913	2,419	77,332
33,083	20,282	53,365	Environment			34,104	18,589	52,693
17,197	32	17,229	Corporate Services			17,532	990	18,522
(14)	-	(14)	Other Housing Services			(142)	-	(142)
23,495	(9,031)	14,464	Other Central Services			21,421	(7,895)	13,526
<b>254,852</b>	<b>56,096</b>	<b>310,948</b>	<b>Net Cost of Services</b>			<b>251,950</b>	<b>27,791</b>	<b>279,741</b>
(257,272)	(4,273)	(261,545)	Other Income & Expenditure			(260,142)	(15,147)	(275,289)
<b>(2,420)</b>	<b>51,823</b>	<b>49,403</b>	<b>Surplus or deficit</b>			<b>(8,192)</b>	<b>12,644</b>	<b>4,452</b>
<b>48,857</b>			<b>Opening General Fund Balance</b>			<b>51,277</b>		
<b>2,420</b>			In Year Movement			<b>8,192</b>		
			Surplus / (Deficit)					
<b>51,277</b>			<b>Closing General Fund Balance</b>			<b>59,469</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

Restated Gross Expenditure	Restated Gross Income	Net Expenditure		Note	2017/18		
					Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
181,621	(32,683)	148,938	Education, Leisure & Lifelong Learning		152,226	(34,416)	117,810
113,091	(36,125)	76,966	Social Services, Health & Housing		115,736	(38,404)	77,332
78,280	(24,915)	53,365	Environment		77,845	(25,152)	52,693
20,568	(3,339)	17,229	Corporate Services		21,649	(3,127)	18,522
56,075	(56,089)	(14)	Other Housing Services		55,073	(55,215)	(142)
14,773	(309)	14,464	Other Central Services		14,061	(535)	13,526
<b>464,408</b>	<b>(153,460)</b>	<b>310,948</b>	<b>Cost of Services</b>		<b>436,590</b>	<b>(156,849)</b>	<b>279,741</b>
17,676	-	17,676	Other operating expenditure	8	22,669	-	22,669
22,084	(593)	21,491	Financing & investment income & expenditure	9	21,206	(569)	20,637
-	(300,712)	(300,712)	Taxation and non-specific grant income	10	-	(318,595)	(318,595)
<b>504,168</b>	<b>(454,765)</b>	<b>49,403</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>480,465</b>	<b>(476,013)</b>	<b>4,452</b>
	12,863		Surplus or deficit on revaluation of Property, Plant and Equipment assets	22			(9,712)
	-		Impairment losses on non-current assets charged to the revaluation reserve	22			129
	57,350		Actuarial gains/losses on pension assets / liabilities	22			(2,400)
	<b>70,213</b>		<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(11,983)</b>
	<b>119,616</b>		<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(7,531)</b>

## MOVEMENTS IN RESERVES STATEMENT

	General Fund Balance £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31st March 2016</b>	<b>48,857</b>	<b>5,484</b>	<b>7,853</b>	<b>62,194</b>	<b>56,376</b>	<b>118,570</b>
<b>Restated 2016/17</b>						
<b>Movement in reserves during 2016/17</b>						
Total Comprehensive Income and Expenditure	(49,403)	-	-	<b>(49,403)</b>	(70,213)	<b>(119,616)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	51,823	157	50	<b>52,030</b>	(52,030)	-
<b>Increase/(Decrease) in Year</b>	<b>2,420</b>	<b>157</b>	<b>50</b>	<b>2,627</b>	(122,243)	<b>(119,616)</b>
<b>Balance at 31st March 2017</b>	<b>51,277</b>	<b>5,641</b>	<b>7,903</b>	<b>64,821</b>	(65,867)	<b>(1,046)</b>
<b>Movement in reserves during 2017/18</b>						
Total Comprehensive Income and Expenditure	(4,452)	-	-	<b>(4,452)</b>	11,983	<b>7,531</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	12,644	1,159	2,205	<b>16,008</b>	(16,008)	-
<b>Increase/(Decrease) in Year</b>	<b>8,192</b>	<b>1,159</b>	<b>2,205</b>	<b>11,556</b>	(4,025)	<b>7,531</b>
<b>Balance at 31st March 2018</b>	<b>59,469</b>	<b>6,800</b>	<b>10,108</b>	<b>76,377</b>	(69,892)	<b>6,485</b>

# BALANCE SHEET

<b>Restated 31st Mar 2017</b>		<b>Note</b>	<b>31st Mar 2018</b>
			<b>£000</b>
675,734	Property, Plant and Equipment	11	705,840
1,183	Heritage Assets	12	1,183
10,086	Long Term Investments	13	86
1,101	Long Term Debtors	13	1,488
<b>688,104</b>	<b>Long Term Assets</b>		<b>708,597</b>
60,942	Short Term Investments	13	61,178
5,804	Assets Held for Sale	18	5,129
657	Inventories	14	564
38,096	Short Term Debtors	16	39,923
5,356	Cash and Cash Equivalents	17	4,134
<b>110,855</b>	<b>Current Assets</b>		<b>110,928</b>
(18,540)	Short Term Borrowing	13	(9,850)
(54,861)	Short Term Creditors	19	(61,563)
(1,903)	Short Term Provisions	20	(1,981)
<b>(75,304)</b>	<b>Current Liabilities</b>		<b>(73,394)</b>
(47,602)	Long Term Creditors	13	(24,628)
(235,655)	Long Term Borrowing	13	(260,471)
(436,193)	Other Long Term Liabilities	22	(450,183)
(5,251)	Long Term Provisions	20	(4,364)
<b>(724,701)</b>	<b>Long Term Liabilities</b>		<b>(739,646)</b>
<b>(1,046)</b>	<b>Net Assets</b>		<b>6,485</b>
(64,821)	Usable Reserves	21	(76,377)
65,867	Unusable Reserves	22	69,892
<b>1,046</b>	<b>Total Reserves</b>		<b>(6,485)</b>

## CASH FLOW STATEMENT

<b>Restated 2016/17</b>		<b>Note</b>	<b>2017/18</b>
			<b>£000</b>
(49,403)	Net surplus or (deficit) on the provision of services		(4,452)
70,108	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23a	30,864
(21,171)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23b	(31,079)
<hr/>			
(466)	Net cash flows from Operating Activities	*	(4,667)
(23,298)	Investing Activities	24	(12,526)
<u>24,420</u>	Financing Activities	25	<u>15,971</u>
<hr/>			
656	Net increase or decrease in cash and cash equivalents		(1,222)
4,700	Cash and cash equivalents at the beginning of the reporting period		5,356
<hr/>			
<b>5,356</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>4,134</b>
<hr/>			

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(587)	Interest Received	(512)
9,941	Interest Paid	10,367

# **NOTES TO THE ACCOUNTS**

## **1. ACCOUNTING POLICIES**

### **i. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31<sup>st</sup> March 2018.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended by The Accounts and Audit (Wales) (Amendment) Regulations 2018), 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 2017/18, 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.

The following prior year adjustments have been made as part of this Statement of Accounts.

### **External Debt**

The 2016/17 fair value disclosed in note 13 has been restated to include short term borrowing as debt, rather than accrued interest. The 2016/17 position for external debt has increased by £1.094m to £251.235m with accrued interest reduced by the same amount to £2.960m. This amendment has had no impact on the Council's balance sheet.

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

The 2016/17 gross cost of services figures have been restated by £37.955m to exclude internal support service charges from both gross expenditure and gross income. Expenditure and income analysed by nature in Note 5 has also been restated to exclude internal support service charges. Also, £0.550m of pension costs have been reallocated from Other Central Services to individual service areas. These changes have had no impact on the Council's net revenue position, or its balance sheet.

# NOTES TO THE ACCOUNTS

## Service Concession

The Council previously entered into a service concession arrangement with Tai Gwalia, but this was not fully reflected in the Statement of Accounts. The 2016/17 position has now been restated to reflect this arrangement and further details are included in Note 35. Although this has not changed the revenue balances available to the Council, it has resulted in an increase in the Council's Property, Plant and Equipment holding of £13.934m which is offset in the balance sheet by an outstanding liability of £12.837m to pay for these assets.

## 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 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 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 accounting year. 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

## **NOTES TO THE ACCOUNTS**

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 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

## **NOTES TO THE ACCOUNTS**

- 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.
- 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.

# **NOTES TO THE ACCOUNTS**

## **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 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.

# **NOTES TO THE ACCOUNTS**

## **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 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.

## **NOTES TO THE ACCOUNTS**

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. 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.

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.

# **NOTES TO THE ACCOUNTS**

## **ix. 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 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.

## **x. 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.

## **xi. 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.

# NOTES TO THE ACCOUNTS

## xii. 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.

## xiii. Leases

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

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

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

### The 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

# **NOTES TO THE ACCOUNTS**

(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.

## **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.

## **xiv. 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.

## **xv. 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

## NOTES TO THE ACCOUNTS

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.

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.

## **NOTES TO THE ACCOUNTS**

- 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:

- 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.

# NOTES TO THE ACCOUNTS

## 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.

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

## **NOTES TO THE ACCOUNTS**

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.

### **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:

## **NOTES TO THE ACCOUNTS**

- 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.

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

### **xvi. Service Concessions**

Service concession arrangements are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the arrangement, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract period, the Council carries the assets on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets is based on the amounts due to the contractor for the capital investment with a corresponding liability recognised on the Balance Sheet. Assets are subsequently revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the contractor each year are analysed into three elements:

Payment towards liability – applied to write down the Balance Sheet liability towards the contractor;

Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

Payment for services – debited to the relevant Directorate in the Comprehensive Income and Expenditure Statement;

### **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

## **NOTES TO THE ACCOUNTS**

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.

### **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

# **NOTES TO THE ACCOUNTS**

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.

## **xi. 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
- 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.

# **NOTES TO THE ACCOUNTS**

## **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 2018/19 Code introduces changes arising from the accounting guidance for Financial Instruments (IFRS 9), Revenue from Contracts with Customers (IFRS 15), the Statement of Cash Flows (IAS 7) and the recognition of deferred tax assets (IAS 12). The impact of these changes is not expected to be material.

The Code requires implementation from 1<sup>st</sup> April 2018 and there is therefore no impact on the 2017/18 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 2018, 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 £4.828m as at 31<sup>st</sup> March 2018 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 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.

# NOTES TO THE ACCOUNTS

## 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>2017/18</b>			
	Adjustments for Capital Purposes	Net Charge for Pensions	Other Differences	Total Adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	11,461	1,949	278	13,688
Social Services, Health & Housing	804	1,714	(99)	2,419
Environment	17,948	677	(36)	18,589
Corporate Services	129	908	(47)	990
Other Central Services	(8,371)	522	(46)	(7,895)
	<b>21,971</b>	<b>5,770</b>	<b>50</b>	<b>27,791</b>
Other Income & Expenditure	<u>(25,767)</u>	<u>10,620</u>	-	<u>(15,147)</u>
<b>Difference between General Fund and CIES surplus/deficit</b>	<b>(3,796)</b>	<b>16,390</b>	<b>50</b>	<b>12,644</b>

	<b>Restated 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	(178)	1,224	43,604
Social Services, Health & Housing	1,356	(155)	8	1,209
Environment	20,340	(64)	6	20,282
Corporate Services	117	(89)	4	32
Other Central Services	(8,970)	(64)	3	(9,031)
	<b>55,401</b>	<b>(550)</b>	<b>1,245</b>	<b>56,096</b>
Other Income & Expenditure	<u>(16,373)</u>	<u>12,100</u>	-	<u>(4,273)</u>
<b>Difference between General Fund and CIES surplus/deficit</b>	<b>39,028</b>	<b>11,550</b>	<b>1,245</b>	<b>51,823</b>

# NOTES TO THE ACCOUNTS

## 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>Restated 2016/17 £000</b>	<b>2017/18</b>
<b>Expenditure</b>	
168,755 Employee Benefits	175,951
264,118 Other Service Expenses	237,485
31,535 Depreciation, amortisation and Impairment	23,154
22,084 Interest Payable	21,206
18,436 Precepts and Levies	19,219
(760) Gain on the disposal of assets	3,450
<b>504,168 Total Expenditure</b>	<b>480,465</b>
<b>Income</b>	
(51,908) Fees, charges and other service income	(51,835)
(593) Interest and investment income	(569)
(121,961) Income from Council Tax, National Non Domestic Rates	(127,831)
(280,303) Government Grants and contributions	(295,778)
<b>(454,765) Total Income</b>	<b>(476,013)</b>
<b>49,403 (Surplus) / Deficit for year</b>	<b>4,452</b>

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

<b>Restated 2016/17 £000</b>	<b>2017/18</b>
<b>Income</b>	
(10,799) Education, Leisure & Lifelong Learning	(11,158)
(21,212) Social Services, Health & Housing	(21,754)
(17,462) Environment	(16,554)
(2,126) Corporate Services	(2,062)
(309) Other Central Services	(307)
<b>(51,908) Fees, charges and other service income</b>	<b>(51,835)</b>

# **NOTES TO THE ACCOUNTS**

## **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

	<b>Usable Reserves</b>			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unused Reserves
<b>2017/18</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	23,154	-	-	(23,154)
Revaluation losses on Property Plant and Equipment	1,905	-	-	(1,905)
Capital grants and contributions applied	(29,920)	-	-	29,920
Revenue expenditure funded from capital under statute	9,447	-	-	(9,447)
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	4,609	-	-	(4,609)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(8,433)	-	-	8,433
Capital expenditure charged against the General Fund	(605)	-	-	605
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,630)	-	2,630	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(425)	425
<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	(1,159)	1,159	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	10	-	-	(10)
<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	(175)	-	-	175
<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	41,050	-	-	(41,050)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,660)	-	-	24,660
<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	50	-	-	(50)
<b>Total Adjustments</b>	<b>12,644</b>	<b>1,159</b>	<b>2,205</b>	<b>(16,008)</b>

# NOTES TO THE ACCOUNTS

	<b>Usable Reserves</b>			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unused Reserves
<b>Restated 2016/17</b>	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
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	804	-	-	(804)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
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>51,823</b>	<b>157</b>	<b>50</b>	<b>(52,030)</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.

### Transfers (to)/from earmarked reserves

	<b>Balance at 1st Apr 2016</b>	<b>Transfers out 2016/17</b>	<b>Transfers in 2016/17</b>	<b>Balance at 31st Mar 2017</b>	<b>Transfers out 2017/18</b>	<b>Transfers in 2017/18</b>	<b>Balance at 31st Mar 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balances held by schools under a scheme of delegation	(3,216)	1,972	(1,511)	(2,755)	1,167	(1,280)	(2,868)
Other Education and Leisure	(285)	93	(71)	(263)	91	(163)	(335)
Hillside Secure Centre- Equalisation	(1,775)	303	(241)	(1,713)	63	(37)	(1,687)
Other Social Services	(640)	476	(180)	(344)	-	(610)	(954)
Environment	(1,105)	304	(651)	(1,452)	445	(757)	(1,764)
Operating Account	(1,856)	1,509	(1,506)	(1,853)	1,551	(1,255)	(1,557)
Finance and Chief Executive	(3,358)	819	(787)	(3,326)	1,249	(589)	(2,666)
Accommodation	(2,919)	158	-	(2,761)	550	(351)	(2,562)
Treasury Management	(2,419)	-	(655)	(3,074)	-	(2,681)	(5,755)
Housing Warranties	(220)	-	-	(220)	-	-	(220)
LAWDC	(988)	-	-	(988)	17	-	(971)
Insurance	(3,680)	4	(1,049)	(4,725)	290	(2,184)	(6,619)
Fire Authority	(73)	21	-	(52)	21	-	(31)
Waste	(423)	-	-	(423)	30	-	(393)
ERVR Transistional	(7,776)	2,226	(693)	(6,243)	1,119	(950)	(6,074)
Members Community Fund	-	-	-	0	-	(672)	(672)
Community Resilience	-	-	-	0	-	(2,000)	(2,000)
Pantteg	-	-	-	0	-	(500)	(500)
Joint Committees	(94)	8	(100)	(186)	1	(14)	(199)
Corporate Other	(640)	390	-	(250)	50	(550)	(750)
<b>Earmarked Reserves</b>	<b>(31,467)</b>	<b>8,283</b>	<b>(7,444)</b>	<b>(30,628)</b>	<b>6,644</b>	<b>(14,593)</b>	<b>(38,577)</b>
Capital	(800)	-	(112)	(912)	-	-	(912)
General Fund	(16,590)	744	(3,891)	(19,737)	6,322	(6,565)	(19,980)
<b>GRAND TOTAL</b>	<b>(48,857)</b>	<b>9,027</b>	<b>(11,447)</b>	<b>(51,277)</b>	<b>12,966</b>	<b>(21,158)</b>	<b>(59,469)</b>

## NOTES TO THE ACCOUNTS

<b>Earmarked Reserves</b>		<b>2017/18</b>
		<b>£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.	2,433
Secondary Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	274
Special Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	161
		<hr/>
		2,868
Education Equalisation	This account will be used to fund any unforeseen pressures arising within the Education Leisure and Lifelong Learning budget.	96
Other	This includes funding to meet the cost of repairs and maintenance in schools, to fund one off school transport costs and to assist primary schools in funding ERVR.	239
<b>Education, Leisure and Lifelong Learning</b>		<hr/> <b>3,203</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.	1,687
Other Social Services	To fund development work required to transform services and deliver further savings in future, to fund expenditure on renewal of equipment over several years, to equalise expenditure on volatile services.	954
<b>Social Services and Health</b>		<hr/> <b>2,641</b>
<b>Environment</b>		
Environment Equalisation Account	This reserve will be used to fund one off pressures across the Directorate.	389
Local Development Fund	To meet statutory obligation for LD Plan.	142
Winter Maintenance	To equalise the cost incurred during harsh winters.	763
Other	This includes reserves for Concessionary Bus Pass replacement, Asset recovery reserve and Economic Development, transport infrastructure, renewable energy projects and to fund enforcement action to improve derelict buildings.	470

## NOTES TO THE ACCOUNTS

<b>Earmarked Reserves</b>		<b>2017/18</b>
		<b>£000</b>
<b>Environment (continued)</b>		
Vehicle	This reserve will be used to fund a cost effective transport and plant renewal programme to meet service requirements.	1,465
General	This reserve will be used to fund Vehicle Tracking maintenance.	92
<b>Environment</b>		<b>3,321</b>
<b>Finance and Chief Executive's</b>		
IT Renewals Fund	This Reserve will be used to fund the costs of major IT projects.	1,495
Corporate Equalisation	This reserve will fund one off pressures arising across the directorate.	662
Election Equalisation	This reserve will be used to meet the cost of the five year cycle of elections.	202
Building Capacity & Capability	This relates to developing capacity in relation to transformational projects across the Council.	80
Other	This includes reserves for Health & Safety, member development and voluntary organisations.	227
<b>Finance and Chief Executive's Reserves</b>		<b>2,666</b>
<b>Corporate issues</b>		
Accommodation	This reserve will be used to support the Authority's Accommodation Strategy and other property costs.	2,562
Treasury Management	This reserve will be used to equalise the impact of fluctuations in Treasury Management returns and future borrowing decisions.	5,755
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.	971
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.	6,619

## NOTES TO THE ACCOUNTS

<b>Earmarked Reserves</b>		<b>2017/18</b>
		<b>£000</b>
<b>Corporate issues (continued)</b>		
Fire Authority	This relates to a refund from the Fire Authority and will be used to mitigate precept increases in future years.	31
Waste	This reserve will be used to fund future Waste Service projects.	393
ER VR Transitional Reserve	This reserve will fund future ER/VR costs.	6,074
Members Community Fund	The reserve is set up to enable members to invest in activities and projects that improve outcomes within their local wards.	672
Communities Resilience Fund	To fund work with and by the community to deliver local services that support the Council's priorities and objectives.	2,000
Panteg	The reserve is set up to fund ongoing costs.	500
Joint Committees	This reserve is for Intermediate Care pooled fund, the Western Bay Safeguarding Board, Substance Misuse and SWTRA.	199
Other	This reserve will be used to fund income generation project work.	750
<b>Corporate issues</b>		<b><u>26,746</u></b>
<b>Total Earmarked Reserves</b>		<b><u>38,577</u></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.	19,980
<b>Total Reserves</b>		<b><u>59,469</u></b>

### 8. OTHER OPERATING ACCOUNTS

<b>Restated 2016/17 £000</b>		<b>2017/18 £000</b>
1,912	Community Council precepts	1,941
16,524	Levies (Police and Fire)	17,278
(760)	(Gains)/losses on the disposal of non current assets	3,450
<b>17,676</b>	<b>Total</b>	<b>22,669</b>

# NOTES TO THE ACCOUNTS

## 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2016/17 £000</b>		<b>2017/18 £000</b>
9,984	Interest payable and similar charges	10,586
12,100	Pension interest cost and expected return on pension assets	10,620
(593)	Interest receivable and similar income	(569)
<b>21,491</b>	<b>Total</b>	<b>20,637</b>

## 10. TAXATION AND NON SPECIFIC GRANT

<b>2016/17 £000</b>		<b>2017/18 £000</b>
(79,724)	Council Tax income	(82,019)
(42,237)	Non domestic rates	(45,812)
(163,137)	Non ring fenced government grants	(161,547)
(15,614)	Capital grants and contributions	(29,217)
<b>(300,712)</b>	<b>Total</b>	<b>(318,595)</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

<b>2017/18</b>	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	<b>Total PPE</b>	Service Concession in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April 2017	399,278	29,374	379,535	612	11,440	10,996	<b>831,235</b>	18,119
additions	4,379	2,683	7,557	-	-	38,806	53,425	-
revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,409)	-	-	30	(280)	-	(1,659)	444
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(3,150)	95	-	-	-	-	(3,055)	-
derecognition-disposals	(448)	(1,118)	-	-	-	-	(1,566)	-
derecognition - charged to the revaluation reserve	(129)	-	-	-	-	-	(129)	-
derecognition-other	(6,864)	(417)	-	-	-	-	(7,281)	-
assets reclassified (to)/from Held for Sale	(35)	-	-	-	(164)	-	(199)	-
change in asset classification	(940)	-	5,302	53	(305)	(4,110)	0	-
other movements in cost of valuation	1	33	-	-	-	-	34	-
<b>At 31st March 2018</b>	<b>390,683</b>	<b>30,650</b>	<b>392,394</b>	<b>695</b>	<b>10,691</b>	<b>45,692</b>	<b>870,805</b>	<b>18,563</b>

## NOTES TO THE ACCOUNTS

2017/18	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	Service Concession in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2017	(41,469)	(17,606)	(96,403)	-	(19)	(4)	<b>(155,501)</b>	(362)
depreciation charge	(11,362)	(2,327)	(9,446)	-	(19)	-	(23,154)	(703)
impairment charged to surplus/deficit on provision of services	-	-	-	-	-	-	0	-
depreciation written out to the Revaluation Reserve	10,203	-	-	-	-	-	10,203	1,065
depreciation written out to the Surplus/Deficit on the Provision of Services	375	-	-	-	-	-	375	-
derecognition-disposals	-	958	-	-	-	-	958	-
derecognition-other	293	401	273	-	-	-	967	-
change in asset classification	(1)	-	-	-	1	-	0	-
other movements in depreciation and impairment	1,187	-	-	-	-	-	1,187	-
<b>At 31st March 2018</b>	<b>(40,774)</b>	<b>(18,574)</b>	<b>(105,576)</b>	<b>0</b>	<b>(37)</b>	<b>(4)</b>	<b>(164,965)</b>	<b>0</b>
<b>Net Book Value</b>								
At 31st March 2018	349,909	12,076	286,818	695	10,654	45,688	<b>705,840</b>	18,563
At 31st March 2017	357,809	11,768	283,132	612	11,421	10,992	<b>675,734</b>	17,757

# NOTES TO THE ACCOUNTS

<b>Restated 2016/17</b>	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	<b>Total PPE</b>	Service Concession in PPE
<b>Cost or Valuation</b>	£000	£000	£000	£000	£000	£000	<b>£000</b>	£000
At 1st April 2016	408,025	28,171	368,881	612	11,808	37,567	<b>855,064</b>	5,282
additions	4,085	2,982	10,055	-	-	23,560	40,682	-
recognition of service concession assets	12,837	-	-	-	-	-	12,837	12,837
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	-
other movements in cost of valuation	1,097	-	-	-	-	-	1,097	-
<b>At 31st March 2017</b>	<b>399,278</b>	<b>29,374</b>	<b>379,535</b>	<b>612</b>	<b>11,440</b>	<b>10,996</b>	<b>831,235</b>	<b>18,119</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2016	(59,547)	(17,213)	(87,194)	-	-	(4)	<b>(163,958)</b>	(271)
depreciation charge	(20,271)	(2,021)	(9,222)	-	(21)	-	(31,535)	(91)
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>(362)</b>
<b>Net Book Value</b>								
At 31st March 2017	357,809	11,768	283,132	612	11,421	10,992	<b>675,734</b>	17,757
At 31st March 2016	348,478	10,958	281,687	612	11,808	37,563	<b>691,106</b>	5,011

## 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 2017/18, 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

Cost or Valuation	Total £000
1st Apr 2016	1,183
Movements	-
<b>31st Mar 2017</b>	<b>1,183</b>
Cost or Valuation	
1st Apr 2017	1,183
Movements	-
<b>31st Mar 2018</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 2018 £000	31st Mar 2017 £000	31st Mar 2018 £000	31st Mar 2017 £000
<b>Investments</b>				
Loans and receivables at amortised cost:				
Fixed Term Investments	-	10,000	49,678	54,122
Cash	-	-	11,500	6,820
Unquoted equity at cost	86	86	-	-
<b>Total investments</b>	<b>86</b>	<b>10,086</b>	<b>61,178</b>	<b>60,942</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost:				
Market Loans (LOBO)	(62,500)	(62,500)	(732)	(13,805)
PWLB	(197,971)	(173,155)	(7,577)	(3,641)
Other loans	-	-	(1,541)	(1,094)
<b>Total borrowings</b>	<b>(260,471)</b>	<b>(235,655)</b>	<b>(9,850)</b>	<b>(18,540)</b>

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

	2017/18			2016/17		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000		Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	
		Total	Total		Total	Total
Interest Expense	10,586	-	<b>10,586</b>	9,984	-	<b>9,984</b>
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>10,586</b>	<b>0</b>	<b>10,586</b>	<b>9,984</b>	<b>0</b>	<b>9,984</b>
Interest income	-	(531)	<b>(531)</b>	-	(578)	<b>(578)</b>
Interest income accrued on impaired financial assets	-	(38)	<b>(38)</b>	-	(15)	<b>(15)</b>
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(569)</b>	<b>(569)</b>	<b>0</b>	<b>(593)</b>	<b>(593)</b>
<b>Net gain/(loss) for the year</b>	<b>10,586</b>	<b>(569)</b>	<b>10,017</b>	<b>9,984</b>	<b>(593)</b>	<b>9,391</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 2018, 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 2018, 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 2018		Restated 31st Mar 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	(203,155)	(243,553)	(174,713)	(217,110)
Non-PWLB Debt	(62,500)	(93,176)	(75,428)	(108,140)
Non-PWLB Debt Temporary Borrowing	(1,541)	(1,541)	(1,094)	(1,094)
<b>Total debt</b>	<b>(267,196)</b>	<b>(338,270)</b>	<b>(251,235)</b>	<b>(326,344)</b>
<b>Long Term creditors</b>	<b>(24,628)</b>	<b>(24,628)</b>	<b>(47,602)</b>	<b>(47,602)</b>

## 31<sup>st</sup> March 2018 – Debt

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of 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 2018, arising from a commitment to pay interest to lenders above market rates.

# NOTES TO THE ACCOUNTS

## Fair Value of Assets

	31st Mar 2018		31st Mar 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	61,000	61,000	70,820	71,234
Long term debtors	1,488	1,488	1,101	1,101

## 14. INVENTORIES

	Stores	
	2017/18 £000	2016/17 £000
<b>Balance outstanding at start of year</b>	657	631
Movement in year	(93)	26
<b>Balance outstanding at year end</b>	<b>564</b>	<b>657</b>

## 15. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2018, the Authority has entered into a number of contracts for the construction of Property, Plant and Equipment. The budgeted cost of these commitments for 2018/19 and future years are shown in the table below. Similar commitments at 31<sup>st</sup> March 2017 were £8.9m. The major commitments are:

Major Capital Commitments	2018/19 £000	Future £000	Total £000
Ysgol Cwm Brombil	11,575	-	11,575
Ysgol Gymraeg Bro Dur	4,080	-	4,080
Ysgol Carreg Hir	2,367	-	2,367
<b>Total</b>	<b>18,022</b>	<b>0</b>	<b>18,022</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

<b>31st Mar 2017 £000</b>		<b>31st Mar 2018 £000</b>
23,284	Central government bodies	23,726
2,990	Other local authorities	3,693
2,707	NHS bodies	3,439
10,397	Other entities and individuals	10,042
3,321	Payments in advance	3,416
(4,603)	Less provision for doubtful debts	(4,393)
<b>38,096</b>	<b>Total</b>	<b>39,923</b>

## 17. CASH AND CASH EQUIVALENTS

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

<b>31st Mar 2017 £000</b>		<b>31st Mar 2018 £000</b>
112	Cash held by the Authority	100
5,244	Bank current accounts	4,034
<b>5,356</b>	<b>Total</b>	<b>4,134</b>

## 18. ASSETS HELD FOR SALE

	<b>Current</b>	
	<b>2017/18 £000</b>	<b>2016/17 £000</b>
<b>Balance outstanding at start of year</b>	5,804	7,282
Assets newly classified as held for sale:		
Property, Plant and Equipment	495	568
Revaluation losses	(1,025)	(442)
Revaluation gains	803	103
Assets declassified as held for sale:		
Property, Plant and Equipment	(296)	(853)
Assets sold	(652)	(854)
<b>Balance outstanding at year end</b>	<b>5,129</b>	<b>5,804</b>

# NOTES TO THE ACCOUNTS

## 19. CREDITORS

<b>Restated 31st Mar 2017 £000</b>		<b>31st Mar 2018 £000</b>
(3,750)	Central government bodies	(3,343)
(6,729)	Other local authorities	(6,420)
(850)	NHS bodies	(438)
(41,656)	Other entities and individuals	(49,609)
(1,876)	Receipts in advance	(1,753)
<b>(54,861)</b>	<b>Total</b>	<b>(61,563)</b>

## 20. PROVISIONS

### Long Term Provisions

	<b>Injury and Damage Compensation Claims £000</b>	<b>Other provisions £000</b>	<b>Total £000</b>
<b>Balance at 1st April 2016</b>	(4,807)	(909)	(5,716)
Net Transfer from	490	45	535
Net Transfer (to)	(11)	(59)	(70)
<b>Balance at 31st March 2017</b>	(4,328)	(923)	(5,251)
Net Transfer from	887	-	887
Net Transfer (to)	-	-	-
<b>Balance at 31st March 2018</b>	<b>(3,441)</b>	<b>(923)</b>	<b>(4,364)</b>

### Short Term Provisions

	<b>Injury and Damage Compensation Claims £000</b>	<b>Other provisions £000</b>	<b>Total £000</b>
<b>Balance at 1st April 2016</b>	(1,775)	(799)	(2,574)
Net Transfer from	212	799	1,011
Net Transfer (to)	(4)	(336)	(340)
<b>Balance at 31st March 2017</b>	(1,567)	(336)	(1,903)
Net Transfer from	222	336	558
Net Transfer (to)	(42)	(594)	(636)
<b>Balance at 31st March 2018</b>	<b>(1,387)</b>	<b>(594)</b>	<b>(1,981)</b>

# NOTES TO THE ACCOUNTS

## 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 2018.

## Long 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. The provision reflects the costs likely to be incurred in future years.

## Short Term - Other Provisions – Voluntary Redundancy

The Council undertook an exercise to seek volunteers for voluntary redundancy as part of the Council's savings strategy and in line with the Council's desire 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 2018. 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 2017/18 with this provision of £0.594m 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 2017 £000		31st Mar 2018 £000
(51,277)	Earmarked and General Reserve Working Balance	(59,469)
(7,903)	Unapplied Grants	(10,108)
(5,641)	Usable Capital Receipts	(6,800)
<b>(64,821)</b>	<b>Total</b>	<b>(76,377)</b>

## 22. UNUSABLE RESERVES

Restated 31st Mar 2017 £000		31st Mar 2018 £000
(79,127)	Revaluation Reserve	(85,625)
(297,569)	Capital Adjustment Account	(300,921)
2,190	Financial Instruments Adjustment Account	2,015
436,193	Pensions Reserve	450,183
(25)	Deferred Capital Receipts Reserve	(15)
4,205	Accumulated Absences Account	4,255
<b>65,867</b>	<b>Total</b>	<b>69,892</b>

# NOTES TO THE ACCOUNTS

## 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:

- 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.

2016/17		Revaluation Reserve	2017/18	
£000	£000		£000	£000
(7,444)	(94,130)	<b>Balance at 1st April</b>	(12,687)	(79,127)
20,307		Upward revaluation of assets	2,975	
-		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	129	
	12,863	Impairment losses on non-current assets		(9,583)
1,826		Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,897	
314		Difference between fair value depreciation and historical cost depreciation	1,188	
	2,140	Accumulated gains on assets sold or scrapped		3,085
	(79,127)	Amount written off to the Capital Adjustment Account		(85,625)
		<b>Balance at 31st March</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.

## **NOTES TO THE ACCOUNTS**

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

## 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 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 2018 will be charged to the General Fund until 2055.

2016/17		<b>Financial Instruments Adjustment</b>	2017/18	
£000	£000		£000	£000
(176)	2,366	<b>Balance at 1st April</b> Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(175)	2,190
	(176)			(175)
	<b>2,190</b>	<b>Balance at 31st March</b>		<b>2,015</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.

## NOTES TO THE ACCOUNTS

<b>2016/17 £000</b>	<b>Pension Reserve</b>	<b>2017/18 £000</b>
367,293	<b>Balance at 1st April</b>	436,193
57,350	Actuarial gains or losses on pensions assets and liabilities	(2,400)
34,700	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	41,050
(23,150)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,660)
<b>436,193</b>	<b>Balance at 31st March</b>	<b>450,183</b>

### **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.

<b>2016/17 £000</b>	<b>Deferred Capital Receipts Reserve</b>	<b>2017/18 £000</b>
(30)	<b>Balance at 1st April</b>	(25)
5	Transfer to the Capital Receipts Reserve upon receipt of cash	10
<b>(25)</b>	<b>Balance at 31st March</b>	<b>(15)</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.

## NOTES TO THE ACCOUNTS

2016/17		Accumulated Absences Account	2017/18	
£000	£000		£000	£000
(2,960)	2,960	<b>Balance at 1st April</b>		4,205
4,205		Settlement or cancellation of accrual made at the end of the preceding year	(4,205)	
		Amounts accrued at the end of the current year	4,255	
	1,245	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		50
	4,205	<b>Balance at 31st March</b>		<b>4,255</b>

### 23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

Restated 2016/17 £000		2017/18 £000
31,535	Depreciation and impairment on non current assets	23,154
21,568	Revaluation losses on Property Plant and Equipment	1,905
(329)	(Increase)/decrease in long term debtors	(387)
(5,996)	(Increase)/decrease in short term debtors	(1,827)
(26)	(Increase)/decrease in inventories	93
(5,320)	Increase/(decrease) in short term creditors	6,702
13,904	Increase/(decrease) in long term creditors	(22,974)
(671)	Increase/(decrease) in short term provisions	78
(465)	Increase/(decrease) in long term provisions	(887)
804	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	4,609
11,550	Increase/ (decrease) in Pension Liability	16,390
-	Impairments charged to the CIES	129
3,554	Other non-cash items charged to net surplus/deficit on the provision of services	3,879
<b>70,108</b>		<b>30,864</b>

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

2016/17 £000		2017/18 £000
1,564	Proceeds from the sale of property, plant and equipment	1,159
19,607	Other receipts from investing activities	29,920
<b>21,171</b>		<b>31,079</b>

# NOTES TO THE ACCOUNTS

## 24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

<b>Restated 2016/17 £000</b>		<b>2017/18 £000</b>
(53,519)	Purchase of property, plant and equipment	(53,425)
(915,128)	Purchase of short term and long term investments	(1,621,370)
1,564	Proceeds from the sale of property, plant and equipment	1,159
924,178	Proceeds from short term and long term investments	1,631,190
19,607	Other receipts from investing activities	29,920
<b>(23,298)</b>	<b>Net cash flows from Investing Activities</b>	<b>(12,526)</b>

## 25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

<b>2016/17 £000</b>		<b>2017/18 £000</b>
45,280	Cash receipts of short and long term borrowing	40,457
(20,860)	Repayments of short and long term borrowing	(24,486)
<b>24,420</b>	<b>Net cash flows from Financing Activities</b>	<b>15,971</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:

<b>2016/17 £000</b>		<b>2017/18 £000</b>
(743)	Catering Services Turnover	(802)
920	Expenditure	942
177	(Surplus)/Deficit	140
(686)	Trade Refuse/ Bulk Waste Turnover	(716)
686	Expenditure	716
0	(Surplus)/Deficit-excluding full overheads	0

# NOTES TO THE ACCOUNTS

## 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.

<b>2016/17 £000</b>		<b>2017/18 £000</b>
57,570	Expenditure - fully reimbursed by Welsh Government	52,949

### **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;
- 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>Welsh Government Agency Funds</b>	<b>Balance brought forward £000</b>	<b>Issued in year £000</b>	<b>Repayments in year £000</b>	<b>Balance carried forward £000</b>
Houses to Homes	(165)	-	(383)	(548)
Houses to Homes 2	(436)	406	(50)	(80)
Private Sector Loans	(388)	163	(20)	(245)
VVP Loans	(553)	442	(12)	(123)
<b>TOTAL</b>	<b>(1,542)</b>	<b>1,011</b>	<b>(465)</b>	<b>(996)</b>

# NOTES TO THE ACCOUNTS

## 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.

2016/17		2017/18	
£000	£000	£000	£000
	Funding provided to the pooled budget:		
(97)	Grant	(43)	
(616)	City and County of Swansea	(706)	
(388)	Neath and Port Talbot Council	(470)	
(970)	The Health Board	(1,176)	
	In year contributions		
(2,071)	Total Income	(2,395)	
(2,071)		(2,395)	
2,071	Expenditure met from the pooled budget:	2,395	
0	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	0	

### **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.

## NOTES TO THE ACCOUNTS

2016/17			2017/18	
£000	£000		£000	£000
(2,600)		Funding provided to the pooled budget:	(2,812)	
(2,306)		Neath and Port Talbot Council	(2,460)	
	(4,906)	The Health Board		
	5,001	Total Contributions		(5,272)
	95	Expenditure met from the pooled budget:		5,272
	0	Net (surplus)/deficit arising on the pooled budget during the year		0
		Authority share of the net (surplus)/deficit arising on the pooled budget		0

### 29. MEMBERS REMUNERATION

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

2016/17 £000		2017/18 £000
1,209	Basic and Senior Salaries	1,271
8	Expenses	7
<b>1,217</b>	<b>Total</b>	<b>1,278</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 £21,962. The ratio is:

## NOTES TO THE ACCOUNTS

	Pay multiple
Median employee earnings : Chief Executive's earnings	1 : 6.11

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

	Salary, Fees and Allowances £	Expenses Allowances £	Employers Pension Contribution £
Chief Executive Mr Steven J Phillips	2017/18 134,253	-	24,166
	2016/17 134,253	29	21,749
Director of Education, Leisure & Lifelong Learning	2017/18 110,253	-	19,846
	2016/17 106,680	-	17,282
Director of Environment	2017/18 107,746	-	19,394
	2016/17 104,199	-	16,880
Director of Social Services, Health & Housing	2017/18 89,600	-	-
	2017/18 * 33,144	-	5,966
	2016/17 ** -	-	-
Director of Finance and Corporate Services	2017/18 110,253	-	19,846
	2016/17 109,161	-	17,684
Head of Corporate Strategy & Democratic Services	2017/18 77,081	-	13,875
	2016/17 75,080	-	12,163

The Employers pension contribution of 18% (16.2% in 2016/17) 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 2017/18 was £12,997 (2016/17 £22,008), which is based on rates defined by the respective election bodies.

The Director of Social Services, Health and Housing post was filled by appointment on the 5<sup>th</sup> December 2017. \*Prior to this, payments were made on an agency basis for the period between 1<sup>st</sup> April and 6<sup>th</sup> October 2017. \*\*In 2016/17, Windsor Transformational Limited was paid £168,700 for the services of an Interim Director of Social Services, Health and Housing to the Council. This was an all-inclusive payment and the company took responsibility for all taxes. The service was provided by the same individual in both the agency and company relationship.

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

## NOTES TO THE ACCOUNTS

			2017/18 Number of employees	2016/17 Restated Number of employees
£60,000 - £95,000	-	£64,999	20	20
	-	£69,999	12	10
	-	£74,999	7	6
	-	£79,999	12	11
	-	£84,999	2	2
	-	£89,999	2	3
	-	£94,999	3	3
	-	£99,999	2	2
			<b>60</b>	<b>57</b>

As a result of a voluntary redundancy scheme in 2017/18, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

			2017/18 Number of employees	2016/17 Number of employees
£60,000 - £100,000	-	£64,999	1	2
	-	£69,999	1	-
	-	£74,999	1	1
	-	£79,999	-	1
	-	£84,999	-	2
	-	£104,999	-	2
			<b>3</b>	<b>8</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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
							£000	£000
£0 - £20,000	-	16	53	135	53	151	446	1,247
£20,001 - £40,000	1	2	24	35	25	37	700	1,046
£40,001 - £80,000	-	1	6	7	6	8	296	366
<b>Total</b>	<b>1</b>	<b>19</b>	<b>83</b>	<b>177</b>	<b>84</b>	<b>196</b>	<b>1,442</b>	<b>2,659</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>2016/17 £000</b>		<b>2017/18 £000</b>
177	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	173
99	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	100
51	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	52
<b>327</b>	<b>Total</b>	<b>325</b>

### **32. GRANT INCOME**

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

## NOTES TO THE ACCOUNTS

<b>2016/17 £000</b>		<b>2017/18 £000</b>
	<b>Credited to Taxation and Non Specific Grant Income</b>	
163,137	Revenue Support Grant	161,547
281	Harbour Way Peripheral Development Road (PDR)	2,300
6,493	Regeneration and Town Centre Redevelopments	513
1,064	Ysgol Bae Baglan	-
1,100	Ysgol Gymraeg Ystalyfera	523
1,500	Ysgol Gymraeg Bro Dur	5,000
-	Ysgol Carreg Hir	1,563
-	Ysgol Cwm Brombil	12,245
435	Intermediate Care Fund	350
946	Local Transport Fund	1,482
724	Safe Routes / Accident Reduction Measures	818
1,404	Port Talbot Integrated Transport Hub	1,994
582	Resource Recovery Vehicles	-
230	Coastal Risk Management Projects	-
205	Aberafan Seafront Adventure Golf	-
-	Additional Infrastructure Funding	1,129
-	Collaborative Change Funding	536
-	Flood Prevention Grants	322
650	Other Capital Grants	442
<b>178,751</b>	<b>Total</b>	<b>190,764</b>
	<b>Credited to Services</b>	
1,635	Housing Renewal Area Grants	-
5,022	Pupil Deprivation Grant	5,312
1,964	Families First Grant	2,004
1,341	Post 16 Provision in Schools Grant	1,386
3,885	Flying Start Grant	3,908
7,198	Education Improvement Grant	5,591
-	Other Education Grants	1,971
2,748	Concessionary Fares Re-imbursement Grant	2,485
524	Other Highways Grants	751
5,746	Social Services Grants	8,527
56,002	Mandatory Rent Allowances Grant	54,740
87	Mandatory Rent Rebates Grant	475
4,881	Supporting People Grant	4,790
2,671	General Capital Grant used to fund Housing Expenditure	2,698
-	Housing Energy Efficiency Grants	635
2,562	Single Environment Grant	2,602
2,157	Community Purpose Grant	2,165
521	Recreation and Sports Grant	491
2,608	Other Services Grants	4,483
<b>101,552</b>	<b>Total</b>	<b>105,014</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 in 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 paid to members in 2017/18 is shown in Note 29.

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

- The Council has a lease with a Member for the provision of three vending machines at the cost of £1 per machine.
- Four Council Members are on the board of Tai Tarian.
- A Member is a Director of Afan Village Café Ltd which has received payments under £1,000 during 2017/18 and 2016/17. This Member is also a Director of Croeserw and Glyncorwg Little Wings Playgroups which has received payments for £81,000 during 2017/18 and £54,000 during 2016/17.
- A Member is a non-remunerative Director of DANSA Ltd, which has received payments for providing school transport and the reimbursement of concessionary bus fares totalling £325,000 during 2017/18. These payments have been made from both the Council and grant funding. DANSA also leases units at Crynant Business Park. This Member is also a non-remunerative Director of Dove Workshop which has received £34,000 in grant assistance during 2017/18.
- A Member is a non-remunerative Director of Community Ventures Port Talbot CIC which has received payments for £34,000 during 2017/18.
- A Member is a Director and another Member is the Secretary of Melincryddan Community Conference Company limited by guarantee which has received payments of £46,000 during 2017/18.
- A Member is a Director for Canolfan Maerdy which has received payments for £72,000 during 2017/18. This Member is also a Director of Adult Learning Wales/Addysg Oedolion Cymru which has received payments of £5,000 during 2017/18.

## **NOTES TO THE ACCOUNTS**

- 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.

### **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 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 2017/18 on behalf of Neath Port Talbot CBC and Bridgend CBC of £9.071m (£9.318m in 2016/17) and received income from Bridgend CBC. At the 31<sup>st</sup> March 2018 the Council owed the Company £83,555.

## **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 2017/18 was £1.84m (£2.11m in 2016/17). There was £4,000 outstanding balance owed by Celtic Leisure on 31<sup>st</sup> March 2018.

### Tai Tarian Ltd

Tai Tarian Ltd, previously name 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 of tenants, council nominees and independent members. The Authority paid Tai Tarian Ltd £163,000 from April 2017 to March 2018 (£480,000 in 2016/17); £88,000 of this relates to supporting people charges (£295,000 in 2016/17). In the same period, the Authority charged Tai Tarian Ltd £156,000 (£298,000 in 2016/17). There was an outstanding net refund due to Tai Tarian Ltd of £4,000 on the 31<sup>st</sup> March 2018 (they owed £44,000 in 2016/17).

### 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.

# 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.

<b>Restated 2016/17 £000</b>		<b>2017/18 £000</b>
53,519	<b>Capital Investment</b>	53,425
13,076	Property, Plant and Equipment	5,538
	Revenue Expenditure Funded From Capital Under Statute	
<b>66,595</b>		<b>58,963</b>
	<b>Sources of Finance</b>	
(1,412)	Capital receipts	-
(19,870)	Government grants and other contributions:	(30,345)
	Sums Set aside from revenue	
(2,441)	Direct revenue contributions and reserves	(605)
(12,837)	Service Concessions	-
(30,035)	Loans	(28,013)
<b>(66,595)</b>		<b>(58,963)</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.

<b>Restated 2016/17 £000</b>		<b>2017/18 £000</b>
<b>(270,244)</b>	<b>Opening Capital Financing Requirement</b>	<b>(305,661)</b>
(4,390)	Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	(4,433)
(25,645)	Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	(23,580)
(12,837)	Assets Acquired Under Service Concession	-
7,455	Minimum Revenue Provision and prudential borrowing	8,433
<b>(305,661)</b>	<b>Closing Capital Financing Requirement</b>	<b>(325,241)</b>

## 35. SERVICE CONCESSION

On 1<sup>st</sup> April 2012, the Council entered into a service concession arrangement with Tai Gwalia CYF (formerly Group Gwalia Cyfyngedig) to take over and operate the Council's long term care and short term respite care homes. As part of this arrangement, the Council transferred its existing care homes to Tai Gwalia CYF who have constructed two new residential care homes, Plas Bryn Rhosyn in Neath and Llys Y Seren in Port Talbot, on land owned by the Council. This arrangement is in place until 2037.

## NOTES TO THE ACCOUNTS

The agreement included the construction of two residential care homes with a commitment that the Council will purchase a guaranteed number of beds for the duration of the contract. The contract does not contain any provision for renegotiation of the guaranteed number of beds the Council has agreed to purchase or the rate payable. The contract includes a series of events which could trigger termination of the contract. At the end of the contract the assets transfer into the ownership of the Council for no additional charge. The Council carries the non-current assets used under the contract on the Balance Sheet as service concession assets.

The recognition of these two new residential care homes was balance by the recognition of a liability for amounts due to Tai Gwalia CYF to pay for the assets. The contract was renegotiated in 2017/18 and the liability has been written down by capital contributions of £10m.

The following table shows the payments to be made under the service concession:

	<b>Payment for Services</b>	<b>Reimburse Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable:				
In one year	5,087	80	173	5,340
Between two to five years	19,438	372	637	20,447
Between six to ten years	19,809	612	650	21,071
Between eleven to fifteen years	15,556	828	433	16,817
Between sixteen to nineteen years	12,445	870	139	13,454
<b>Total</b>	<b>72,335</b>	<b>2,762</b>	<b>2,032</b>	<b>77,129</b>

The service liability is:

<b>Restated 2016/17 £000</b>		<b>2017/18 £000</b>
-	Balance outstanding at 1st April	12,837
12,837	Service concession liability	-
-	Payments during the year	(10,075)
<b>12,837</b>		<b>0</b>
		<b>2,762</b>

# NOTES TO THE ACCOUNTS

## 36. LEASES

### Authority as Lessee

#### Finance Leases

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

<b>31st Mar 2017 £000</b>		<b>31st Mar 2018 £000</b>
3,452	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:

<b>31st Mar 2017 £000</b>		<b>31st Mar 2018 £000</b>
9	<b>Finance Lease Liabilities</b>	10
885	Current	876
959	Non current	916
<b>1,853</b>	Finance lease costs payable in future years	<b>1,802</b>
	<b>Minimum Lease Payments</b>	

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31st Mar 2017 £000</b>	<b>31st Mar 2018 £000</b>	<b>31st Mar 2017 £000</b>	<b>31st Mar 2018 £000</b>
	52	52	9	10
	206	206	42	45
Not later than one year	1,595	1,544	843	831
Between 1 and 5 years	<b>1,853</b>	<b>1,802</b>	<b>894</b>	<b>886</b>
Later than 5 years				

### 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.

The lease income received in 2017/18 was £1.325m and in 2016/17 was £1.120m. The leases are short term by nature and future income streams will be affected by

## **NOTES TO THE ACCOUNTS**

external factors most noticeably economic conditions and therefore cannot be estimated with certainty.

### **37. 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.

### **38. 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 2017/18, the Council paid £7.417m or 16.48% to Teachers' Pensions in respect of teachers' retirement benefits. The figures for 2016/17 were £7.337m and 16.48%.

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 39.

### **39. 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:

## **NOTES TO THE ACCOUNTS**

- 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	
	2017/18	2016/17	2017/18	2016/17
	£m	£m	£m	£m
<b>Comprehensive Income and Expenditure Statement (CIES)</b>				
<b>Cost of Services:</b>				
current service cost	29.08	21.52	-	-
past service costs	0.31	0.80	1.04	0.28
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	9.67	10.89	0.95	1.21
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<b>39.06</b>	<b>33.21</b>	<b>1.99</b>	<b>1.49</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)	(4.23)	(66.44)	-	-
Actuarial gains and losses arising on changes in financial assumptions	(0.82)	206.85	0.17	3.85
Actuarial gains and losses arising on changes in demographic assumptions	-	(22.31)	-	(0.56)
Actuarial gains and losses due to liability experience	4.94	(63.76)	(2.46)	(0.28)
<b>Total Amount recognised in Other Comprehensive Income</b>	<b>(0.11)</b>	<b>54.34</b>	<b>(2.29)</b>	<b>3.01</b>
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>38.95</b>	<b>87.55</b>	<b>(0.30)</b>	<b>4.50</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>(38.95)</b>	<b>(87.55)</b>	<b>0.30</b>	<b>(4.50)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>				
employers' contributions payable to scheme				
retirement benefit payable to pensioners	22.21	20.46	2.45	2.69

## 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:

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
<b>Present Value of liabilities:</b>					
Local Government Scheme	(734.93)	(843.08)	(839.99)	(992.12)	(1,031.05)
Discretionary Benefits	(39.14)	(39.83)	(36.70)	(38.51)	(35.76)
<b>Total</b>	<b>(774.07)</b>	<b>(882.91)</b>	<b>(876.69)</b>	<b>(1,030.63)</b>	<b>(1,066.81)</b>
Less					
Fair value of assets in the Local Government Pension Scheme:	459.78	515.29	509.40	594.44	616.63
<b>Total</b>	<b>(314.29)</b>	<b>(367.62)</b>	<b>(367.29)</b>	<b>(436.19)</b>	<b>(450.18)</b>
Equals					
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(275.15)	(327.79)	(330.59)	(397.68)	(414.42)
Discretionary Benefits	(39.14)	(39.83)	(36.70)	(38.51)	(35.76)
<b>Closing balance at 31st March</b>	<b>(314.29)</b>	<b>(367.62)</b>	<b>(367.29)</b>	<b>(436.19)</b>	<b>(450.18)</b>

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

2016/17 £m		2017/18 £m
509.40	Opening fair value of scheme assets	594.44
17.35	Interest Income on assets	14.90
66.44	Remeasurement gains/(losses) on assets	4.23
20.46	Contributions by the employer	22.21
5.14	Contributions by participants	5.40
(24.35)	Net benefits paid out	(24.55)
<b>594.44</b>	<b>Closing fair value of assets</b>	<b>616.63</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>2017/18 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2016/17 £m</b>
Opening Balance at 1st April	(992.12)	(839.99)	(38.51)	(36.70)
Current service cost	(29.08)	(21.52)	-	-
Interest cost	(24.57)	(28.24)	(0.95)	(1.21)
Contributions from scheme participants	(5.40)	(5.14)	-	-
Remeasurement gains and (losses)				
Actuarial gains/losses arising from changes in financial assumption	0.82	(206.85)	(0.17)	(3.85)
Actuarial gains/losses arising from changes in demographic assumptions	-	22.31	-	0.56
Actuarial gains and losses due to liability experience	(4.94)	63.76	2.46	0.28
Net benefits paid out	24.55	24.35	2.45	2.69
Past service cost (incl. curtailments)	(0.31)	(0.80)	(1.04)	(0.28)
Closing balance at 31st March	<b>(1,031.05)</b>	<b>(992.12)</b>	<b>(35.76)</b>	<b>(38.51)</b>

## NOTES TO THE ACCOUNTS

### **Local Government Pension Scheme assets for Neath Port Talbot**

The following table shows an analysis of the Scheme assets. The format of this table has been updated to reflect the latest guidance.

	Fair value of scheme assets			Fair value of scheme assets		
	2017/18			2016/17		
	UK £000	Overseas £000	Total £000	UK £000	Overseas £000	Total £000
<b>Equities</b>						
Quoted	136,627	153,965	290,592	132,775	146,468	279,243
<b>Pooled Investments</b>						
<b>Vehicles</b>						
Managed Funds:						
Quoted						
Equity	-	5,550	5,550	-	5,319	5,319
Fixed Interest	-	37,857	37,857	-	37,948	37,948
Unquoted						
Equity	49,026	105,143	154,169	48,038	101,183	149,221
Fixed Interest	19,636	5,037	24,673	19,449	5,243	24,692
Index-linked	10,485	-	10,485	10,353	-	10,353
Property Unit	5,100	-	5,100	3,865	-	3,865
Trust						
Property Fund	10,643	11,724	22,367	11,598	12,515	24,113
Hedge Fund	-	17,590	17,590	-	16,779	16,779
Private Equity	-	20,957	20,957	-	18,680	18,680
<b>Total pooled</b>	94,890	203,858	298,748	93,303	197,667	290,970
<b>Total equities and pooled investment</b>	231,517	357,823	589,340	226,078	344,135	570,213
Cash Funds			245			534
Cash			24,821			21,667
Other Investment			1,183			1,030
Balances Due						
<b>Total Investments</b>			615,589			593,444
Net Current Assets			1,041			996
<b>Total Assets</b>			616,630			594,440

All scheme assets have quoted prices in active markets.

The risks relating to assets in the scheme are analysed by company size below. The quoted equities instruments figure below differs from the table above as that includes Schroders Unit Trusts which do not fall into any of the Industry Type Categories:

## NOTES TO THE ACCOUNTS

		<b>Neath Port Talbot Share</b>	
		<b>Fair value of scheme assets</b>	
		<b>2017/18</b>	<b>2016/17</b>
		<b>£000</b>	<b>£000</b>
Equity instruments			
By industry type			
Consumer		63,733	66,435
Manufacturing		45,489	41,913
Energy and utilities		41,082	36,017
Financial institutions		66,726	60,273
Health and care		31,732	31,154
Information Technology		29,001	26,230
Telecommunications Services		8,312	12,307
Property		623	1,430
Sub total		<b>286,698</b>	<b>275,759</b>

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

		<b>Fair Value of scheme assets</b>	
		<b>2017/18</b>	<b>2016/17</b>
		<b>£000</b>	<b>£000</b>
Equity instruments:			
By company size			
Large capitalisation		204,320	217,898
Small capitalisation		82,378	57,861
Sub total equity instruments		<b>286,698</b>	<b>275,759</b>

The following investments represented more than 5% of the Fund's net assets:

	<b>Neath Port Talbot Share</b>	
	<b>2017/18</b>	<b>Proportion of Net Assets</b>
	<b>£000</b>	
Blackrock UK Equity Index	49,026	8%
Goldman Sachs Global Libor Plus II	37,857	6%
Blackrock North America Equity Index	48,048	8%
JP Morgan North American Equities	67,389	11%

The pension transaction costs are not yet available from the City and County of Swansea pension fund.

### 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 2017.

The significant assumptions used by the actuary have been:

## NOTES TO THE ACCOUNTS

	Local Government Pension		Discretionary Benefits Arrangements	
	2017/18	2016/17	2017/18	2016/17
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
Men	22.9	22.9	22.9	22.9
Women	24.5	24.4	24.5	24.4
Longevity at 65 for future pensioners:				
Men	24.6	24.5	-	-
Women	26.3	26.2	-	-
<b>Rate of inflation:</b>				
RPI	3.2%	3.1%	3.2%	3.1%
CPI	2.1%	2.0%	2.1%	2.0%
Rate of increase in salaries	3.6%	3.5%	-	-
Rate of increase in pensions	2.1%	2.0%	2.1%	2.0%
Rate for discounting scheme liabilities	2.6%	2.5%	2.6%	2.5%

### 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	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£m's)	1,012.97	1,049.45
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£m's)	29.31	31.01
Approximate % change in projected service cost	-2.8%	2.9%

#### Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	1,036.18	1,025.98
% change in present value of total obligation	0.5%	-0.5%
Projected service cost (£m's)	30.15	30.15
Approximate % change in projected service cost	0.0%	0.0%

## NOTES TO THE ACCOUNTS

### **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)	1,044.28	1,018.00
% change in present value of total obligation	1.3%	-1.3%
Projected service cost (£m's)	31.01	29.31
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)	1,062.47	999.82
% change in present value of total obligation	3.0%	-3.0%
Projected service cost (£m's)	31.24	29.06
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.

### **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 2017 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 2019 is £23.4m. Expected payments to beneficiaries of the Discretionary Benefits schemes in the year to 31<sup>st</sup> March 2019 are £1.03m for the LGPS Scheme and £1.49m for Teachers.

## **40. 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.

## **NOTES TO THE ACCOUNTS**

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 £169,000, together with a long term provision of £84,000 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 £442,000, 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.

### **41. 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:

## **NOTES TO THE ACCOUNTS**

- 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 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 21<sup>st</sup> February 2018 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:

# NOTES TO THE ACCOUNTS

## Specified Investments

	<b>Minimum “High” Credit Criteria</b>	<b>Funds Managed</b>	<b>Maximum amount</b>	<b>Maximum Duration</b>
<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
<b>Callable deposits</b>				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised& part nationalises UK banks/building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised& part nationalises 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:

# NOTES TO THE ACCOUNTS

- 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:

### 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:

## NOTES TO THE ACCOUNTS

<b>31st Mar 2017 £000</b>		<b>31st Mar 2018 £000</b>
2,186	Current - up to one month	3,152
2,307	One to three months	1,710
297	Three to six months	771
749	Six months to one year	486
2,646	More than one year	1,750
<b>8,185</b>	<b>Total</b>	<b>7,869</b>

### 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>Restated 31st Mar 2017 £000</b>		<b>31st Mar 2018 £000</b>
(15,580)	Less than 1 year	(6,725)
(5,184)	Between 1 and 2 years	(5,968)
(16,174)	Between 2 and 5 years	(15,357)
(17,439)	Between 5 and 10 years	(12,288)
(196,858)	More than 10 years	(226,858)
<b>(251,235)</b>	<b>Total</b>	<b>(267,196)</b>

# NOTES TO THE ACCOUNTS

## 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:

- 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:

	31st Mar 2018 £000
Increase/decrease in interest received and credited to the CIES Account	610
Increase/decrease in external interest payable and debited to the CIES Account	2,657

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

# NOTES TO THE ACCOUNTS

## 42. 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:

<b>2016/17 £000</b>	<b>Trust Funds</b>	<b>2017/18 £000</b>
603	Welsh Church Acts (WCA)	623
2,286	Education Trust Funds	2,235
<b>2,889</b>		<b>2,858</b>

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

<b>2016/17 £000</b>	<b>Education Trust Fund - Lewis and Alldworth</b>	<b>2017/18 £000</b>
1,349	Investment at Market Value	1,382
406	Cash	410
91	Investment at Book Value	-
<b>1,846</b>		<b>1,792</b>

<b>2016/17 £000</b>	<b>Education Trust Fund - Harold and Joyce Charles</b>	<b>2017/18 £000</b>
440	Cash	443
<b>440</b>		<b>443</b>

## 43. 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 2017/18 was £1,703.92. 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 46,642 (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	26,268	11,158	6,962	4,202	1,357	499	85	16	63,632

# NOTES TO THE ACCOUNTS

## 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 2017/18 was 49.9p (2016/17 48.6p). 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 redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

In 2017/18, the total non domestic rateable value at the year end was £103.373m (2016/17 £103.082m).

## 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:

Community Councils	2017/18 £000
Blaengwrach	36
Blaenhonddan	220
Briton Ferry	140
Cilybebyll	90
Clyne and Melincourt	20
Coedffranc	362
Crynant	45
Cwmllynfell	34
Dyffryn Clydach	44
Glynneath	135
Gwaencaegurwen	72
Neath	330
Onllwyn	21
Pelenna	38
Pontardawe	168
Resolven	48
Seven Sisters	47
Tonna	27
Ystalyfera	64
	<b>1,941</b>
<b>Other Levies and Demands</b>	
Police and Crime Commission for South Wales	10,179
Fire Authority	7,099
	<b>17,278</b>

# NOTES TO THE ACCOUNTS

## 44. 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 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:

Expenditure £000	Income £000	Net £000
386	(558)	(172)

This Authority's share of the net equity within the crematorium balance sheet is £521,000.

### Education through Regional Working (ERW)

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 2017/18 was £250,000 (2016/17 £250,000) of which this Authority's share was £40,000 (2016/17 £40,000).

There are specific reserves held for constituent authorities of £190,000 with this Council's share being £31,000. Any other assets belonging to the Committee are held by the host authority in trust for each of the constituent members in equal share.

## 45. 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 and Neath Port Talbot (Recycling) Limited

The 2017/18 accounts for Neath Port Talbot Waste Management Company Ltd. (NPTWM) (Registration Number 2633569) and Neath Port Talbot (Recycling) Ltd. (Registration Number 3595980) are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

## NOTES TO THE ACCOUNTS

The Authority has a 100% shareholding in Neath Port Talbot Waste Management Company Ltd (NPTWM) (Registration Number 2633569) who run the former landfill site. NPTWM has a 100% shareholding in Neath Port Talbot Recycling Ltd 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.

Included within the balance sheet of the Authority at 31<sup>st</sup> March 2018 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 £2.2m (2016/17 £2.3m).

<b>Final 2016/17 £000</b>	<b>Neath Port Talbot Waste Management Ltd</b>	<b>Final 2017/18 £000</b>
81	Net Assets/(Liabilities)	not yet available
132	Net Profit/(Loss)	

<b>Final 2016/17 £000</b>	<b>Neath Port Talbot Recycling Ltd</b>	<b>Final 2017/18 £000</b>
370	Net Assets/(Liabilities)	not yet available
766	Net Profit/(Loss)	

The accounts for both companies in 2017/18 reflect a management fee of £175,000 (2016/17 £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.

### 46. 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 2018 of £0.750m to deal with any unforeseen residual restoration work. The Council also holds a reserve of £0.971m 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 duty to implement the Well-being of Future Generations (Wales) Act 2015, (which commenced on 1 April 2016). The requirements of the Act need to be applied to our governance structures to secure the type of changes the Act expects. The Act is about improving the social, economic, environmental and cultural well-being of Wales. 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). Furthermore, the Council must set well-being objectives that maximise the Council's contribution to the national well-being goals and embrace the sustainable development principle.

The Council also 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.

## **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 updated the format of the Annual Governance Statement in 2017 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 2018. 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 identified following the development of the Annual Governance Statement 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, the Cabinet will discharge this responsibility from 2018-2019 civic year, 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. During 2017-2018 there were no referrals from the Public Services Ombudsman for Wales that required the Standards Committee to hear a matter.</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. All whistleblowing complaints received were dealt with in line with the Policy.</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></ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle A	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>➤ Officers' declarations are audited annually and Members on a cyclical basis. No material considerations were known during 2017-2018. The information for Members is provided on the Council's website.</li> <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. Details of all such investigations and outcomes were fully reported to the Audit Committee.</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 in the Public Sector Internal Auditing Standards (PSIAS). During 2017-2018, training on a number of topics was undertaken with members of the Audit Committee to support their role.</li> </ul> <p>The above arrangements ensure that Members and officers exercise leadership by behaving in ways that demonstrate high standards of conduct and effective governance.</p> <ul style="list-style-type: none"> <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 Members. An annual report is reported to Policy and Resources Cabinet Board and as part of the Council's wider performance management arrangements details of complaints and compliments received are included in</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle A	Sub principle	Demonstrated by
		<p>quarterly performance reports to Cabinet Boards. The annual Ombudsman Complaint report is also submitted to the Policy &amp; Resources Cabinet Board. No systemic weaknesses have been identified over the last year.</p> <ul style="list-style-type: none"> <li>➤ The Customer Services Manager attends the quarterly all Wales Complaints meetings (which is also attended by the Public Services Ombudsman) to share good practice with representatives from the 22 Welsh Local authorities. This group visits the Public Services Ombudsman Wales office annually to strengthen working relationships.</li> <li>➤ Directorate complaints officers liaise regularly to discuss any issues arising across the Council. The Unreasonable/Unacceptable Customer Behaviour Policy has been utilised on a few occasions in respect of persistent face to face, telephone and email contacts in keeping with the policy. Within the Social Services Health and Housing Directorate there have not been any requirements for significant improvements as a result of complaint outcomes; as part of the quality assurance process, the Performance and Analysis Manager plays a lead role in ensuring the Directorate revisits 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.</li> </ul>
	Demonstrating strong commitment to ethical values:	<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 Social Care Wales.</li> </ul>
	Respecting the	<ul style="list-style-type: none"> <li>➤ <b>Council's Constitution:</b> the Constitution sets out how the Council operates</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle A	Sub principle	Demonstrated by
	rule of law	<p>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.</p> <ul style="list-style-type: none"> <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 a transparent 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 included below.</li> <li>➤ <b>Corporate Communications and Community Relations Strategy:</b> On the 21<sup>st</sup> February 2018, the Policy &amp; Resources Cabinet Board approved the Corporate Communications and Community Relations Strategy which covers the period 2018-2020. The Strategy has been developed to help us meet the requirement under the Well-being of Future Generations (Wales) Act 2015 to involve people in the work that the Council carries out. It has also been designed to make our collective communications and community relations efforts more consistent, effective and relevant and to support the delivery of the new Corporate Plan approved by Council on 29<sup>th</sup> March 2018.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>➤ <b>Consultation Portal:</b> Since June 2017, the Council has used Snap Survey Software as the corporate consultation portal for internal and external stakeholder engagement. The Council's Planning Policy Service continues to use the Objective consultation software as that software enables consultation at all stages of Local Development Plan preparation and improves management of their consultee database.</li> <li>➤ <b>Scrutiny Committees:</b> The Scrutiny Chairs and Vice Chairs are continuing to undertake specific training to enhance their skills. Training will continue throughout the new Council term on a Scrutiny by Scrutiny Committee basis, building on the Members' individual skills and interests and focussing their work as a team to best enable them to discharge their functions and responsibilities.</li> <li>➤ <b>Performance reports:</b> we have a number of channels where performance is reported to and scrutinised, e.g. quarterly budget and performance monitoring reports are submitted to chief officers and Cabinet Board / Scrutiny Committees and an Annual Report is published in October which contains an assessment of our overall performance in the previous financial year. The above information is available for our citizens to view on our website.</li> <li>➤ <b>Council Website:</b> we recently updated our website to make it easier for our citizens to use and for them to be able to access the information/service (bilingually) they want first time.</li> <li>➤ <b>Impact Assessment (IA) Framework:</b> The Equality Impact Assessment framework was revised during 2017-2018 to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016). Training for reporting officers is scheduled for 2018-2019.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <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 on the Council's website. Forward work programmes are required to be maintained for the next 3 meetings of the relevant committee. Report templates ensure the relevant information and advice is presented to substantiate recommendations. During 2017-18, the Committee report template has been revised to ensure the Council is able to demonstrate how the requirements of the Well-being of Future Generations (Wales) Act 2015 have been taken into consideration when making decisions. The revised template will be rolled out early 2018-2019.</li> </ul>
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>➤ <b>Stakeholders:</b> we have a list of key stakeholders that we engage with on major policies and plans. These include: Youth Council; Older Persons' Council; Black Minority Ethnic Community Association; and the Disability Network Access Group (whose members have direct experience of disability issues and offer to meet with service providers to help them address the needs of people with disabilities).</li> <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 two-way information sharing, consultation (formal and informal) and where</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<p>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 Heads of Service Voluntary Redundancy Group.</p> <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> <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> </ul> </li> <li>➤ <b>Partnership working arrangements:</b> during 2017-2018 we continued to participate in a number of partnerships as follows: the Public Services Board, Think Family Partnership, Community Safety Partnership, Low Income Families Partnership, Digital Inclusion Partnership, and Third Sector Partnership. The Public Services Board has commissioned a review of partnership governance and this should report in 2018-2019. 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.</li> <li>➤ <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</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		the Council to ensure the participation of the Council is properly authorised.
	Engaging with individual citizens and service users effectively	<p><b>Corporate communications and engagement activities:</b> It is 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> <ul style="list-style-type: none"> <li>➤ <b>Corporate Communications and Community Relations Strategy</b> (see above)</li> <li>➤ <b>Consultation Portal</b> (see above)</li> <li>➤ <b>Public Services Board:</b> On 21st September 2017, the Public Services Board approved a Citizen Engagement Scheme to support and improve citizen engagement in the various consultations that will be conducted by the Board.</li> </ul> <p>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.</p> <ul style="list-style-type: none"> <li>➤ <b>Internal networks</b> include: <ul style="list-style-type: none"> <li>○ Staff monthly e-newsletter - features important information relevant to staff;</li> <li>○ Staff Intranet which acts as an internal information portal ( including press releases);</li> <li>○ Staff Portal - launched internally and is a web-based tool through which employees can access relevant information about the Council. It is due to</li> </ul> </li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<p>be made available for staff to access from home during 2018-2019.</p> <ul style="list-style-type: none"> <li>○ Staff consultations – during the year we undertook a number of staff consultations e.g. 2018-2019 budget proposals; Children and Young People Services staff survey; draft Well-being Objectives as contained within the draft Corporate Plan and;</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</li> </ul> <p>➤ <b>External networks</b> including:</p> <ul style="list-style-type: none"> <li>○ Key stakeholders that we engage with on major policies and plans. These include: Youth Council; Older Persons' Council; Black Minority Ethnic Community Association; and the Disability Network Access Group (whose members have direct experience of disability issues and offer to meet with service providers to help them address the needs of people with disabilities).</li> <li>○ Community Engagement events: During 2017-2018, officers attended a number of community events as part of the consultation exercise on the Council's draft well-being objectives.</li> <li>○ Public meetings - last year senior officers from the Council attended public meetings to brief the public on proposals for Cymer Afan Comprehensive and the Panteg Landslip.</li> </ul> <p>➤ <b>Corporate Plan 2018-2022:</b> an extensive public consultation exercise took place between 6<sup>th</sup> July and 8<sup>th</sup> September 2017 on the Council's draft well-being objectives which generated a total of 520 responses via a combination of channels (on-line survey, community engagement events and post boxes).</p> <p>➤ <b>Budget 2018-2019:</b> an extensive public consultation exercise took place</p>

## ANNUAL GOVERNANCE STATEMENT

Core Principle B	Sub principle	Demonstrated by
		<p>between 8<sup>th</sup> November 2017 and 15<sup>th</sup> January 2018 which generated over 303 responses from a wide range of stakeholders which shaped the final budget proposals.</p> <ul style="list-style-type: none"> <li>➤ The new Communications and Community relations Strategy sets out a range of measures designed to improve the effectiveness of the Council's mechanisms for involving people in its work.</li> <li>➤ <b>Citizen Engagement Scheme</b> (see above Public Service Board)</li> </ul>

Core Principle C	Sub principle	Demonstrated by
Defining outcomes in terms of sustainable economic, social, and environmental benefits	Defining outcomes	<p>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 partnership.</p> <ul style="list-style-type: none"> <li>➤ <b>Corporate Plan:</b> The Council's previous administration set six well-being objectives based on the improvement priorities that had been pursued over their term of office. The administration also extended the Council's Corporate Improvement Plan until 30<sup>th</sup> September 2017 to enable the incoming administration (May 2017) to consider what its priorities would be over this term. During the summer those priorities were reviewed against the Manifesto commitments made to the electorate and replaced the six well-being objectives with three well-being objectives. Following a period of public consultation those three well-being objectives were adopted by Council at the end of September 2017, as was the revised Corporate Plan that set out how we would seek to fulfil the new objectives. The Plan was further refined over the period to 31<sup>st</sup> March 2018, when a further revised Plan was approved by Council.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle C	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <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 and work to better support and develop the Black Minority Ethnic Community Association. There were no complaints in relation to the Strategic Equality Plan during 2017-2018.</li> <li>➤ <b>Biodiversity Duty Plan:</b> The Environment (Wales) Act 2016 introduces a duty (the S6 Duty) on public authorities to maintain and enhance biodiversity, thereby promoting the resilience of ecosystems, in the exercise of its functions. The Council's Biodiversity Duty Plan was adopted on 8<sup>th</sup> December 2017. The Plan focuses on evaluating our existing work practices and assimilating the new statutory duty into wider Council functions. This will result in a more joined-up approach between services, fulfilling both the Environment (Wales) Act 2016 requirements and the sustainable development principle embedded in the Well-Being of Future Generations (Wales) Act 2015. The six objectives incorporated into the Plan, include requirements such as embedding biodiversity into decision making at all levels; managing and enhancing our habitats; improving our understanding and monitoring of biodiversity; and putting in place a framework for delivery. The Act further requires that before the end of 2019, and every third year thereafter, all public authorities must publish a report on what they have done to comply with the S6 Duty.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle C	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>➤ <b>Property Asset Management Plan:</b> Progress on the Property Asset Management Plan (2016-2021) is reported via annual Property Performance Reviews. The Plan and annual progress statements continue to link, feed off, and react to a range of other corporate plans, programmes and strategies, including the Forward Financial Plan, the ICT Strategy and the Council's workforce planning arrangements. 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> A new Asset Management IT system has been sourced and an audit of equipment is being undertaken to derive the information needed to populate the system. A detailed replacement programme will then be created and the necessary funding assigned. An interim replacement programme has been drafted and the costs required to facilitate have been profiled over the next four years. These costs to be met by the ICT Reserve but once this source has been exhausted then continued funding will be sought from the Capital Programme.</li> <li>➤ <b>Other Asset Management Plans:</b> we have well-established mechanisms in place to manage our many assets. Our asset management plans provide information on the number and condition of different classes of asset including Highways, Fleet, Bridges and Structures, Property and ICT. The asset management plans inform our risk register and are an important consideration when determining revenue and capital budget priorities and our wider strategies.</li> <li>➤ <b>The Corporate Asset Management Group</b> has continued to meet through</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle C	Sub principle	Demonstrated by
		2017-2018. The emphasis has been to develop work streams from the reported accommodation strategy and the emerging agile working agenda. These priorities are being led by Property and ICT with support from HR and the remaining corporate members of the group.
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>➤ <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 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 Capital Programme Steering Group meets regularly to review expenditure 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.</li> <li>➤ <b>Well-being of Future Generations Act 2015:</b> The Corporate Plan 2018-2022 sets out the steps we will take to achieve the Council's well-being objectives and related improvement priorities through which we will maximise our contribution to the seven well-being goals and improve citizen's social, economic, environmental and cultural well-being. The Plan also demonstrates how the sustainable development principle has been applied in developing those steps.</li> <li>➤ <b>Budget 2018-2019:</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>

## ANNUAL GOVERNANCE STATEMENT

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> (see above)</li> <li>➤ <b>Decision making protocols</b> (see above)</li> </ul>
	Planning interventions	<ul style="list-style-type: none"> <li>➤ <b>Corporate Planning Arrangements:</b> the Council has a number of robust 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.</li> <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.</li> <li>➤ <b>Corporate Risk Policy:</b> The Council's Corporate Risk Management Policy has been updated to reflect improvements made to the way in which both strategic risks and operational risks are recorded, managed and reported. The revised Policy will continue to promote an open, consistent and proactive risk management attitude.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle D	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>➤ <b>Corporate Performance Management Framework:</b> we have a range of performance indicators that enable 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 outcomes	<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 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.</li> <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
Developing the entity's capacity including the capability of its leadership and the individuals within it	Developing the entity's capacity	<ul style="list-style-type: none"> <li>➤ During 2017-2018 we developed a Corporate Workforce Plan. Consultation will take place with relevant stakeholders with a view to agreeing this plan and implementing it early in 2018-2019.</li> </ul>
	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 Assistant Chief Executive and Chief Digital Officer (previously 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</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle E	Sub principle	Demonstrated by
		<p>themselves with protocols, procedures, values and aims of the Council. Following Local Government Elections in May 2017, the Council saw the introduction of 64 Members who were offered a focussed and tailored Induction programme providing them with the skills and knowledge to perform their roles effectively. This included 27 Elected Members taking public office for the first time.</p> <ul style="list-style-type: none"> <li>➤ <b>Member Support and Development:</b> A schedule of Member Seminars was delivered over the Civic Year covering a wide range of topics such as the Swansea Bay City Deal, Violence against Women and Counter-Extremism training as well as matters such as the 2018/2019 Budget Consultation.</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 Council match funding. Social workers receive a full induction programme in their first year of practice and ongoing support throughout their career. During 2017-2018, despite corporate training capacity being significantly reduced, we continued to support and deliver a considerable amount of training and qualifications, supporting staff development and progression at all levels in the organisation.</li> <li>➤ In 2017-2018, priority was given to workforce development across the social care sector and ensuring compliance with the Code of Practice on the role of Directors of Social Services, through the Social Care Wales Workforce</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle E	Sub principle	Demonstrated by
		<p>Development Programme (SCWWDP) Grant. The SCWWDP Grant has continued to be used to support the continued implementation of the Social Services and Well-being (Wales) Act 2014 as well as identified regional and local priorities.</p> <ul style="list-style-type: none"> <li>➤ Other priority training areas for the wider workforce included; Awareness of Child Sexual Exploitation; Digital Literacy Skills; Welsh Language; Data Protection; Violence against Women Domestic Abuse and Sexual Violence and Workshops to Raise Awareness of PREVENT.</li> <li>➤ In 2017-2018 we have supported a number of apprenticeships in various designations throughout the organisation with the aim of supporting people into work and career development. Apprenticeships in building, construction and engineering as well as social care have proved to have been successful.</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> <li>○ Stress risk assessments are available for everyone signed off work with stress even if its non-work related stress</li> </ul> </li> </ul>

## ANNUAL GOVERNANCE STATEMENT

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 2017-2018 work has been completed on revising and updating the Council's existing Corporate Risk Management Policy and the Council's corporate risk management arrangements. The risk module of the CAMMS performance management system to strengthen the underpinning risk management process went live on 31<sup>st</sup> March 2018.</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. It has been agreed that the SIRO will report directly to the Corporate Directors Group on information security matters. The SIRO is accountable for information risk throughout the Authority.</li> </ul>
	Managing performance	<ul style="list-style-type: none"> <li>➤ <b>Corporate Performance Management Framework:</b> To further improve the management and reporting of the delivery of the Council's Corporate Plan and other services and functions delivered by the Council, a corporate performance management system was purchased during 2017-2018 and this will be fully implemented by the end of the summer 2018.</li> </ul>
	Robust internal control	<ul style="list-style-type: none"> <li>➤ <b>Internal Audit Section:</b> Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
		<p>risk management, control, and governance processes.</p> <ul style="list-style-type: none"> <li>➤ In March 2018, the Internal Audit Service was externally assessed in accordance with the Public Sector Internal Audit Standards and the service was assigned the highest rating.</li> <li>➤ During 2017-2018, 54 formal reports were issued with recommendations made where appropriate and all audit work undertaken complied with the Public Sector Internal Audit Standards. Details of achievement against the 2017-2018 audit plan will be presented in June to the Audit Committee, in addition an opinion will be given via the Annual Internal Audit Report that "<b><i>Reasonable assurance can be given that there have been no major weaknesses noted in relation to the various internal control systems operating within the Authority</i></b>".</li> <li>➤ Each year, the section has a risk based <b>Internal Audit Plan</b> approved by Audit Committee, which involves carrying out a series of audits 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 2017-2018. The <b>Audit Manager</b> provides quarterly reports to Audit Committee highlighting any concerns and to give assurance to elected Members regarding the Council's internal controls.</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> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <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 2017.</li> <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 2018-2019.</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 presented by senior officers of the Corporate Governance Group to the Corporate Directors Group and Cabinet for agreement.</li> </ul>
	Managing data	<ul style="list-style-type: none"> <li>➤ <b>Senior Information Risk Owner (SIRO)</b> – see above - sub principle Managing Risk.</li> <li>➤ <b>General Data Protection Regulation (GDPR)</b> - As a result of the implication of the General Data Protection Regulations, the Council will be updating its data protection policies and information sharing protocols to ensure compliance with the same during the financial year 2018-2019. Ongoing review will take place to ensure the effectiveness of the policies and protocols.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle F	Sub principle	Demonstrated by
		<ul style="list-style-type: none"> <li>➤ <b>Strengthening and Modernising Democratic Arrangements</b> - During 2017-2018, 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 core usage and exploring options to widen functionality such as 'automated workflow' which could support better work and time management of report writing processes linked to the relevant forward work programme and investigate activation of the Welsh Language module to support production of bilingual agendas and minutes.</li> <li>○ Maintenance 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 97% of the 64 elected Members now receive papers electronically via iPad or the 'Modern Gov' system.</li> </ul> </li> <li>➤ Any data breaches received in 2017/18 were dealt with in accordance with our Data Protection and Data Breach policy and procedures.</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</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

<b>Core Principle F</b>	<b>Sub principle</b>	<b>Demonstrated by</b>
		<p>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.</p> <ul style="list-style-type: none"> <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> <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 2016-2017.</li> </ul>

<b>Core Principle G</b>	<b>Sub principle</b>	<b>Demonstrated by</b>
Implementing good practices in transparency, reporting, and audit	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 by the Independent Remuneration Panel for</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Core Principle G	Sub principle	Demonstrated by
to deliver effective accountability		Wales in relation to the NPT Scheme during 2017-2018.
	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 presented by senior officers of the Corporate Governance Group to the Corporate Directors Group and Cabinet for agreement.</li> </ul>
	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 undertakes a review of all of the Authority's major financial systems on an annual basis.</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 2017–2018.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

### 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.

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 2017-2018, the Head of Legal Services reported to Council on a number of occasions with amendments to the Constitution.
- **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 there were no referrals from the Public Services Ombudsman for Wales that required the Standards Committee to hear a matter.
- **Audit Committee** - work has been ongoing to strengthen the role of the Audit Committee.
- **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 2017-2018, 54 formal reports were issued.
- **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 2017-2018. However, it is not expected that the Council will 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,

## **ANNUAL GOVERNANCE STATEMENT**

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 2017-2018.

### **Governance Issues – progress to date**

The table below describes the governance issues identified during 2016-2017 and the progress made against these during 2017-2018.

<b>Key Improvement Area</b>	<b>Lead Officer</b>	<b>Progress</b>	<b>Carry Forward for 2018-2019</b>
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.	Assistant Chief Executive and Chief Digital Officer	<p>This work has been delayed as to comply with the Welsh Language Standards staff need to be upskilled to use the Welsh Language Module of the system.</p> <p>This improvement area will be a key priority for Democratic Services to progress during 2018-2019.</p>	No
2. Corporate Risk Management – further improvement work required to the existing policy and corporate risk register.	Assistant Chief Executive and Chief Digital Officer / Head of Financial Services	Work has been completed on revising and updating the Council's existing Corporate Risk Management Policy and the Council's corporate risk management arrangements:	No

## ANNUAL GOVERNANCE STATEMENT

Key Improvement Area	Lead Officer	Progress	Carry Forward for 2018-2019
		<ul style="list-style-type: none"> <li>○ New criteria for risk scoring has been developed</li> <li>○ Training for directorate officers has been completed</li> <li>○ Strategic risks have been identified</li> <li>○ Operational risks have been reviewed and updated</li> </ul> <p>Corporate Risk Policy has been updated.</p> <p>The risk module of the CAMMS performance management system to strengthen the underpinning risk management processes went live on 31<sup>st</sup> March 2018.</p>	No
3. Wellbeing of Future Generations (Wales) Act 2015 - ensure the Council's decision making, planning and partnership arrangements comply with the requirements of the Act.	Assistant Chief Executive and Chief Digital Officer	<p><b>Corporate Planning:</b></p> <p>The Council set and published its well-being objectives on 28<sup>th</sup> September 2017 (as contained within the Corporate Plan 2017-2022) following an 8 week consultation period (6<sup>th</sup> July – 8<sup>th</sup> September 2017). An updated Corporate Plan for the period 2018/2022 was approved by Council on 29<sup>th</sup> March 2018.</p>	No

## ANNUAL GOVERNANCE STATEMENT

Key Improvement Area	Lead Officer	Progress	Carry Forward for 2018-2019
		<p><b>Decision making:</b>  The Committee Report Template has been revised to meet the requirements of the Act and will be issued early 2018-2019.</p> <p><b>Partnership Planning:</b>  The Neath Port Talbot Public Services Board prepared and published its Well-being assessment in May 2017. The findings of this assessment informed the draft priorities contained within the Board's draft Well-being Plan which was consulted upon for a 12 week statutory period.  On 8<sup>th</sup> March 2018, the Board approved the draft which was presented and approved by Council on 4<sup>th</sup> April 2018. The final Plan will be published in May 2018.</p> <p>As required by the Act, the Public Services Board has produced a Citizen Engagement Scheme to support and improve citizen engagement in the various consultations that will be conducted by the Board.</p>	No No No

## ANNUAL GOVERNANCE STATEMENT

<b>Key Improvement Area</b>	<b>Lead Officer</b>	<b>Progress</b>	<b>Carry Forward for 2018-2019</b>
4. Equalities (Equalities Impact Assessment) to revise associated guidance to incorporate examples of good practice for data collection, data sources	Assistant Chief Executive and Chief Digital Officer	The Equalities Impact Assessment form has been revised into an Impact Assessment (IA) Tool which incorporates requirements of the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016 which are required to be taken into consideration when making decisions. Training for officers and Members is being arranged in 2018-2019.	Yes
5. Welsh Language - ensure the systems established to implement the Welsh Language Standards are robust	Assistant Chief Executive and Chief Digital Officer	<p>The Challenge process has drawn to a close with a final determination for 9 no. standards requiring approval by the Policy &amp; Resources Cabinet Board (18<sup>th</sup> April 2018).</p> <p>A meeting with the Commissioner's representatives to discuss our performance in the first year since the Standards (2016-17) came into force indicated a positive position overall. Some issues were highlighted which have already been addressed.</p> <p>The Welsh Language Officers' Group have completed a number of initiatives to support the</p>	No

## ANNUAL GOVERNANCE STATEMENT

<b>Key Improvement Area</b>	<b>Lead Officer</b>	<b>Progress</b>	<b>Carry Forward for 2018-2019</b>
		implementation of the Standards, including the establishment of a Welsh language preference form and database, as well as working with Menter Iaith Castell-nedd Port Talbot to help assist in other practical opportunities to secure greater compliance.	
6. Develop a corporate workforce plan - in line with Wales Audit Office guidance developed with the Welsh Local Government Association/ Human Resources Development Network	Head of Human Resources	Draft document produced and currently being reviewed to ensure alignment with the Council's revised Corporate Plan 2018-2022.	No
7. Corporate performance appraisal process - review new process	Head of Human Resources	Review completed	No
8. Information Commissioner's Audit action plan – monitor roll-out of Data Protection training across the Council	Head of ICT and Procurement / Head of Legal Services	Training programme in place and communicated to all staff. Another reminder for staff is to be issued shortly.	No

## ANNUAL GOVERNANCE STATEMENT

<b>Key Improvement Area</b>	<b>Lead Officer</b>	<b>Progress</b>	<b>Carry Forward for 2018-2019</b>
9. Council's Information Strategy: ➤ to report the Strategy to Members ➤ communicate the Strategy to all staff ➤ provide an annual report on information management and information governance matters to members to enable them to evaluate performance and the effectiveness of arrangements	Head of ICT and Procurement	<p>Information Strategy, Security and Governance issues were presented to Members via an all Member Seminar conducted jointly by the Head of Legal Services and the Head of ICT.</p> <p>The Information Strategy will be reviewed in light of the new GDPR regulations and cybercrime / security and once completed will be presented for approval and communicated accordingly.</p>	No   Yes
10. ICT Asset Management Plan – review outcome of the exercise to project asset depreciation and ongoing needs over the next five years; highlighting any significant pressures and identifying the funding required.	Head of ICT and Procurement	<p>A new Asset Management IT System is being implemented and an audit of equipment has commenced to derive the information needed to populate the system.</p> <p>A detailed replacement programme will then be created and the necessary funding assigned.</p>	No

## ANNUAL GOVERNANCE STATEMENT

<b>Key Improvement Area</b>	<b>Lead Officer</b>	<b>Progress</b>	<b>Carry Forward for 2018-2019</b>
		An interim replacement programme has been drafted and the costs required to facilitate have been profiled over the next four years. These costs to be met by the ICT Reserve but once this source has been exhausted then continued funding will be sought from the Capital programme.	
11. Corporate Code of Governance - review of assurances in place to fully comply with core principle A on behaviours and values	Assistant Chief Executive and Chief Digital Officer	Work to be initiated in next financial year in alignment with the Corporate Workforce Plan.	Yes
12. City Deal – ensure the governance arrangements for the emerging City Deal are aligned and dovetailed with local government arrangements	Chief Executive	The Chief Executive presented a progress report to Cabinet 4 <sup>th</sup> October 2017 and 25 <sup>th</sup> April 2018.	No

## ANNUAL GOVERNANCE STATEMENT

### Section Five - Governance Issues for 2018-19 (including those carried forward from last year and new ones identified)

Key Improvement Area	Carried Over from 2017-2018	New 2018-2019
1. Equalities – roll-out of training, implementation, review and evaluation of the revised Impact Assessment Tool	✓	✓
2. General Data Protection Regulation (GDPR) – monitoring of arrangements	✓	✓
3. Information Management – update the Information Strategy and bring forward for approval	✓	✓
4. Code of Corporate Governance – review of assurances in place to fully comply with Core Principle A on Behaviours and Values	✓	✓

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:** 17<sup>th</sup> July 2018

**Signed:**



**Deputy Leader of the Council: Councillor Anthony Taylor**

**Date:** 17<sup>th</sup> July 2018

# **The independent auditor's report of the Auditor General for Wales to the members of Neath Port Talbot County Borough Council**

## **Report on the audit of the financial statements**

### **Opinion**

I have audited the financial statements of Neath Port Talbot County Borough Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Neath Port Talbot County Borough Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Neath Port Talbot County Borough as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the

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audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

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

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

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

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

I certify that I have completed the audit of the accounts of 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.

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 7], the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



**Anthony J Barrett**  
**For and on behalf of the Auditor General for Wales**  
**30<sup>th</sup> July 2018**

**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 Internet 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 an 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 splits the total reserve to show those earmarked to fund specific expenditure and those held to fund non-specific future expenditure in the general reserve.
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.
Service Concession	A service concession arrangement arises when a Council grants a contract to a supplier who provides or maintains capital assets on the Council's behalf, which revert to the Council's ownership at the end of the contract. The grantor regulates the services the operator must provide using the assets and also controls any significant residual interest in the assets at the end of the term of the arrangement.
The Code of Practice	The Code of Practice incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council.  Note: values throughout these accounts are presented rounded to whole values as shown throughout the accounts. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.
Wales Audit Office	A body that independently examines the activities of the Authority.