



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

Statement of Accounts 2011/12

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EXPLANATORY FOREWORD

1. INTRODUCTION

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

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves', that is, those that can be applied to fund expenditure or reduce local taxation and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance, before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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.

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 is 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 Council.

Cash Flow

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

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Housing Revenue Account

This statement previously showed revenue expenditure and income connected to the Authority's housing stock, which related to the management of tenancies and maintaining dwellings. The housing stock was transferred to NPT Homes in March 2011, so only the prior year's accounts are shown in this statement.

2. REVENUE SPENDING IN 2011/12

The Authority's Budget Requirement for 2011/12 was set at £251.0m. Actual spending compared to the budget was as follows:

| Council Fund | Revised Budget | Actual |
|---|-----------------------|------------------|
| | £000 | £000 |
| Expenditure | | |
| Directly Controlled Expenditure | 230,181 | 230,532 |
| ER/VR exceptional item movement to/(from) provision | - | (3,191) |
| Capital Financing | 15,860 | 15,340 |
| Levies, Contributions and Miscellaneous Funds | 6,971 | 6,971 |
| Contingencies and Reserves | 910 | 230 |
| Outcome Agreement Grant | (1,460) | (1,460) |
| Net Expenditure | 252,462 | 248,422 |
| Income | | |
| Revenue Support Grant / NNDR | (196,582) | (196,582) |
| Council Tax | (54,375) | (54,375) |
| Less Discretionary Rate Relief | 134 | 134 |
| Total Income/Budget Requirement | (250,823) | (250,823) |
| | | |
| NET BUDGET (SURPLUS)/DEFICIT TO BALANCES | 1,639 | (2,401) |
| Council Fund Working Balance | | |
| Opening Working Balance 1 st April 2011 | | (762) |
| Movement in Balance | | (2,401) |
| Closing Working Balance 31 st March 2012 | | (3,163) |

3. CAPITAL SPENDING IN 2011/12

| | £m |
|---|-----------|
| Council Fund (Note 1) | 76.125 |
| The expenditure was financed by: | |
| External Borrowing | 17.356 |
| Grants and Contributions | 54.113 |
| Capital Receipts | 2.550 |
| Reserves and Direct Revenue Funding | 2.106 |
| | 76.125 |

Note 1: Included within the Council Fund Expenditure is £37.078m spent on the ongoing construction of the PDR road network in Port Talbot.

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4. EXTERNAL DEBT

At the year end, the Authority's total external debt was £189.9m. Sources of borrowing include the Public Works Loan Board and Banks for long term borrowing and other financial institutions for short term borrowing.

5. RESERVES AND BALANCES AT 31st MARCH 2012

| | £m |
|--------------------------------|--------|
| To support revenue expenditure | 40.452 |
| To support capital expenditure | 0.877 |
| Revenue working balances | 16.517 |

6. EXCEPTIONAL ITEMS

Investments

Included is an impairment reduction of £390,943 in the carrying value of monies due from Icelandic Banks due to an increase in the likely recoverable amount.

Former Housing Revenue Account

Non-enhancing capital expenditure of £1.77m has been included in the Comprehensive Income and Expenditure statement in relation to the construction of properties for occupancy by tenants of the former Housing Revenue Account.

7. REVALUATION OF ASSETS

During 2011/12, the net book value of assets increased by £15.9m as a consequence of a revaluation performed by the Head of Property and Regeneration.

The Council'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 & Equipment is that the asset will continue in its existing use. Where there is a market 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 its 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 2011/12, Schools were valued as at 1st December 2011 on a Modern Equivalent Asset Depreciated Replacement Cost valuation basis; Libraries & Lifelong Learning Centres were valued as at 1st January 2012 on a Depreciated Replacement Cost valuation basis; Civic & Office Buildings were valued as at 1st February 2012 on a mix of Depreciated Replacement Cost and Existing Use Value as appropriate, Depots, Stores & Workshops were valued as at 1st February 2012 on a Fair Value valuation basis and Museums, Cultural Centres, Theatres, Tourist Information Centres were valued as at 1st January 2012 on a Depreciated Replacement Cost.

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Assets Held For Sale are valued annually and were valued as at 31st March 2012. These assets were valued on the basis of Fair Market Value.

8. IMPAIRMENT DUE TO FAILED ICELANDIC BANKS

The carrying value of investments at 31st March 2012 has been reduced by £4.933m in accordance with statutory accounting requirements to recognise the reduction in the value due to failure with international banks and repayments received during the year. This value is likely to change when the final settlements with each institution are realised.

9. INTERNATIONAL ACCOUNTING STANDARD 19

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 31st 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.

10. SIGNIFICANT PROVISIONS

There are two significant provisions:

- An insurance provision of £6.4m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £3.8m and a short term provision of £2.6m.
- A provision of £1.1m was set aside in 2011/12 in recognition of the warranties and commitment this Authority has made in relation to funding potential liabilities following the transfer of the Housing stock to Neath Port Talbot Homes in March 2011.

11. 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.

12. IMPACT OF CURRENT ECONOMIC CLIMATE ON THE AUTHORITY

The Council's current budget position sees an increase in funding significantly below the level of inflation being experienced by local government. Additionally, the continued increase in demands for services will mean that councils will continue to find it extremely challenging to balance their service requirements and available funding.

The Capital Settlement is predicted to reduce by over 7% in 2012/13 with an additional reduction of 11.4% in the following year.

At the time that this Council's Revenue Budget was set it balanced over two years, 2012/13 and 2013/14, as the Council identified that it had funds available in 2013/14 to allow this to

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happen. This has been funded by a transfer from the General Reserve of £1.736m in 2012/13.

The savings required to reach this position were identified as a result of a prolonged and intensive level of professional and Cabinet member input which has examined current service provision and then proposed, over the longer term, fundamental changes in the way the Council operates and delivers its services.

Further work is now required to ensure that the budget savings are achieved. Each individual Board will meet to scrutinise the implementation of these savings proposals included within the Forward Financial Plan and monitor their achievement. The initial work focuses on the efforts required to ensure a balanced budget position for 2012/13 and 2013/14, with the additional funding gap for 2014/15 onwards being considered by the new administration following the Council Election in May. The work to identify further savings has been initiated with further reports being considered by the administration in late Autumn.

13. CHANGE IN ACCOUNTING POLICIES

Heritage Assets

The Accounts for 2011/12 have been prepared in accordance with Financial Reporting Standard (FRS) 30-Heritage Assets. The Accounts now separately identify assets which meet the definition of Heritage Assets as set out in the FRS.

14. 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 FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

Section 151 Officer:

Director of Finance and Corporate Services

Date: 27th September 2012

Approval of accounts for 2011/12 in accordance with Regulations 93(3) and 9(7) of the Accounts and Audit (Wales) Regulations 2005, as amended.

Chair of Audit Committee:

Councillor Mrs L James

Date: 27th September 2012

MOVEMENT IN RESERVES STATEMENT

| Restated | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|-----------------------------|--|--------------------------------|-------------------------------|---------------------------------|---------------------------------|------------------------------|--------------------------|---------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Bal. at 31st Mar 10 | (3,664) | (42,791) | (12,044) | (446) | (9,758) | (10,886) | (79,589) | (367,349) | (446,938) |
| Movement in reserves during 2010/11 | | | | | | | | | |
| (Surplus) or deficit on the provision of services | (62,147) | | 393,468 | | | | 331,321 | | 331,321 |
| Other Comprehensive I & E | | | | | | | | (34,243) | (34,243) |
| Total Comprehensive I & E | (62,147) | | 393,468 | | | | 331,321 | (34,243) | 297,078 |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | 61,184 | | (394,495) | | (1,194) | (2,261) | (336,766) | 336,766 | 0 |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | (963) | | (1,027) | | (1,194) | (2,261) | (5,445) | 302,523 | 297,078 |
| Transfers to / (from) Earmarked Reserves (Note 7) | 3,865 | (3,865) | (283) | 283 | | | 0 | | 0 |
| (Increase) / Decrease in Year | 2,902 | (3,865) | (1,310) | 283 | (1,194) | (2,261) | (5,445) | 302,523 | 297,078 |
| Restated Bal at 31st Mar 11 | (762) | (46,656) | (13,354) | (163) | (10,952) | (13,147) | (85,034) | (64,826) | (149,860) |
| Movement in Reserves during 2011/12 | | | | | | | | | |
| (Surplus) or deficit on provision of services | 16,897 | - | - | - | - | - | 16,897 | - | 16,897 |
| Other Comprehensive I & E | - | - | - | - | - | - | - | 31,731 | 31,731 |
| Total Comprehensive I & E | 16,897 | - | - | - | - | - | 16,897 | 31,731 | 48,628 |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | (16,642) | - | - | - | 1,335 | 3,680 | (11,627) | 11,627 | - |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | 255 | - | - | - | 1,335 | 3,680 | 5,270 | 43,358 | 48,628 |
| Transfers to / (from) Earmarked Reserves (Note 7) | (5,490) | 5,443 | - | 47 | - | - | - | - | - |
| Transfer to/from Unusable Reserve to Working Balance | 2,834 | - | - | - | - | - | 2,834 | (2,834) | - |
| (Increase) / Decrease in Year | (2,401) | 5,443 | - | 47 | 1,335 | 3,680 | 8,104 | 40,524 | 48,628 |
| Bal at 31st Mar 12 | (3,163) | (41,213) | (13,354) | (116) | (9,617) | (9,467) | (76,930) | (24,302) | (101,232) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| Restated 2010/11 | | | | 2011/12 | | | |
|---------------------------|----------------------|-------------------------|--|---------|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 3,016 | (1,391) | 1,625 | Central services to the public | | 3,788 | (1,425) | 2,363 |
| 37,584 | (10,404) | 27,180 | Cultural and related services | | 21,088 | (4,701) | 16,387 |
| 28,521 | (10,850) | 17,671 | Environmental and regulatory services | | 26,349 | (11,025) | 15,324 |
| 14,255 | (9,440) | 4,815 | Planning Services | | 13,554 | (10,198) | 3,356 |
| 173,540 | (42,225) | 131,315 | Education and children's services | | 221,245 | (44,008) | 177,237 |
| 21,928 | (5,647) | 16,281 | Highways and transport services | | 22,357 | (6,433) | 15,924 |
| 58,934 | (54,079) | 4,855 | Other housing services | | 61,561 | (56,703) | 4,858 |
| 70,708 | (16,663) | 54,045 | Adult social care | | 71,101 | (14,455) | 56,646 |
| 2,118 | (9,363) | (7,245) | Exceptional Item | 47 | 811 | (522) | 289 |
| 7,305 | (14) | 7,291 | Corporate and democratic core | | 5,407 | - | 5,407 |
| (72,341) | - | (72,341) | Non distributed costs | 48 | 1,173 | - | 1,173 |
| | | | Miscellaneous | 49 | (1,289) | - | (1,289) |
| 345,568 | (160,076) | 185,492 | Cost of Services | | 447,145 | (149,470) | 297,675 |
| 440,352 | (818) | 439,534 | Other operating expenditure | 8 | 16,104 | - | 16,104 |
| 53,422 | (29,035) | 24,387 | Financing and investment income and expenditure | 9 | 15,748 | (1,478) | 14,270 |
| - | (323,595) | (323,595) | Taxation and non-specific grant income | 10 | - | (311,152) | (311,152) |
| 378,105 | (372,602) | 5,503 | Surplus or deficit of discontinued operations | | - | - | - |
| | | 331,321 | (Surplus) or Deficit on Provision of Services | | 478,997 | (462,100) | 16,897 |
| | (5,007) | | Surplus or deficit on revaluation of Property, Plant and Equipment assets | | | | (60,839) |
| | 6,624 | | Surplus or deficit on revaluation of available for sale assets | | | | - |
| | - | | Impairment losses on non-current assets charged to the revaluation reserve | | | | 5,950 |
| | (35,860) | | Actuarial gains/losses on pension assets / liabilities | | | | 86,620 |
| | (34,243) | | Other Comprehensive Income and Expenditure | | | | 31,731 |
| | 297,078 | | Total Comprehensive Income and Expenditure | | | | 48,628 |

BALANCE SHEET

| Restated 31st Mar 11 | | Notes | 31st Mar 12 |
|--|--------------------------------------|--------------|-------------------------------|
| £000 | | | £000 |
| 534,419 | Property, Plant and Equipment | 11 | 590,116 |
| 786 | Heritage Assets | 12 | 786 |
| 5,538 | Long Term Investments | 13 | 3,186 |
| 1,317 | Long Term Debtors | 13 | 994 |
| 542,060 | Long Term Assets | | 595,082 |
| 78,599 | Short Term Investments | 13 | 87,322 |
| 3,266 | Assets Held for Sale | 17 | 2,125 |
| 760 | Inventories | 14 | 932 |
| 65,502 | Short Term Debtors | 15 | 62,693 |
| 12,214 | Cash and Cash Equivalents | 16 | 1,495 |
| 160,341 | Current Assets | | 154,567 |
| (5,292) | Short Term Borrowing | 13 | (17,017) |
| (62,917) | Short Term Creditors | 18 | (59,309) |
| (9,068) | Provisions | 19 | (2,691) |
| (77,277) | Current Liabilities | | (79,017) |
| (11,307) | Long Term Creditors | 13 | (18,957) |
| (173,818) | Long Term Borrowing | 13 | (172,834) |
| (274,900) | Other Long Term Liabilities | 13 | (362,500) |
| - | Long Term Provisions | 19 | (4,898) |
| (15,239) | Capital Grants – Receipts in Advance | 32 | (10,211) |
| (475,264) | Long Term Liabilities | | (569,400) |
| 149,860 | Net Assets | | 101,232 |
| (85,034) | Usable Reserves | 20 | (76,930) |
| (64,826) | Unusable Reserves | 21 | (24,302) |
| (149,860) | Total Reserves | | (101,232) |

CASH FLOW STATEMENT

| Restated 2010/11 £000 | | Note | 2011/12 £000 |
|--------------------------------------|---|-------------|-------------------------|
| (331,321) | Net (surplus) or deficit on the provision of services | | (16,897) |
| 384,698 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | | 68,949 |
| (11,443) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | (50,595) |
| 41,934 | Net cash flows from Operating Activities | 22 | 1,457 |
| (71,355) | Investing Activities | 23 | (22,917) |
| 28,309 | Financing Activities | 24 | 10,741 |
| (1,112) | Net increase or decrease in cash and cash equivalents | | (10,719) |
| 13,326 | Cash and cash equivalents at the beginning of the reporting period | | 12,214 |
| 12,214 | Cash and cash equivalents at the end of the reporting period | 16 | 1,495 |

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end of 31st March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, 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 2010/11 and the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP), 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 Income and Expenditure

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

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is 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.

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, provisions are established for the income that may not be collected and a charge made to revenue.

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 investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, the cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and represent the Authority's operational cash flow needs, and will therefore not necessarily include all investments that have a maturity date of three months or less.

iv. Exceptional Items

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

v. Prior Period Adjustments, Changes in Accounting Policies, 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.

vi. 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 fixed 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.

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

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way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits/Exit Packages

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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.

The Statement of Accounts includes a detailed statement to disclose information in relation to exit packages.

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 were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

NOTES TO THE ACCOUNTS

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, which is based on the bid value. The overall expected rate of return on fund assets is a weighted average of the individual expected rates of return on each asset class. Other holdings such as currency, hedge funds etc. are assumed to have an equivalent return as equities.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, which is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, which is debited to the Pensions Reserve
- 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

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the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii. Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period; the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period; the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

ix. 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.

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

Financial Assets

Financial assets are classified into two types:

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

➤ Loans and Receivables

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

➤ Available for Sale Assets

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

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

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

The Authority does not currently have any such assets.

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x. Foreign Currency Translation

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

The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landsbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

xi. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when 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 Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

xii. Heritage Assets

There is a requirement under FRS30 to include Heritage Assets in the Statement of Accounts for 2011/12. 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.

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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.

xiii. Intangible Assets

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

The Authority does not currently have any intangible assets.

xiv. Interests in Companies and Other Entities

The Authority has no material 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 waste companies are included within the Authority's own single entity accounts.

xv. 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.

xvi. Investment Property

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

The Authority does not currently hold any properties for investment purposes.

xvii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the

NOTES TO THE ACCOUNTS

ventures. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. 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 (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.

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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.

xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used; the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xx. Property, Plant and Equipment

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

Recognition

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

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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
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

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.

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Disposals and Non current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) are set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. 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 Council'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.

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- 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.

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

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

- Mechanical and electrical services
- Structure

Professional judgement will be used in establishing materiality levels, the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components. Revaluations of the Council'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 Council does not undertake componentisation of Infrastructure assets.

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

xxi. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority is required to carry the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The Authority does not have any such agreements at present.

xxii. 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

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or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxiii. Reserves

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

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

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xxiv. 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.

xxv. 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.

xxvi. Carbon Reduction Commitment Scheme

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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

The adoption of these amendments by the Code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1st July 2011, but we are not required by the Code to implement this amended disclosure requirement until 1st April 2012.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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- The Authority has £8m deposited with the Icelandic Banks as at 31st March 2012, out of an original deposit of £20m. In preparing the accounts preferred creditor status has been assumed in line with the Icelandic Courts decision.
- A judgement has been made to not adjust the financial statements for the transfer of the Council's residential care service which took place after 31st March 2012, as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date. On the 1st April 2012, the Council entered into a 25 year contract with Grwp Gwalia to take over and operate the Council's long term and short term respite care homes; design, build, finance and operate four replacement care homes and manage 345 staff members transferring from the Council to Grwp Gwalia.

4. 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 31st March 2012 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 £6.440m as at 31st March 2012 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 Council 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.

5. EVENTS AFTER THE REPORTING PERIOD

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

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

NOTES TO THE ACCOUNTS

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

The financial statements and notes have not been adjusted for the following event which took place after 31st March 2012 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date:

- On the 1st April 2012, the Council entered into a 25 year contract with Grwp Gwalia to take over and operate the Council's long term and short term respite care homes; design, build, finance and operate four replacement care homes' and manage 345 staff members transferring from the Council to Grwp Gwalia.

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.

NOTES TO THE ACCOUNTS

| 2011/12 | Usable Reserves | | | | |
|---|----------------------|-------------------------|--------------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Charges for depreciation and impairment of non current assets | (16,703) | | | | 16,703 |
| Revaluation losses on Property Plant and Equipment | (45,513) | | | | 45,513 |
| Capital grants and contributions applied | 49,425 | | | 4,688 | (54,113) |
| Revenue expenditure /non added value funded from capital under statute | (13,603) | | | | 13,603 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,614) | | | | 1,614 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Statutory provision for the financing of capital investment | 8,576 | | | | (8,576) |
| Capital expenditure charged against the General Fund and HRA balances | 2,106 | | | | (2,106) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 1,008 | | | (1,008) | |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,170 | | (1,170) | | |
| Use of the Capital Receipts Reserve to repay loans | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | 2,550 | | (2,550) |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | (45) | | 45 |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (4) | | | | 4 |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | | |
| Investment impairments | | | | | |
| 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 | 86 | | | | (86) |
| Adjustments primarily involving the Pensions Reserve: | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37) | (22,900) | | | | 22,900 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 21,920 | | | | (21,920) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | |
| 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 | (596) | | | | 596 |
| Total Adjustments | (16,642) | - | 1,335 | 3,680 | 11,627 |

NOTES TO THE ACCOUNTS

| Restated 2010/11 Comparative | Usable Reserves | | | | |
|---|----------------------------|-------------------------------|--------------------------------|--------------------------------|--|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 |
| Adj primarily involving the Capital Adjustment Account: | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Charges for depreciation and impairment of non current assets | (32,945) | (435,057) | | | 468,002 |
| Revaluation losses on Property Plant and Equipment | (3,358) | | | | 3,358 |
| Capital grants and contributions applied | 18,687 | 5,724 | | | (24,411) |
| Revenue expenditure /non added value funded from capital under statute | (14,193) | | | | 14,193 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,161) | (238) | | | 1,399 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Statutory provision for the financing of capital investment | 8,233 | 33,425 | | | (41,658) |
| Capital expenditure charged against the General Fund and HRA balances | 6,337 | 1,216 | | | (7,553) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 2,261 | | | (2,261) | |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,623 | 344 | (1,967) | | |
| Use of the Capital Receipts Reserve to repay loans | | | 632 | | (632) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | 212 | | (212) |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | (71) | | 71 |
| Adj primarily involving the Deferred Capital Receipts Reserve: | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (5) | | | | 5 |
| Adj primarily involving the Financial Instruments Adj Account: | | | | | |
| Investment impairments | 1,108 | | | | (1,108) |
| 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 | 95 | 45 | | | (140) |
| Adjustments primarily involving the Pensions Reserve: | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37) | 50,950 | | | | (50,950) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 22,790 | | | | (22,790) |
| Adj primarily involving the Accumulated Absences Account: | | | | | |
| 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 | 762 | 46 | | | (808) |
| Total Adjustments | 61,184 | (394,495) | (1,194) | (2,261) | 336,766 |

NOTES TO THE ACCOUNTS

7. TRANSFERS TO/FROM EARMARKED RESERVES

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

| | Balance at 1 st April 2010 £000 | Restated Transfers Out 2010/11 £000 | Restated Transfers In 2010/11 £000 | Restated Balance at 31 st March 2011 £000 | Transfers Out 2011/12 £000 | Transfers In 2011/12 £000 | Balance at 31 st March 2012 £000 |
|---|--|---|--|---|-------------------------------------|------------------------------------|---|
| General Fund: | | | | | | | |
| Balances held by schools under a scheme of delegation | (3,349) | 1,102 | (1,044) | (3,291) | 1,377 | (809) | (2,723) |
| Education Equalisation Account | (1,273) | 223 | (464) | (1,514) | 136 | - | (1,378) |
| Other Education and Leisure Reserves | (746) | 131 | (977) | (1,592) | 120 | (977) | (2,449) |
| Hillside Secure Centre - Equalisation Reserve | (1,351) | 540 | (687) | (1,498) | 294 | (603) | (1,807) |
| Other Social Services Reserves | (15) | 13 | (960) | (962) | 1,022 | (61) | (1) |
| General Fund Housing Reserves | (195) | 95 | - | (100) | 100 | - | - |
| Environment Reserves | (1,500) | 663 | (1,167) | (2,004) | 1,554 | (1,492) | (1,942) |
| Operating Account Reserves | (942) | 9 | (415) | (1,348) | 1,000 | (1,678) | (2,026) |
| Finance and Corporate Services - Reserves | (1,663) | 484 | (788) | (1,967) | 346 | (750) | (2,371) |
| Chief Executive Reserves | (487) | 217 | (317) | (587) | 195 | (462) | (854) |
| Job Evaluation Reserves | (4,881) | 1,345 | - | (3,536) | 1,942 | (179) | (1,773) |
| Accommodation Reserve | (3,788) | 488 | - | (3,300) | 612 | (344) | (3,032) |
| Treasury Management Reserve | (2,011) | - | (541) | (2,552) | 2,608 | (689) | (633) |
| Management of Change Reserve | (508) | 274 | (422) | (656) | 740 | (421) | (337) |
| Other Corporate reserves | (420) | 302 | (55) | (173) | 43 | - | (130) |
| Housing Warranties Reserve | - | - | - | - | - | (220) | (220) |
| Corporate IT Reserves | (606) | 133 | - | (473) | 126 | - | (347) |
| Transformation Reserve | (622) | 228 | (108) | (502) | 191 | (34) | (345) |
| LAWDC Reserve | (1,863) | 221 | (9) | (1,651) | 248 | (8) | (1,411) |
| Insurance Reserves | (11,171) | 2,818 | (6,244) | (14,597) | 3,003 | (1,351) | (12,945) |
| Fire Authority Reserve | - | - | - | 0 | - | (157) | (157) |
| Waste Reserve | (4,280) | 600 | - | (3,680) | 225 | - | (3,455) |
| Total | (41,671) | 9,886 | (14,198) | (45,983) | 15,882 | (10,235) | (40,336) |
| Housing Closure Reserve | (446) | 361 | (78) | (163) | 47 | - | (116) |
| Total Revenue Reserves | (42,117) | 10,247 | (14,276) | (46,146) | 15,929 | (10,235) | (40,452) |
| Capital Reserves | (1,120) | 462 | (15) | (673) | - | (204) | (877) |
| GRAND TOTAL OF RESERVES | (43,237) | 10,709 | (14,291) | (46,819) | 15,929 | (10,439) | (41,329) |

NOTES TO THE ACCOUNTS

EARMARKED RESERVES 2011/12 £000

EDUCATION, LEISURE AND LIFELONG LEARNING

| | | |
|---|---------------------|--|
| Primary School Reserve | 2,157 | Delegated Schools Reserve - These reserves are ring-fenced for each individual school and will be used to help fund future expenditure. |
| Secondary School Reserve | 425 | Delegated Schools Reserve. |
| Special School Reserve | 141 | Delegated Schools Reserve. |
| | <u>2,723</u> | |
| Education Equalisation Account | 1,378 | This reserve will be used to equalise costs over a number of years. |
| Leisure Regeneration | 1,152 | This reserve has been established from savings in the running costs of the Afan Lido Leisure Centre and will be used to fund the replacement facility. |
| Other | 1,297 | This includes equalisation reserves for School Transport (£257k), Building Maintenance (£212k), Strategic School Improvement Programme (£423k) and Leisure Equalisation (£237k). |
| Total Education, Leisure and Lifelong Learning | <u>6,550</u> | |

SOCIAL SERVICES, HEALTH AND HOUSING SERVICES

| | | |
|--|---------------------|--|
| Hillside General Reserve | 1,807 | The fund has been established to equalise the capital investment required overtime for the Hillside Secure Unit. |
| Other Social Services Reserve | 1 | |
| Total Social Services, Health and Housing | <u>1,808</u> | |

NOTES TO THE ACCOUNTS

EARMARKED RESERVES 2011/12 £000

ENVIRONMENT SERVICES

| | | |
|--------------------------------------|-------|--|
| Provision Building Maintenance | 324 | This reserve will be used to equalise the effect of the annual building maintenance spend on the revenue account budget. |
| Neath Civic Maintenance | 490 | This reserve will be used to keep the Neath Civic Centre in good working condition. |
| Local Development Fund | 273 | Funds to meet statutory obligation for LD Plan |
| Winter Maintenance | 222 | To equalise the cost incurred during severe winters |
| Other | 633 | This includes reserves for detrunked roads (£130k), Lighting Services (£109) and Future Jobs fund (£100k). |
| Vehicle Renewals | 1,456 | This reserve will be used to finance the replacement cost of vehicles at the end of their useful economic life. |
| Former Trading Accounts Equalisation | 448 | This reserve is used to equalise annual costs for Streetcare and Building Services. |
| Other | 122 | This includes Fleet Sentinel Maintenance (£100k). |

| | | |
|-----------------------------------|--------------|--|
| Total Environment Services | 3,968 | |
|-----------------------------------|--------------|--|

POLICY AND RESOURCES

Finance and Corporate Services

| | | |
|----------------------------------|--------------|---|
| IT Renewals Fund | 1,342 | This Reserve will be used to fund the costs of major IT projects. |
| Legal Equalisation | 382 | To set aside funds to meet legal costs. |
| One Stop Shop/Access to Strategy | 237 | This reserve will be used to assist in the funding of one off costs in the Access to Services Strategy. |
| Other | 410 | This includes a reserve for Finance IT (£194k). |
| | <u>2,371</u> | |

Chief Executive Office

| | | |
|---|------------|---|
| Election Equalisation | 246 | This reserve will be used to meet cost of the four year cycle of elections. |
| Management Capacity, Development, Advisors etc. | 315 | This relates to developing capacity in relation to transformational projects across the Council |
| Other | 293 | This includes Youth Offending reserve (£121k) and Health & Safety /Occupational Health reserve (£109k). |
| | <u>854</u> | |

| | | |
|-----------------------------------|--------------|--|
| Total Policy and Resources | 3,225 | |
|-----------------------------------|--------------|--|

NOTES TO THE ACCOUNTS

EARMARKED RESERVES 2011/12 £000

CORPORATE RESERVES

| | | |
|------------------------------------|----------------------|---|
| Job Evaluation Reserves | 1,773 | This reserve will be used to fund staffing increments and other costs arising from Job Evaluation. |
| Accommodation Reserve | 3,032 | This reserve will be used to support the Authority's Accommodation Strategy. |
| Treasury Management Reserve | 633 | This reserve will be used to equalise the impact of fluctuations in Treasury Management returns. |
| Management of Change Reserve | 337 | This reserve has been set up to support the Authority's Management of Change costs. |
| Other Corporate reserves | 130 | This reserve has been set up to fund major investments by Community Councils in their Communities. |
| Housing Warranties Reserve | 220 | This reserve has been set aside in recognition of the warranties to potential liabilities following the transfer of Housing Services. |
| Corporate IT Reserves | 347 | This reserve has been set up to fund the Council's replacement financial system. |
| Transformation Reserve | 345 | This reserve has been set up to support the Authority's Transformation of Council services strategy. |
| LAWDC Reserve | 1,411 | This reserve has been established to help set aside funds for future renovation costs. |
| Insurance - Claims Reserve | 12,864 | This reserve has been generated from insurance settlements and surpluses from claims handling arrangements. It will be used to fund future insurance related projects. |
| Insurance - Risk Management | 81 | This reserve has been established to fund risk management initiatives. |
| Fire Authority Reserves | 157 | This relates to a refund from the Fire Authority and will be used to mitigate cost increase in future years |
| Waste Reserve | 3,455 | This reserve will be used to fund future Waste Service projects. |
| Total Corporate Reserves | <u>24,785</u> | |
| Total General Fund Reserves | 40,336 | |
| Housing Closure Reserve | 116 | This reserve has been set up to meet costs arising from the closure of the Authority's Housing Revenue Account due to the transfer of Authority's Housing stock to NPT Homes in March 2011. |
| Total Revenue Reserves | <u>40,452</u> | |
| Capital Reserves | 877 | This reserve will be used to support the Authority's future Capital expenditure. |
| GRAND TOTAL OF RESERVES | <u>41,329</u> | |

NOTES TO THE ACCOUNTS

8. OTHER OPERATING EXPENDITURE

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| 1,676 | Community council precepts | 1,656 |
| 13,923 | Levies | 14,004 |
| (250) | Income from leased property | - |
| (568) | (Gains) / losses on the disposal of non current assets | 444 |
| 424,753 | Impairment of assets re housing stock transfer | - |
| 439,534 | Total | 16,104 |

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|---|-----------------|
| 10,293 | Interest payable and similar charges | 8,594 |
| 12,530 | Pensions interest cost and expected return on pensions assets | 7,200 |
| (2,095) | Interest receivable and similar income | (1,524) |
| 3,659 | Premium on redemption of loans – housing transfer | - |
| 24,387 | Total | 14,270 |

10. TAXATION AND NON SPECIFIC GRANT

| 2010/11 £000 | | 2011/12 £000 |
|------------------|--|------------------|
| (63,164) | Council tax income | (65,075) |
| (38,661) | Non domestic rates | (32,372) |
| (161,585) | Non ringfenced government grants | (165,523) |
| (23,744) | Capital grants and contributions | (48,182) |
| (36,441) | Grant from Welsh Government – housing transfer | - |
| (323,595) | Total | (311,152) |

11. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

| Movements in 2011/12 | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Infrastructu re Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|--------------------------------|--|---------------------------|---------------------|-------------------|------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | |
| At 1st April 2011 | 368,354 | 25,306 | 200,489 | 612 | 11,402 | 26,848 | 633,011 |
| additions | 11,277 | 1,219 | 9,550 | | | 45,095 | 67,141 |
| recognition of Finance Leases | 977 | | | | | | 977 |
| revaluation increases/(decreases) recognised in the Revaluation Reserve | 51,552 | | | | | | 51,552 |

NOTES TO THE ACCOUNTS

| Movements in 2011/12 | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|---------------------------------|---|------------------------------|-------------------------|-----------------------|----------------------------------|--|
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (55,203) | (58) | - | - | (25) | (7,915) | (63,201) |
| revaluation of Finance Leases | 2,074 | - | - | - | - | - | 2,074 |
| derecognition – disposals | (549) | - | - | - | - | - | (549) |
| assets reclassified (to) / from Held for Sale | (105) | - | - | (165) | (29) | - | (299) |
| change in asset classification | (1,335) | - | 459 | - | 874 | 2 | - |
| impairment loss recognised in the Surplus / Deficit on the provision of services | - | - | - | - | - | - | - |
| other movements in cost or valuation | - | - | (1) | - | - | - | (1) |
| At 31st March 2012 | 377,042 | 26,467 | 210,497 | 447 | 12,222 | 64,030 | 690,705 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1st April 2011 | (29,858) | (14,138) | (54,490) | - | (106) | - | (98,592) |
| depreciation charge | (9,269) | (2,271) | (5,013) | - | (125) | - | (16,678) |
| depreciation written out to the Revaluation Reserve | 7,162 | - | - | - | - | - | 7,162 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | 18,008 | - | - | - | - | - | 18,008 |
| impairment losses / (reversals) recognised in the Revaluation Reserve | (5,950) | - | - | - | - | - | (5,950) |
| impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services | (4,593) | (26) | - | - | - | - | (4,619) |
| recognition of Depreciation on Finance Leases | (25) | - | - | - | - | - | (25) |
| depreciation written out to Revaluation Reserve on Revaluation of Finance Leases | 25 | - | - | - | - | - | 25 |
| derecognition – disposals | 82 | - | - | - | - | - | 82 |
| other movements in depreciation and impairment | (2) | - | - | - | - | - | (2) |
| At 31st March 2012 | (24,420) | (16,435) | (59,503) | - | (231) | - | (100,589) |
| Net Book Value | | | | | | | |
| At 31st March 2012 | 352,622 | 10,032 | 150,994 | 447 | 11,991 | 64,030 | 590,116 |
| At 31st March 2011 | 338,496 | 11,168 | 145,999 | 612 | 11,296 | 26,848 | 534,419 |

NOTES TO THE ACCOUNTS

Comparative Movements in 2010/11:

| Restated | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|--------------------------|---------------------------------|---|------------------------------|-------------------------|-----------------------|----------------------------------|--|
| Cost or Valuation | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1st April 2010 | 438,768 | 394,700 | 23,605 | 205,732 | 612 | 4,330 | 6,830 | 1,074,577 |
| Additions | 109 | 4,573 | 2,426 | 13,342 | - | - | 2,837 | 23,287 |
| revaluation increases / (decreases) recognised in the Revaluation Reserve | - | 487 | - | - | - | 4,113 | - | 4,600 |
| revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | - | (1,484) | - | - | - | (1,990) | - | (3,474) |
| derecognition – disposals | (252) | (105) | (725) | - | - | - | - | (1,082) |
| derecognition – Housing Transfer | (438,189) | (7,540) | - | - | - | - | (274) | (446,003) |
| assets reclassified (to) / from Held for Sale | | 41 | | | | 15 | | 56 |
| change in Asset Classification | | | | (18,585) | | | 18,585 | - |
| Impairment loss recognised in the Surplus / Deficit on the provision of services | - | (18,934) | - | - | - | - | - | (18,934) |
| other movements in cost or valuation | (436) | (3,384) | - | - | - | 4,934 | (1,130) | (16) |
| At 31st March 2011 | - | 368,354 | 25,306 | 200,489 | 612 | 11,402 | 26,848 | 633,011 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1st April 2010 | (10,950) | (23,014) | (11,490) | (50,045) | - | - | - | (95,499) |
| depreciation charge | (10,101) | (8,859) | (2,874) | (5,143) | - | (113) | - | (27,090) |
| depreciation written out to the Revaluation Reserve | - | - | - | - | - | - | - | - |
| depreciation written out to the Surplus/Deficit on the Provision of Services | - | 108 | - | - | - | 7 | - | 115 |
| impairment losses / (reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - | - | - |
| impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services | - | 1,890 | - | - | - | - | - | 1,890 |
| derecognition – disposals | 12 | 10 | 226 | - | - | - | - | 248 |
| derecognition – Housing Transfer | 21,018 | - | - | - | - | - | - | 21,018 |
| other movements in depreciation and impairment | 21 | 7 | - | 698 | - | - | - | 726 |
| At 31st March 2011 | - | (29,858) | (14,138) | (54,490) | - | (106) | - | (98,592) |
| Net Book Value: | | | | | | | | |
| At 31st March 2011 | - | 338,496 | 11,168 | 145,999 | 612 | 11,296 | 26,848 | 534,419 |

NOTES TO THE ACCOUNTS

Depreciation

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

| | |
|--|-----------------------------|
| Land | Depreciation not applicable |
| Buildings | 20 - 40 years |
| Vehicles, Plant, Furniture and Equipment | 5 - 7 years |
| Infrastructure | 20 - 60 years |

Capital Commitments

At 31st March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 (£29.7m) and future years budgeted to cost £58.2m. Similar commitments at 31st March 2011 were £52.7m. The major commitments are:

| Major Capital Commitments | 2012/13 £m | Future £m | Total £m |
|---------------------------|---------------|---------------|---------------|
| Dwr Y Felin Comprehensive | 2.620 | - | 2.620 |
| Harbour Way (PDR 2) | 23.117 | 21.501 | 44.618 |
| Street Lighting | 4.000 | 7.000 | 11.000 |
| Total | 29.737 | 28.501 | 58.238 |

Effects of Changes in Estimates

During 2011/12 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 bases 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

There is a requirement under FRS30 to include Heritage Assets in the Statement of Accounts for the 2011/12 financial year.

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.

The Council's heritage assets are predominantly art works held in various public locations operated by Neath Port Talbot County Borough Council or in storage. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for property, plant and equipment. The Council does not depreciate heritage assets and some of the other measurement rules have been varied in relation to heritage assets as follows:

NOTES TO THE ACCOUNTS

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage. Any impairment is recognised and recorded in accordance with the Council's policy on impairment. If it is agreed to dispose of any heritage assets, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

The Council keeps records of the value of its art collections for insurance purposes and the value of these assets as at 31st March 2012 was £0.786m. The valuations were provided by Sotheby's and Bonhams, recognised experts in the valuation of works of art.

As the requirement to value and recognise heritage assets separately in the balance sheet is a change in accounting policy, the balance sheet as at 31st March 2011 has been restated in the 2011/12. This increases the net worth of the Council by £0.786m and the effects of the change in policy are set out in Note 45.

Reconciliation of the carrying value of Heritage Assets held by the Authority

| | Total £000 |
|---|-----------------------|
| Cost or Valuation | |
| 1 April 2010 | 786 |
| Additions | - |
| Disposals | - |
| Revaluations | - |
| Impairments Losses (reversals) recognised in the Revaluation Reserve | - |
| Impairments Losses (reversals) recognised in Surplus or Deficit on the Provision of Services | - |
| Depreciation | - |
| 31st March 2011 | 786 |
| Additions | - |
| Disposals | - |
| Revaluations | - |
| Impairments Losses (reversals) recognised in the Revaluation Reserve | - |
| Impairments Losses (reversals) recognised in Surplus or Deficit on the Provision of Services | - |
| Depreciation | - |
| 31st March 2012 | 786 |

Because of the diverse nature of heritage assets and the potential cost implication of obtaining specialist valuations, the Council 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 Council does not consider it appropriate to charge depreciation.

NOTES TO THE ACCOUNTS

Other Heritage Assets

The Council has also undertaken an exercise to identify other significant heritage assets.

The Council considers that 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 Eglwys at Margam Country Park and Gnoll House and Cellar Remains at Gnoll Country Park are not separately insured and therefore no valuation is available in respect of these assets.

Specialist valuations for Civic Regalia have not been commissioned because the Council considered that this would entail a cost disproportionate to the benefits to the users of the financial statements.

During 2012/13, a more comprehensive review of heritage assets will be undertaken.

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

| | Long term | | Current | |
|--|--|--|--|--|
| | 31 st March 2012 £000 | 31 st March 2011 £000 | 31 st March 2012 £000 | 31 st March 2011 £000 |
| Investments | | | | |
| Loans and receivables at amortised cost: | | | | |
| Fixed Term Investments | 3,097 | 5,449 | 80,752 | 65,927 |
| Cash | - | - | 6,570 | 12,672 |
| Unquoted Equity investment at cost | 89 | 89 | - | - |
| Total investments | 3,186 | 5,538 | 87,322 | 78,599 |
| Borrowings | | | | |
| Financial liabilities at amortised cost: | | | | |
| Market Loans (LOBO) | (62,500) | (62,500) | (730) | (725) |
| PWLBS | (110,334) | (111,318) | (3,015) | (2,959) |
| Other loans | - | - | (13,272) | (1,608) |
| Total borrowings | (172,834) | (173,818) | (17,017) | (5,292) |
| Other Long Term Liabilities | | | | |
| Pension Liability | (362,500) | (274,900) | - | - |

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.

NOTES TO THE ACCOUNTS

Income, Expense, Gains and Losses

| 2011/12 | | | | | | 2010/11 | | | | |
|--|--|---|--------------------------------------|--|----------------|--|---|--------------------------------------|--|----------------|
| | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables | Financial Assets: Available for sale | Assets and Liabilities at Fair Value through Profit and Loss | Total | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables | Financial Assets: Available for sale | Assets and Liabilities at Fair Value through Profit and Loss | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest Expense | 8,548 | | | | 8,548 | 10,293 | - | - | - | 10,293 |
| Losses on derecognition | | | | | | - | - | - | - | - |
| Reductions in fair value | | | | | | - | - | - | - | - |
| Fee expense | | | | | | - | - | - | - | - |
| Total expense in Surplus or Deficit on the Provision of Services | 8,548 | | | | 8,548 | 10,293 | - | - | - | 10,293 |
| Interest income | | (946) | | | (946) | - | (1,451) | - | - | (1,451) |
| Interest income accrued on impaired financial assets | | (532) | | | (532) | - | (643) | - | - | (643) |
| Increases in fair value | | | | | | - | - | - | - | - |
| Gains on derecognition | | | | | | - | - | - | - | - |
| Fee income | | | | | | - | - | - | - | - |
| Total income in Surplus or Deficit on the Provision of Services | | (1,478) | | | (1,478) | - | (2,094) | - | - | (2,094) |
| Gains on revaluation | | | | | | - | - | - | - | - |
| Losses on revaluation | | | | | | - | - | - | - | - |
| Amounts recycled to the Surplus / Deficit on the Provision of Services after impairment | | | | | | - | - | - | - | - |
| Surplus / deficit arising on revaluation of financial assets in Other Comprehensive I & E | | | | | | - | - | - | - | - |
| Net gain / (loss) for the year | 8,548 | (1,478) | | | 7,070 | 10,293 | (2,094) | - | - | 8,199 |

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 cashflows, which provides an estimate of the value of payments in the future as at 31st March 2012, 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 31st March 2012, 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 March 2012 | | 31st March 2011 | |
|-------------------------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------------|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| PWLB Debt | (113,349) | (124,593) | (114,277) | (111,496) |
| Non – PWLB Debt | (63,230) | (58,421) | (63,225) | (66,198) |
| Non – PWLB Debt Temporary Borrowing | (11,500) | (11,496) | - | - |
| Total Debt | (188,079) | (194,510) | (177,502) | (177,694) |
| Long term creditors | (18,957) | (18,957) | (11,307) | (11,307) |

31st March 2012 – Debt

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of PWLB loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31st March 2012, arising from a commitment to pay interest to lenders above market rates. For Non PWLB Debt the reverse is true.

NOTES TO THE ACCOUNTS

Non – PWLB Debt - Temporary Borrowing

Temporary loans for a notional value of £11,500,000 and a maximum duration of 32 days were still outstanding at 31st March. The fair value of these investments is shown at a lower value to represent the interest due on these loans being below the prevailing rates for similar loans.

Fair Value of Assets

| | 31 st March 2012 | | 31 st March 2011 | |
|-----------------------|-----------------------------|--------------------|-----------------------------|--------------------|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Loans and receivables | 90,419 | 90,897 | 94,048 | 92,461 |
| Long term debtors | 994 | 994 | 1,317 | 1,317 |

14. INVENTORIES

| | Stores | | Work in Progress | | Total | |
|--------------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| Balance outstanding at start of year | 715 | 884 | 45 | 9 | 760 | 893 |
| Movement in year | 65 | (169) | 107 | 36 | 172 | (133) |
| Balance o/s at year end | 780 | 715 | 152 | 45 | 932 | 760 |

15. DEBTORS

| 31 st March 2011 £000 | | 31 st March 2012 £000 |
|--|-----------------------------------|--|
| 18,102 | Central government bodies | 30,809 |
| 2,635 | Other local authorities | 2,549 |
| 1,087 | NHS bodies | 1,324 |
| 25,187 | Other entities and individuals | 15,867 |
| 21,310 | Payments in Advance | 14,876 |
| (2,819) | Less Provision for doubtful debts | (2,732) |
| 65,502 | Total | 62,693 |

16. CASH AND CASH EQUIVALENTS

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

| 31 st March 2011 £000 | | 31 st March 2012 £000 |
|--|--|--|
| 10,000 | Cash held by the Authority | 126 |
| 2,214 | Bank current accounts | 1,369 |
| 12,214 | Total Cash and Cash Equivalents | 1,495 |

NOTES TO THE ACCOUNTS

In 2010/11, a manual adjustment was made to the cash and cash equivalents as it was considered that this value was held for day to day cash in hand purposes. As this usage is not included in the Council's Treasury Management Practice notes, it cannot be shown as cash but will instead appear as a short term investment.

17. ASSETS HELD FOR SALE

| | Current | | Non Current | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| Balance outstanding at start of year | 3,266 | 3,464 | - | - |
| Assets newly classified as held for sale: | 495 | 1,644 | - | - |
| Property, Plant and Equipment | | | | |
| Revaluation losses | (320) | - | - | - |
| Revaluation gains | - | 407 | - | - |
| Impairment losses | - | - | - | - |
| Assets declassified as held for sale: | (196) | (1,700) | - | - |
| Property, Plant and Equipment | | | | |
| Assets sold | (1,120) | (566) | - | - |
| Other adjustment | - | 17 | - | - |
| Balance outstanding at year end | 2,125 | 3,266 | - | - |

18. CREDITORS

| Restated 31 st March 2011 £000 | | 31 st March 2012 £000 |
|--|--------------------------------|--|
| (10,127) | Central government bodies | (6,110) |
| (7,037) | Other local authorities | (9,719) |
| (593) | NHS bodies | (232) |
| (41,358) | Other entities and individuals | (39,287) |
| (3,802) | Receipts in Advance | (3,961) |
| (62,917) | Total | (59,309) |

19. PROVISIONS

Long Term Provisions

| | Injury and Damage Compensation Claims £000 | Other Provisions £000 | Total £000 |
|--|--|-----------------------------|----------------|
| Balance at 1st April 2011 | - | - | - |
| Reclassification of short term to long term (to) / from in 2011/12 | - | - | - |
| Net Transfer (to) / from in 2011/12 | (3,818) | (1,080) | (4,898) |
| Unused amounts reversed in 2011/12 | - | - | - |
| Balance at 31st March 2012 | (3,818) | (1,080) | (4,898) |

NOTES TO THE ACCOUNTS

Short Term Provisions

| | Injury and Damage Compensation Claims £000 | Other Provisions £000 | Total £000 |
|--|---|--------------------------------------|-----------------------|
| Balance at 1st April 2010 | (5,868) | - | (5,868) |
| Net Transfer (to) / from in 2010/11 | (9) | (3,191) | (3,200) |
| Unused amounts reversed in 2010/11 | - | - | - |
| Balance at 31st March 2011 | (5,877) | (3,191) | (9,068) |
| Net Transfer (to) / from in 2011/12 | (563) | 3,122 | 2,559 |
| Unused amounts reversed in 2011/12 | - | - | - |
| Reclassification of short term to long term (to) / from in 2010/11 | 3,818 | - | 3,818 |
| Balance at 31st March 2012 | (2,622) | (69) | (2,691) |

Injury and Damage Compensation Claims

This provision covers the estimated cost of settling all the outstanding insurance claims of the Authority that existed at 31st March 2012.

Other Provisions – Housing Warranties

This long term provision of £1.1m has been set aside in recognition of the warranties and commitments relating to potential liabilities following the transfer of housing services in 2010/11.

Other Provisions – ER / VR

This short term provision of £69,000 covers the staffing termination costs during 2012/13 for those staff leaving the Authority under the Early Retirement / Voluntary Redundancy Scheme.

20. USABLE RESERVES

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

| Restated 31st March 2011 £000 | | 31st March 2012 £000 |
|---|--------------------------------|--|
| (46,819) | Earmarked Reserves | (41,329) |
| (762) | Working Balances: General Fund | (3,163) |
| (13,354) | HRA | (13,354) |
| (13,147) | Unapplied Grants | (9,467) |
| (10,952) | Usable Capital Receipts | (9,617) |
| (85,034) | Total | (76,930) |

NOTES TO THE ACCOUNTS

21. UNUSABLE RESERVES

| Restated 31st March 2011 £000 | | 31st March 2012 £000 |
|---|--|--|
| (43,738) | Revaluation Reserve | (97,574) |
| (305,439) | Capital Adjustment Account | (296,400) |
| 5,828 | Financial Instruments Adjustment Account | 2,908 |
| 274,900 | Pensions Reserve | 362,500 |
| (193) | Deferred Capital Receipts Reserve | (148) |
| 3,816 | Accumulated Absences Account | 4,412 |
| (64,826) | Total Unusable Reserves | (24,302) |

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 1st 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.

| Restated 2010/11 | | Revaluation Reserve | 2011/12 | |
|-----------------------------|------------------|---|----------------|-----------------|
| £000 | £000 | | £000 | £000 |
| | (255,942) | Closing Balance 31st March | | (43,738) |
| | (786) | Heritage Asset – prior year introduction | | - |
| | (256,728) | Balance at 1st April | | (43,738) |
| (5,007) | | Upward revaluation of assets | (60,839) | |
| 6,624 | | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | - | |
| - | | Impairment losses on non-current assets | 5,950 | |
| | 1,617 | | | (54,889) |
| | 2 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | - |
| 5,519 | | Difference between fair value depreciation and historical cost depreciation | 1,053 | |
| (115) | | Adjustment regarding 2009/10 | - | |
| 92 | | Accumulated gains on assets sold or scrapped | - | |
| 205,875 | | Assets derecognised as part of Housing Stock transfer | - | |
| | 211,371 | Amount written off to the Capital Adjustment Account | | 1,053 |
| | (43,738) | Balance at 31st March | | (97,574) |

NOTES TO THE ACCOUNTS

Capital Adjustment Account

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st 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.

| Restated 2010/11 | | Capital Adjustment Account | 2011/12 | |
|---------------------|-----------|--|----------|-----------|
| £000 | £000 | | £000 | £000 |
| | (506,556) | Balance at 1st April | | (305,439) |
| | | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 468,002 | | Charges for depreciation and impairment of non current assets | 16,703 | |
| 3,358 | | Revaluation losses on Property, Plant and Equipment | 45,513 | |
| 13,804 | | Revenue expenditure funded from capital under statute / | 13,603 | |
| 389 | | Non added value - in year | - | |
| 1,399 | | - prior years | - | |
| | | Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,614 | |
| | 486,952 | | | 77,433 |
| | (211,371) | Adjusting amounts written out of the Revaluation Reserve | | (1,053) |
| | | Net written out amount of the cost of non current assets consumed in the year | | |
| | | Capital financing applied in the year: | | |
| (212) | | Use of the Capital Receipts Reserve to finance new capital expenditure | (2,550) | |
| (24,411) | | Application of grants to capital financing from the Capital Grants Unapplied Account | (54,113) | |
| (41,661) | | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (8,576) | |
| (7,553) | | Capital expenditure charged against the General Fund and HRA balances | (2,106) | |
| | (73,837) | | | (67,345) |
| | (632) | Use of Capital Receipts Reserve to repay loans | | |
| | 5 | Deferred Sale proceed to Comprehensive Income and Expenditure Account | | 4 |
| | (305,439) | Balance at 31st March | | (296,400) |

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/ received on the early redemption of loans. Over time, the premiums and discounts 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 31st March 2012 will be charged to the General Fund until 2055/56 and the discount credited to the General Fund until 2012/13. The account is also used to negate the effect of the impairment charge for Icelandic Banks made to the Comprehensive Income and Expenditure Statement.

| 2010/11 | | Financial Instruments Adjustment Account | 2011/12 | |
|---------|---------|--|---------|---------|
| £000 | £000 | | £000 | £000 |
| (194) | 7,075 | Balance at 1st April | (139) | 5,828 |
| 54 | | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 54 | |
| | | Proportion of discounts received in previous financial years to be released to the General Fund Balance in accordance with statutory requirements | | |
| | (140) | Impairment of Icelandic Banks in the year | | (85) |
| | (1,107) | Transfer of Impairment to General Fund Balances | | (2,835) |
| | | Transfer of Interest to General Fund Balances | | |
| | 3,659 | Premium on Redemption of Debt – Housing Stock Transfer | | |
| | (3,659) | Grant from Welsh Government to redeem debt – Housing Stock Transfer | | |
| | 5,828 | Balance at 31st March | | 2,908 |

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

| 2010/11 | Pensions Reserve | 2011/12 |
|----------------|--|----------------|
| £000 | | £000 |
| 384,500 | Balance at 1st April | 274,900 |
| (35,860) | Actuarial gains or losses on pensions assets and liabilities | 86,620 |
| (50,950) | 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 | 22,900 |
| (22,790) | Employer's pensions contributions and direct payments to pensioners payable in the year | (21,920) |
| 274,900 | Balance at 31st March | 362,500 |

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.

| 2010/11 | | 2011/12 |
|--------------|--|--------------|
| £000 | | £000 |
| (264) | Balance at 1st April | (193) |
| - | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - |
| 71 | Transfer to the Capital Receipts Reserve upon receipt of cash | 45 |
| (193) | Balance at 31st March | (148) |

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2010/11 | | Accumulated Absences Account | 2011/12 | |
|---------|--------------|---|---------|--------------|
| £000 | £000 | | £000 | £000 |
| | 4,624 | Balance at 1st April | | 3,816 |
| (4,624) | | Settlement or cancellation of accrual made at the end of the preceding year | (3,816) | |
| 3,816 | | Amounts accrued at the end of the current year | 4,412 | |
| | (808) | 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 | | 596 |
| | 3,816 | Balance at 31st March | | 4,412 |

NOTES TO THE ACCOUNTS

22. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2010/11 £000 | | 2011/12 £000 |
|-------------------------|--|-------------------------|
| (203,916) | Cash paid to and on behalf of employees | (187,346) |
| (26,940) | Housing Benefits paid out | (50,754) |
| 271,514 | Income from Government Grants | 258,076 |
| 47,603 | Income from Council Tax | 49,402 |
| 38,815 | Income from National Non Domestic Rates | 32,519 |
| (85,142) | Other net revenue | (100,440) |
| 41,934 | Net Cash Inflow from Operating Activities | 1,457 |

Note:

Operating activities include interest received of £1.545m and interest paid of £8.463m.

23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2010/11 £000 | | 2011/12 £000 |
|-------------------------|---|-------------------------|
| (58,245) | Purchase of property, plant and equipment | (67,141) |
| - | Purchase of short term and long term investments | (793,951) |
| - | Other payments for investing activities | - |
| 2,038 | Proceeds from the sale of property, plant and equipment | 1,170 |
| (16,012) | Proceeds from short term and long term investments | 787,580 |
| 864 | Other receipts from investing activities | 49,425 |
| (71,355) | Net cash flows from investing activities | (22,917) |

24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2010/11 £000 | | 2011/12 £000 |
|-------------------------|---|-------------------------|
| - | Cash receipts of short and long term borrowing | 11,738 |
| 77,033 | Other receipts from financing activities (Re: former HRA) | - |
| - | Cash payments for the reduction of the outstanding liabilities relating to finance leases | - |
| (34,055) | Repayments of short and long term borrowing | (997) |
| (14,669) | Other payments for financing activities | - |
| 28,309 | Net cash flows from financing activities | 10,741 |

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

NOTES TO THE ACCOUNTS

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

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is shown below. There is no longer a HRA column following the transfer of the Council's Housing Stock. The Housing General Fund is now included within Social Services, Health and Housing.

| Directorate Income and Expenditure | Education, Leisure and Lifelong Learning | Social Services, Health and Housing | Housing General Fund | Housing HRA | Environment | Finance and Corporate Services | Chief Executive | Total |
|--|--|-------------------------------------|----------------------|-----------------|-----------------|--------------------------------|-----------------|------------------|
| 2011/2012 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges and other service income | (25,329) | (20,669) | - | - | (26,590) | (8,210) | (3,192) | (83,990) |
| Government grants | (17,936) | (6,472) | - | - | (10,408) | (1,471) | (2,599) | (38,886) |
| Total Income | (43,265) | (27,141) | - | - | (36,998) | (9,681) | (5,791) | (122,876) |
| | | | | - | | | | |
| Employee expenses | 96,699 | 43,388 | - | - | 18,856 | 13,883 | 6,586 | 179,412 |
| Other service expenses | 45,317 | 52,666 | - | - | 53,191 | 4,868 | 2,017 | 158,059 |
| Support service recharges | 6,332 | 7,647 | - | - | 1,713 | 3,026 | 2,330 | 21,048 |
| Total Expenditure | 148,348 | 103,701 | - | - | 73,760 | 21,777 | 10,933 | 358,519 |
| | | | | | | | | |
| Net Expenditure | 105,083 | 76,560 | - | - | 36,762 | 12,096 | 5,142 | 235,643 |
| | | | | | | | | |
| Directorate Income and Expenditure | Education, Leisure and Lifelong Learning | Social Services and Health | Housing General Fund | Housing HRA | Environment | Finance and Corporate Services | Chief Executive | Total |
| Comparative Figures | | | | | | | | |
| 2010/11 Restated | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges and other service income | (23,953) | (18,593) | (2,197) | (26,920) | (27,226) | (10,476) | (3,432) | (112,797) |
| Government grants | (17,452) | (5,268) | (2,194) | (406) | (12,707) | (1,530) | (2,347) | (41,904) |
| Total Income | (41,405) | (23,861) | (4,391) | (27,326) | (39,933) | (12,006) | (5,779) | (154,701) |
| | | | | | | | | |
| Employee expenses | 96,509 | 42,033 | 2,728 | 3,454 | 19,744 | 14,926 | 7,200 | 186,594 |
| Other service expenses | 44,897 | 46,209 | 2,705 | 21,827 | 55,795 | 6,114 | 2,012 | 179,559 |
| Support service recharges | 5,736 | 6,840 | 5 | 3,223 | 1,581 | 3,049 | 2,129 | 22,563 |
| Total Expenditure | 147,142 | 95,082 | 5,438 | 28,504 | 77,120 | 24,089 | 11,341 | 388,716 |
| | | | | | | | | |
| Net Expenditure | 105,737 | 71,221 | 1,047 | 1,178 | 37,187 | 12,083 | 5,562 | 234,015 |

NOTES TO THE ACCOUNTS

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| Restated 2010/11 £000 | | 2011/12 £000 |
|--------------------------------------|--|-------------------------|
| 234,015 | Net expenditure in the Directorate Analysis | 235,643 |
| 1 | Net expenditure of services and support services not included in the Analysis | -3 |
| (47,983) | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 62,469 |
| (541) | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | -434 |
| 185,492 | Cost of Services in Comprehensive Income and Expenditure Statement | 297,675 |

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

| 2011/12 | Directorate Analysis | Services and Support Services not in Analysis | Amounts not reported to management for decision making | Discontinu ed Operations | Cost of Services Sub Total | Corporate Amounts | Total |
|--|-------------------------|--|--|--------------------------------|--------------------------------------|----------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges and other service income | (83,990) | (16,837) | (3,175) | | (104,002) | | (104,002) |
| Interest and investment income | | | | | | (1,478) | (1,478) |
| Income from council tax & NNDR | | | | | | (97,447) | (97,447) |
| Government grants and contributions | (38,886) | | (49,867) | | (88,753) | (213,705) | (302,458) |
| Total Income | (122,876) | (16,837) | (53,042) | - | (192,755) | (312,630) | (505,385) |
| Employee expenses | 179,412 | | (8,815) | | 170,597 | | 170,597 |
| Other service expenses | 158,059 | 1,974 | 107,189 | | 267,222 | | 267,222 |
| Support Service recharges | 21,048 | 14,860 | | | 35,908 | | 35,908 |
| Depreciation, amortisation and impairment | | | 16,703 | | 16,703 | | 16,703 |
| Interest Payments | | | | | | 15,748 | 15,748 |
| Precepts and Levies | | | | | | 15,660 | 15,660 |
| Gain or Loss on Disposal of Fixed Assets | | | | | | 444 | 444 |
| Total expenditure | 358,519 | 16,834 | 115,077 | | 490,430 | 31,852 | 522,282 |
| Surplus or deficit on the provision of services | 235,643 | (3) | 62,035 | | 297,675 | (280,778) | 16,897 |

| 2010/11 Comparative Figures | | | | | | | |
|--|------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Fees, charges and other service income | (112,797) | (16,543) | (18,831) | 27,134 | (121,037) | (250) | (121,287) |
| Interest and investment income | - | - | - | - | - | (2,095) | (2,095) |
| Income from council tax & NNDR | - | - | - | - | - | (101,825) | (101,825) |
| Government grants and contributions | (41,904) | (46,671) | (169) | 406 | (88,338) | (221,770) | (310,108) |
| Surplus/Deficit of Discontinued Operations | | | | | | (372,602) | (372,602) |
| Total Income | (154,701) | (63,214) | (19,000) | 27,540 | (209,375) | (698,542) | (907,917) |
| Employee expenses | 186,594 | - | (77,096) | (3,500) | 105,998 | - | 105,998 |
| Other service expenses | 179,559 | 48,188 | 17,051 | (22,773) | 222,025 | - | 222,025 |
| Support Service recharges | 22,563 | 14,915 | - | (3,266) | 34,212 | - | 34,212 |
| Depreciation, amortisation and impairment | - | - | 42,936 | (10,304) | 32,632 | 424,753 | 457,385 |
| Interest Payments | - | - | - | - | - | 26,482 | 26,482 |
| Precepts and Levies | - | - | - | - | - | 15,599 | 15,599 |
| Gain or Loss on Disposal of Fixed Assets | - | - | - | - | - | (568) | (568) |
| Surplus/Deficit of Discontinued Operations | | | | | | 378,105 | 378,105 |
| Total expenditure | 388,716 | 63,103 | (17,109) | (39,843) | 394,867 | 844,371 | 1,239,238 |
| Surplus or deficit on the provision of services | 234,015 | (111) | (36,109) | (12,303) | 185,492 | 145,829 | 331,321 |

NOTES TO THE ACCOUNTS

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:

| 2010/11 £000 | | | 2011/12 £000 |
|-------------------------|-------------------|---|-------------------------|
| (974) 1,060 86 | Catering Services | Turnover Expenditure Deficit | (944) 1,034 90 |
| (735) 735 - | Trade Refuse | Turnover Expenditure Break Even (excluding full overheads) | (953) 953 - |

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public for example; refuse collection, whilst others are support services to the Authority's services to the public, such as schools catering.

27. AGENCY SERVICES

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.

| 2010/11 £000 | | 2011/12 £000 |
|-------------------------|--|-------------------------|
| 46,250 | Expenditure – fully reimbursed by Welsh Government | 47,972 |

NOTES TO THE ACCOUNTS

28. POOLED BUDGETS – JOINT EQUIPMENT STORE

Neath Port Talbot County Borough Council is the lead Authority in a pooled budget arrangement with ABM University Health Board for the provision of equipment to assist people to live at home.

| 2010/11 | | | 2011/12 | |
|---------|-------|--|---------|-------|
| £000 | £000 | | £000 | £000 |
| (34) | (174) | Funding provided to the pooled budget: | (52) | (209) |
| (140) | | The Authority | (157) | |
| | | The Health Trust | | |
| | | Expenditure met from the pooled budget: | | |
| 24 | | The Authority | 52 | |
| (16) | | The Health Trust – Note 1 | (7) | |
| | 8 | | | 45 |
| | (166) | Net (surplus) / deficit arising on the pooled budget during the year | | (164) |
| | (10) | Authority share of the net surplus arising on the pooled budget | | 0 |

Note 1

A credit was received by the Health Trust for the recycling of used items of equipment from previous years

29. MEMBERS ALLOWANCES

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

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|----------------------------------|-----------------|
| 962 | Basic Allowance | 958 |
| 280 | Special Responsibility Allowance | 268 |
| 13 | Expenses | 11 |
| 1,255 | Total | 1,237 |

NOTES TO THE ACCOUNTS

30. OFFICERS REMUNERATION

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

| | | Salary, Fees and Allowances £ | Expenses Allowances £ | * Employers Pension Contribution £ | Total £ |
|--|---------|----------------------------------|--------------------------|---------------------------------------|------------|
| Chief Executive ⁺ | 2011/12 | £129,725 | £58 | £18,810 | £148,593 |
| | 2010/11 | £134,253 | £0 | £20,272 | £154,525 |
| Director of Environment | 2011/12 | £101,819 | £417 | £14,764 | £117,000 |
| | 2010/11 | £100,276 | £0 | £15,142 | £115,418 |
| Director of Social Services, Health and Housing | 2011/12 | £101,216 | £0 | £14,676 | £115,892 |
| | 2010/11 | £101,214 | £0 | £15,283 | £116,497 |
| Director of Education and Lifelong Learning [#] | 2011/12 | £115,038 | £150 | £16,681 | £131,869 |
| | 2010/11 | £108,618 | £1,028 | £16,401 | £126,047 |
| Director of Finance and Corporate Services | 2011/12 | £106,338 | £150 | £15,419 | £121,907 |
| | 2010/11 | £108,918 | £150 | £16,447 | £125,515 |

There were no employees whose salary exceeded £150,000 per annum.

* The Employers pension contribution of 14.5% (15.1% in 2010/11) excludes any deficit contribution to the fund and represents the normal contribution required for the year.

+ The remuneration above does not include remuneration for the Chief Executive in his role as Returning Officer. These costs, which are based on rates defined by the respective election bodies, are not paid by the Council.

The 2011/12 remuneration above includes £6,000 which was funded by Blaenau Gwent and is not included in the Neath Port Talbot CBC expenditure.

The number of employees whose remuneration, excluding employers pension contributions, was £60,000, or more, in bands of £5,000, were:

| Remuneration band | | | 2011/12 Number of employees | 2010/11 Number of employees |
|-------------------|---|----------|--------------------------------|--------------------------------|
| £60,000 | - | £64,999 | 13 | 16 |
| £65,000 | - | £69,999 | 8 | 7 |
| £70,000 | - | £74,999 | 12 | 11 |
| £75,000 | - | £79,999 | 5 | 16 |
| £80,000 | - | £84,999 | 3 | 2 |
| £85,000 | - | £89,999 | 3 | 2 |
| £90,000 | - | £94,999 | 1 | - |
| £100,000 | - | £104,999 | 2 | 2 |
| £105,000 | - | £109,999 | 1 | 2 |
| £115,000 | - | £119,999 | 1 | - |
| £125,000 | - | £129,999 | 1 | - |
| £130,000 | - | £134,999 | - | 1 |
| £145,000 | - | £149,999 | 1 | - |
| | | | 51 | 59 |

NOTES TO THE ACCOUNTS

There were five employees included in 2010/11 who received compensation payments bringing them over the £60,000 threshold.

The 2010/11 figures included two Heads of Service that have retired and the posts deleted; a further Head of Service left the Authority as part of the stock transfer to NPT Homes.

As a result of a voluntary redundancy scheme during the financial year, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

| Remuneration band | | | 2011/12 Number of employees | 2010/11 Number of employees |
|-------------------|---|----------|-----------------------------------|-----------------------------------|
| £60,000 | - | £64,999 | 3 | - |
| £65,000 | - | £69,999 | 4 | - |
| £70,000 | - | £74,999 | 4 | - |
| £75,000 | - | £79,999 | 4 | - |
| £80,000 | - | £84,999 | 1 | - |
| £85,000 | - | £89,999 | 2 | - |
| £95,000 | - | £99,999 | 1 | - |
| £105,000 | - | £109,999 | 1 | - |
| | | | 20 | - |

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 | |
|------------------------------|---|-----------|--------------------------------------|------------|--|------------|--|-----------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 £000 | 2011/12 £000 |
| £0 - £20,000 | 0 | 34 | 53 | 120 | 53 | 154 | 259 | 1,201 |
| £20,001 - £40,000 | 0 | 1 | 5 | 90 | 5 | 91 | 151 | 2,656 |
| £40,001 - £80,000 | 0 | 0 | 6 | 14 | 6 | 14 | 358 | 665 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 35 | 64 | 224 | 64 | 259 | 768 | 4,522 |

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:

NOTES TO THE ACCOUNTS

| 2010/11 £000 | External Audit Costs | 2011/12 £000 |
|-----------------|--|-----------------|
| 206 | Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year | 153 |
| 137 | Fees payable to Wales Audit Office for statutory work carried out under the local government measure | 132 |
| 146 | Fees payable to Wales Audit Office for the certification of grant claims and returns for the year | 169 |
| 489 | Total | 454 |

32. GRANT INCOME

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

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|---|-----------------|
| | Credited to Taxation and Non Specific Grant Income | |
| 1,466 | Improvement Agreement Grant | 1,460 |
| 160,119 | Revenue Support Grant | 164,063 |
| 6,430 | Harbour Way Peripheral Distributor Road (PDR) Grant | 35,761 |
| - | Dwr Y Felin Comprehensive School Single Site | 5,872 |
| 1,250 | Victoria Gardens | - |
| - | Cycling Centre of Excellence | 526 |
| 10,340 | Other capital grants | 6,950 |
| 5,724 | Housing - Major Repairs Allowance | - |
| 36,441 | NPT Homes – Grant for repayment of External Loans | - |
| 221,770 | Total | 214,632 |
| | Credited to Services | |
| 2,113 | Housing Renewal area grants | 1,325 |
| 443 | Other Deferred Revenue grants | - |
| 750 | Better Schools Fund Grant | - |
| 2,170 | Cymorth Grant – Education | 1,894 |
| 1,343 | Post 16 Provision in schools grant | 1,328 |
| 1,961 | Flying Start Grant | 1,957 |
| 3,466 | Foundation Phase Grant | 4,077 |
| - | School Effectiveness Grant | 1,205 |
| - | European Union grants for education | 1,196 |
| 8,073 | Other Education Grants | 6,442 |
| 2,680 | Concessionary Fares Re-imbursement Grant | 2,986 |
| 590 | Other Highways Grants | 575 |
| 6,104 | Social Services Grants | 4,553 |
| 29,182 | Mandatory Rent allowances grant | 49,200 |
| 17,520 | Mandatory Rent Rebates Grant | 323 |
| 2,194 | Supporting People Grant | 2,724 |
| 3,136 | Waste Grant | 3,084 |
| 1,324 | Community Purpose Grant | 525 |
| 1,222 | Recreation and Sports Grant | 1,046 |
| 4,067 | Other Services Grants | 9,813 |
| 88,338 | Total | 94,253 |

NOTES TO THE ACCOUNTS

The Authority has received grants that have yet to be recognised as income as they have conditions attached to them:

| 31st Mar 11 £000 | | 31st Mar 12 £000 |
|--|---|--|
| 15,239 | Capital Grants Receipts in Advance Harbour Way (PDR2) | 10,211 |

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 effective control 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 received from government departments are set out in the subjective analysis in Note 25 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2012 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 29.

During 2011/12 a taxi firm owned by a Member of the Authority had a contract with the Authority for the provision of specified taxi services. This contract was entered into in full compliance with the Authority's Standing Orders. Also during 2011/12, another Member had vending machines located in a small number of Council establishments. During 2011/12 Grwp Gwalia, the employer of another Member, had contracts with the Authority for the provision of housing and support services. In addition, various grants were paid to voluntary organisations in which Members have an interest. The grants 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 Director of Finance and Corporate Services, together with the Head of Property and Regeneration, are paid directors of Neath Port Talbot Waste Management Company Ltd and Neath Port Talbot Recycling Ltd who are the companies which provide waste disposal services to Neath Port Talbot County Borough Council.

The Director of Finance and Corporate Services and the Head of Property and Regeneration are both unpaid directors of Neath Port Talbot (Green Energy) Ltd and Green Energy (South Wales) Ltd. Both companies are non trading and have been established to develop an alternative solution for the disposal of waste for Neath Port Talbot County Borough Council.

NOTES TO THE ACCOUNTS

The Director of Finance and Corporate Services is the paid treasurer, the Head of Legal Services is the paid clerk and the Director of Environment is the paid technical officer to the Margam Crematorium Joint Service. These payments will not be made from April 2012.

The Chief Executive of the Authority is an unpaid appointed director of Coed Darcy Ltd.

The Director of Environment is an unpaid appointed director of Coed Darcy Ltd. Coed Darcy Ltd has responsibility for overseeing the development of the former BP site at Llandarcy. He is also an unpaid board member of the Neath Harbour Port Authority.

The Chief Executive and the Director of Environment are both unpaid appointed directors of Baglan Bay Company Ltd. This Company 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.

The Director of Social Services, Health and Housing is an unpaid shareholder representative for the Neath Port Talbot Home Inspection Services Ltd, whilst the Head of Community Care is one of the unpaid directors.

Head of Legal Services, due to his past membership of the board of Neath Port Talbot Community Transport, does not advise on any matters relating thereto.

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 Head of Property and Regeneration is a board member of the Neath Canal Company which oversees the running and development of the canal network within the Authority's boundary.

Companies

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 Authority has made a loan to the waste management company to assist with cashflow and consequently has a debtor totalling £206,862 at 31st March 2012 (inclusive of interest) relating to the company (£831,862 at 31st March 2011).

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 2011/12 on behalf of Neath Port Talbot CBC and Bridgend CBC of £7.317m (£7.88m in 2010/11) and received income from Bridgend CBC. There were no outstanding balances at 31st March 2012.

Home Inspection Services

The Authority established a company in 2007 which provides a range of building/property services. The company issued £1,000 of share capital which is 100% owned by the Authority. The board of the company consists of four unpaid Authority staff who have full decision making powers. The day to day operations are carried out by seconded employees from the Council whose costs are recovered. Information on turnover is not currently available as the company has a different accounting year end.

NOTES TO THE ACCOUNTS

Leisure Trust

The Authority formed the Trust to manage its indoor leisure activities. The Trust is an industrial provident society with the Authority's board membership limited to 20%. The Authority pays the Trust an annual management fee to run the service (excluding the structural maintenance of buildings) which for 2011/12 was £1.81m (£1.87m in 2010/11). There are no outstanding balances at 31st March 2012.

Neath Port Talbot Homes

Neath Port Talbot Homes is an industrial provident charitable organisation which was established in 2011 to take ownership and management of council housing in Neath Port Talbot. It is run by a voluntary Board made up equally of five tenants, five Councillors and also five independent people. The Authority paid Neath Port Talbot Homes £225,000 in 2011/12; £141,000 of this relates to supporting people charges. In 2011/12 the Authority received £1.9 million from Neath Port Talbot Homes for support services provided. There was a £587,000 outstanding balance owed by Neath Port Talbot Homes on the 31st March 2012.

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.

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| | Capital Investment | |
| 23,287 | Property, Plant and Equipment | 67,141 |
| - | Investment Properties | - |
| - | Intangible Assets | - |
| 7,459 | Revenue Expenditure Funded From Capital Under Statute | 8,984 |
| 6,345 | Non Enhancement Expenditure – Chargeable against Services | - |
| 6,624 | Non Enhancement Expenditure – Chargeable against the Revaluation Reserve | - |
| 43,715 | | 76,125 |
| | Sources Of Finance | |
| (24,411) | Government Grants and Other Contributions | 54,113 |
| (11,539) | Loans | 17,356 |
| (7,117) | Reserves | 853 |
| (212) | Capital Receipts | 2,550 |
| (436) | Direct Revenue Contributions | 1,253 |
| (43,715) | | 76,125 |

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.

NOTES TO THE ACCOUNTS

| 2010/11 £000 | | 2011/12 £000 |
|------------------|--|------------------|
| (219,692) | Opening Capital Financing Requirement (CFR) | (188,944) |
| (7,022) | Increase In Underlying Need To Borrow (Supported By Government Financial Assistance) | (5,155) |
| (4,517) | Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance) | (12,201) |
| - | Assets Acquired Under Finance Leases | - |
| - | Assets Acquired Under PFI/PPP Contracts | - |
| 32,782 | Housing Repayment | - |
| 8,873 | Minimum Revenue Provision and prudential borrowing | 8,576 |
| 632 | Set Aside Receipts | - |
| (188,944) | Closing Capital Financing Requirement (CFR) | (197,724) |

35. LEASES

Authority as Lessee

Finance Leases

The Authority has recognised the existence of two finance leases in its 2011/12 Accounts, which had previously been categorised as operating leases.

The assets acquired under such leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts which were subject to revaluation as at 31st March 2012.

| | 31 st Mar 12 £000 |
|--------------------------|---------------------------------|
| Other Land and Buildings | 3,051 |

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:

| | 31 st Mar 12 £000 |
|---|---------------------------------|
| Finance Lease Liabilities | |
| Current | 10 |
| Non current | 958 |
| Finance lease costs payable in future years | 1,185 |
| Minimum Lease Payments | 2,153 |

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

NOTES TO THE ACCOUNTS

| | Minimum Lease Payment 31st Mar 12 £000 | Finance Lease Liability 31st Mar 12 £000 |
|-------------------------|--|--|
| Not later than one year | 55 | 10 |
| Between 1 and 5 years | 221 | 43 |
| Later than 5 years | 1,877 | 915 |
| | 2,153 | 968 |

As these leases were recognised in the Accounts during 2011/12 no comparative figures for the 31st March 2011 have been included.

Operating Leases

The Authority currently leases property under operating lease agreements ranging from office buildings to industrial units and land.

The Authority has acquired various vehicles and items of plant and equipment by entering into operating lease agreements. The future lease payments are:

| 31st Mar 11 £000 | | 31st Mar 12 £000 |
|--|-------------------------|--|
| 9 | Not later than one year | 9 |
| 9 | Between 1 and 5 years | - |
| - | Later than 5 years | - |
| 18 | | 9 |

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 2010/11 was £1,142,000 and in 2011/12 was £1,060,000. The leases are short term by nature and future income streams will be affected by external factors most noticeably economic conditions and therefore cannot be estimated with certainty.

NOTES TO THE ACCOUNTS

36. 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 2011/12, the Council paid £6.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2010/11 were £6.6m and 14.10%.

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 37.

37. 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 needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by the City and County of Swansea – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- 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 pensions payments as they eventually fall due.

Transactions Relating to Post employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the 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 Scheme | | Discretionary Benefits Arrangements | |
|---|---------------------------------|----------------|-------------------------------------|---------------|
| | 2011/12 £m | 2010/11 £m | 2011/12 £m | 2010/11 £m |
| Comprehensive Income and Expenditure Statement | | | | |
| Cost of Services: | | | | |
| current service cost | 17.03 | 20.27 | - | - |
| past service costs | 0.80 | (73.82) | 0.05 | (3.14) |
| settlements and curtailments | (2.18) | (6.79) | | |
| Financing and Investment Income and Expenditure | | | | |
| Interest cost | 34.40 | 37.52 | 1.81 | 1.95 |
| expected return on scheme assets | (29.01) | (26.94) | | |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 21.04 | (49.76) | 1.86 | (1.19) |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | |
| actuarial gains and losses | 83.87 | (34.73) | 2.75 | (1.13) |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 104.91 | (84.49) | 4.61 | (2.32) |
| Movement in Reserves Statement | | | | |
| reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (104.91) | 84.49 | (4.61) | 2.32 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | |
| employers' contributions payable to scheme | 19.25 | 20.05 | | - |
| retirement benefits payable to pensioners | - | - | 2.67 | 2.74 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2012 is a loss of £326.55m.

Assets and Liabilities in Relation to Post employment Benefits

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

NOTES TO THE ACCOUNTS

| | Funded liabilities: Local Government Pension Scheme | | Unfunded liabilities: Discretionary Benefits | |
|---|--|-----------------------|---|-----------------------|
| | 2011/12 £m | 2010/11 £m | 2011/12 £m | 2010/11 £m |
| Opening balance at 1 st April | (632.95) | (735.46) | (34.27) | (39.33) |
| Current service cost | (17.03) | (20.27) | - | - |
| Interest cost | (34.40) | (37.52) | (1.81) | (1.95) |
| Contributions by scheme participants | (5.47) | (6.17) | | - |
| Actuarial gains and (losses) | (54.31) | 45.65 | (2.75) | 1.13 |
| Benefits paid | 15.12 | 14.72 | 2.67 | 2.74 |
| Past service costs | (0.80) | 73.82 | (0.05) | 3.14 |
| Entity combinations | - | - | - | - |
| Curtailments | - | - | - | - |
| Settlements | 15.83 | 32.28 | | - |
| Closing balance at 31 st March | (714.01) | (632.95) | (36.21) | (34.27) |

Reconciliation of fair value of the scheme (plan) assets:

| 2010/11 £m | | 2011/12 £m |
|-----------------------|---|-----------------------|
| 390.29 | Opening balance at 1 st April | 392.32 |
| 26.94 | Expected rate of return | 29.01 |
| (10.92) | Actuarial gains and (losses) on assets | (29.56) |
| 20.05 | Employer contributions | 19.25 |
| 6.17 | Contributions by scheme participants | 5.47 |
| (14.72) | Net benefits paid out | (15.12) |
| - | Entity combinations | - |
| (25.49) | Settlements | (13.65) |
| 392.32 | Closing balance at 31st March | 387.72 |

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

The actual return on scheme assets in the year was a loss of £0.55m. In 2010/11 this was a gain of £16.02m.

NOTES TO THE ACCOUNTS

Scheme History

| | 2007/08 £m | 2008/09 £m | 2009/10 £m | 2010/11 £m | 2011/12 £m |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present value of liabilities: | | | | | |
| Local Government Pension Scheme | (476.61) | (526.12) | (735.46) | (632.95) | (714.01) |
| Discretionary Benefits | (35.41) | (36.60) | (39.33) | (34.27) | (36.21) |
| Total | (512.02) | (562.72) | (774.79) | (667.22) | (750.22) |
| Less | | | | | |
| Fair value of assets in the Local Government Pension Scheme: | 321.56 | 278.68 | 390.29 | 392.32 | 387.72 |
| Total | (190.46) | (284.04) | (384.50) | (274.90) | (362.50) |
| Equals | | | | | |
| Surplus/(deficit) in the scheme: | | | | | |
| Local Government Pension Scheme | (155.05) | (247.44) | (345.17) | (240.63) | (326.29) |
| Discretionary Benefits | (35.41) | (36.60) | (39.33) | (34.27) | (36.21) |
| Total | (190.46) | (284.04) | (384.50) | (274.90) | (362.50) |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total pension liability of £362.50m has a substantial impact on the overall net worth of the Council as recorded in the Balance Sheet, resulting in a Council wide overall balance of £98.756m at 31st March 2012. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, that is, before payments fall due, as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2013 is £19.01m. Expected contributions for the Discretionary Benefits schemes in the year to 31st March 2013 are £1.33m for the LGPS Scheme and £1.43m for Teachers.

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 31st March 2010.

NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

| | Local Government Pension Scheme | | Discretionary Benefits | |
|--|---------------------------------|---------|------------------------|---------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| Long term expected rate of return on assets in the scheme: | | | | |
| Equity investments | 8.1% | 8.4% | - | - |
| Bonds: | | | | |
| Government | 3.1% | 4.4% | - | - |
| Corporate | 3.7% | 5.1% | - | - |
| Cash | 1.8% | 1.5% | - | - |
| Property | 7.6% | 7.9% | - | - |
| Other | 8.1% | 8.4% | - | - |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| Men | 21.6 | 21.5 | 21.6 | 21.5 |
| Women | 23.8 | 23.7 | 23.8 | 23.7 |
| Longevity at 65 for future pensioners: | | | | |
| Men | 23.4 | 23.3 | | - |
| Women | 25.7 | 25.6 | | - |
| Rate of inflation: | | | | |
| RPI | 3.6% | 3.7% | 3.4% | 3.6% |
| CPI | 2.6% | 2.8% | 2.4% | 2.7% |
| Rate of increase in salaries | 5.1% | 5.2% | - | - |
| Rate of increase in pensions | 2.6% | 2.8% | 2.4% | 2.7% |
| Rate for discounting scheme liabilities | 4.8% | 5.4% | 4.6% | 5.5% |
| Take-up of option to convert annual pension into retirement lump sum: | | | | |
| Pre 2010 | 50% | 50% | | - |
| Post 2010 | 75% | 75% | | - |

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

| 31 st Mar 11 % | | 31 st Mar 12 % |
|------------------------------|--------------------|------------------------------|
| 69.9 | Equity investments | 68.4 |
| 3.3 | Property | 4.1 |
| | Bonds: | |
| 13.9 | Government | 15.3 |
| 1.8 | Corporate | 1.8 |
| 5.7 | Cash | 4.9 |
| 5.4 | Other | 5.5 |

NOTES TO THE ACCOUNTS

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Differences between the expected and actual return on assets | (10.08) | (26.80) | 21.50 | (2.80) | (7.60) |
| Experience gains and (losses) on liabilities | (1.34) | (0.40) | 0.70 | 4.10 | (0.60) |

38. CONTINGENT LIABILITIES AND ASSETS

Liability - Municipal Mutual Insurance (MMI)

MMI ceased writing insurance business on 30th 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 is unlikely to be achieved then the Scheme of Arrangement will be triggered, which may mean the Council will become liable to repay an element of payments of claims covered by the Scheme.

At this stage, it is still not clear whether the Scheme will be triggered as MMI hold substantial assets and it is likely to be some time before these run out. Also, it is still not clear how, if the scheme is triggered, the clawback would operate.

At 31st March 2012, the Scheme of Arrangement in relation to Port Talbot Borough Council had carried forward claims payments of £14,000 with three outstanding claims estimated at £22,000, whilst the former Neath Borough Council has claims payments carried forward of £642,000 and no outstanding claims. No provision has been made in the balance sheet for these amounts.

Liability - Equal Pay Back Pay

As a result of retrospective legislation compensation payments made during 2008/09 could now be classified as pensionable. Clarification is currently being sought on this issue but this will not be concluded in time for the completion of the accounts. Due to the ongoing uncertainty no allowance has been made in the accounts for this issue, the sum involved is between £182,000 to £269,000

Asset – VAT and Trade Waste

HMRC now consider the provision of trade waste collection services to be non-business instead of subject to VAT. As a result, the Council may be able to reclaim VAT but the likelihood and value of this is unknown at this stage.

39. TREASURY MANAGEMENT INVESTMENTS - ICELANDIC BANK DEFAULTS

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Authority had £20m deposited across four of these institutions as follows:

NOTES TO THE ACCOUNTS

| Bank | Original Principal Amount Invested | Balance Sheet Carrying Amount | Impairment |
|--|---|--|-------------------|
| | £m | £m | £m |
| Heritable Bank Ltd | 9.000 | 1.772 | 2.079 |
| Kaupthing Singer & Friedlander Ltd (KSF) | 3.000 | 0.604 | 0.778 |
| Landsbanki Islands hf | 6.000 | 3.638 | 1.650 |
| Glitnir Bank hf | 2.000 | 0 | 0.398 |
| TOTAL | 20.000 | 6.014 | 4.905 |

| | | |
|--|-----------|--------------|
| Original Investments made | £m | £m |
| Less Repaid to 31 st March 2012: | | 20.000 |
| Heritable Bank Ltd | (6.210) | |
| Kaupthing Singer & Friedlander Ltd (KSF) | (1.944) | |
| Landsbanki Islands hf | (1.869) | |
| Glitnir Bank hf | (2.000) | |
| | | (12.023) |
| Net Investment o/s (excluding interest) | | 7.977 |

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

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to make an impairment adjustment for the deposits and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

The dates and amounts of likely recoveries for each of the four banks are based on the latest CIPFA accounting advice issued in June 2012 – Local Authority Accounting Panel Note 82, Update No 6.

Heritable Bank Ltd

Heritable Bank is a UK registered bank under Scottish law. The company was placed into administration on 7th October 2008. The current position on actual payments received and estimated future payouts is shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 88p in the £.

| Date | Repayment |
|------------------|------------------|
| Received to date | 67.90% |
| April 2012 | 3.79% |
| July 2012 | 3.50% |
| October 2012 | 3.50% |
| January 2013 | 3.50% |
| April 2013 | 5.81% |

NOTES TO THE ACCOUNTS

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

Kaupthing Singer and Friedlander Ltd (KSF)

KSF is a UK registered bank under English law. The current position on actual payments received and estimated future payouts is as shown in the table. The Authority has decided to recognise an impairment based on it recovering 83.5p in the £.

| Date | Repayment |
|------------------|------------------|
| Received to date | 63.00% |
| May 2012 | 10.00% |
| January 2013 | 5.00% |
| January 2014 | 5.50% |

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 7th October 2008.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of the Old Landsbanki being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts is as shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 100p in the £.

| Date | Repayment |
|------------------|------------------|
| Received to date | 30.0% |
| May 2012 | 12.2% |
| December 2012 | 7.0% |
| December 2013 | 7.0% |
| December 2014 | 7.0% |
| December 2015 | 7.0% |
| December 2016 | 7.0% |
| December 2017 | 7.0% |
| December 2018 | 7.0% |
| December 2019 | 8.8% |

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.

NOTES TO THE ACCOUNTS

- Recoveries are expressed as a percentage of the Authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.4%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The distribution has been made in full settlement, representing 100% of the claim.

Foreign exchange risk in Relation to Icelandic Deposits

The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landsbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

Accounting for Impairment

The total impairment net of assumed investment interest recognised in the Income and Expenditure Account in 2011/12 of £1.9m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The expiry of the regulations requires the Authority to charge the full impairment in 2011/12.

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

Key Risks

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

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

NOTES TO THE ACCOUNTS

Overall Procedures For Managing Risk

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

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial 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 Full Council on 2nd March 2011 (updated in December 2011) 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.

NOTES TO THE ACCOUNTS

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:

Maturities up to a maximum of 1 year (Specified Investments)

| | Minimum 'High' Credit Criteria | Funds Managed | Max Amount | Max Duration |
|---|---|---------------|---|--------------|
| Fixed term deposits with fixed rate and fixed maturity | | | | |
| Debt Management Agency Deposit Facility | N/A | In-house | Unlimited | 1 year |
| Term deposits – Local Authorities | N/A | In-house | £10m | 1 year |
| Term deposits – UK Banks / Building Societies | Fitch short-term rating F1+ with support rating of 1 | In-house | £20m | 1 year |
| Term deposits – UK Banks / Building Societies | Fitch short-term rating F1+ | In-house | £15m | 1 year |
| Term deposits – Nationalised and Part Nationalised UK Bank/Building Societies | Fitch short-term rating F1+ with support rating of 1 | In-house | £12m | 1 year |
| Term deposits – non UK banks | Fitch short-term rating F1+ | In-house | £5m | 6 months |
| Term deposits – Banks | Fitch short-term rating F1+ with a support rating of 1 and a stable outlook | In-house | £10m | 6 months |
| Term deposits – Building Societies | Fitch short-term rating F1+ with a support rating of 1 and a stable outlook | In-house | £10m | 6 months |
| Fixed term deposits with variable rate and variable maturities | | | | |
| Callable deposits | Fitch short-term rating F1 or F1+ | In-house | Criteria as above with the addition of a £3m limit for the Council's bankers who are currently Santander. | |

NOTES TO THE ACCOUNTS

Maturities in excess of 1 year (Non-Specified Investments)

| | Minimum Credit Criteria | Funds Managed | Max Investment | Max Maturity Period |
|---|--------------------------|---------------|-------------------|---------------------|
| Fixed term deposits with fixed rate and fixed maturity | | | | |
| 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 |
| Fixed term deposits with variable rate and variable maturities | | | | |
| Callable deposits | Fitch long-term rating A | In-house | Criteria as above | |

The Council also has the ability to invest in certain overseas countries but currently limits its investments to UK based institutions.

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

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

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.

However, the Authority did have investments with the failed Icelandic banks who, despite meeting the credit criteria, collapsed and went into administration in October 2008

NOTES TO THE ACCOUNTS

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

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

| 31st Mar 11 £m | | 31st Mar 12 £m |
|--|-------------------------|--|
| 3,575 | Current – up to 1 month | 5,451 |
| 545 | One to three months | 771 |
| 279 | Three to six months | 208 |
| 242 | Six months to one year | 576 |
| 1,770 | More than one year | 2,219 |
| 6,411 | Total | 9,225 |

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:

NOTES TO THE ACCOUNTS

| Actual 31 st Mar 11 £m | | Actual 31 st Mar 12 £m |
|---|------------------------|---|
| (2,596) | Less than 1 year | (14,238) |
| (984) | Between 1 and 2 years | (972) |
| (4,076) | Between 2 and 5 years | (7,649) |
| (22,461) | Between 5 and 10 years | (17,916) |
| (146,297) | More than 10 years | (146,297) |
| (176,414) | Total | (187,072) |

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. From this Strategy a treasury indicator is set 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 31st March 2012 would be:

NOTES TO THE ACCOUNTS

| | £000 |
|--|-------|
| Increase/decrease in interest received and credited to the CIES Account | 836 |
| Increase/decrease in external interest payable and debited to CIES Account | 1,748 |

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

Foreign Exchange Risk – The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landsbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

41. 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 |
|---------------------|----------------|-------------|
| 294 | (379) | (85) |

This Authority's share of the net equity within the crematorium balance sheet is £450,133.

South West Wales Integrated Transport Consortium

The Authority in conjunction with three neighbouring authorities has established a joint committee for the purpose of delivering an integrated transport strategy for the region (SWWITCH).

The assets belonging to the Committee are held by the host authority in trust for each of the constituent members in equal share. This Authority's contribution is in the form of officer's time and associated administrative costs.

NOTES TO THE ACCOUNTS

Archives

The Authority has established together with the City and County of Swansea a joint committee to undertake the running of the Archives service. The service is run by the City and County of Swansea and Neath Port Talbot's contribution for 2011/12 was £109,800.

This Authority's share of the reserves held by the City and Council of Swansea is £59,000

Joint Resilience Committee

The Authority has entered into a joint arrangement with the City and County of Swansea for the provision of emergency planning for civil contingencies. The Authority incurred costs of £82,500 in 2011/12.

South West Wales Regional Waste Management Committee

The Authority has set up a joint committee with five other neighbouring authorities to deliver an integrated waste management strategy for the region. The service is run by the City and County of Swansea and the total annual contribution of all participating authorities for 2011/12 was £373,350 of which the Authority's share was £32,067.

Any assets belonging to the Committee are held by the host authority in trust for each of the constituent members in equal share.

Waste Joint Arrangements

The Authority is partner to a joint arrangement with five other local authorities to develop a strategy around the generation of energy through the use of anaerobic digestion and the diversion of other waste. The total contribution for all participating authorities for 2011/12 was £50,000, with this Authority's share being £10,000. At 31st March, reserves of £186,984.50 were held and this is allocated in equal shares, giving Neath Port Talbot Council a holding of £37,397.

Legal Childcare

The Authority, in conjunction with the City and County of Swansea and Bridgend County Borough Council, has established a joint arrangement for the provision of legal services for childcare. Neath Port Talbot County Borough Council is the lead authority that employs the staff and provides the services then recharges the other two authorities with their share of the cost. Neath Port Talbot's share of the cost for 2011/12 was £820,840. 2011/12 is the final year for the joint arrangement, from 2012/13 each of the local authorities will operate their own childcare legal teams.

42. GROUP ACCOUNTS

As stated in the Explanatory foreword, no Group Accounts have been prepared on the basis of materiality.

However, the Authority does have a 100% shareholding in Neath Port Talbot Waste Management Company Ltd (NPTWM) who ran the former landfill site. NPTWM have a 100% shareholding in Neath Port Talbot Recycling Ltd which runs the Materials, Recovery and Energy Centre.

Included within the balance sheet of the Authority at 31st March 2012 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 £3.3m.

NOTES TO THE ACCOUNTS

The accounts for NPTWM (Registration Number 2633569) for 2011/12 are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

| Audited 2010/11 £000 | | Unaudited 2011/12 £000 |
|-------------------------------------|--------------------------|---------------------------------------|
| (545) | Net Assets/(Liabilities) | - |
| 536 | Net Profit/(Loss) | - |

The draft accounts for Neath Port Talbot (Recycling) Ltd. (Registration Number 3595980) for 2011/12 show:

| Audited 2010/11 £000 | | Unaudited 2011/12 £000 |
|-------------------------------------|--------------------------|---------------------------------------|
| (485) | Net Assets/(Liabilities) | (777) |
| (229) | Net Profit/(Loss) | (292) |

The accounts for both companies in 2011/12 reflect a management fee of £569,000 payable from NPT Recycling to NPT Waste Management.

The accounts for both companies can be obtained from Companies House in Cardiff upon completion of their respective audits.

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 1st April 2003. The average amount of council tax for a property in Band D in 2011/12 was £1,383.73. 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 45,838 (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 dwelling | 12,777 | 26,324 | 10,812 | 6,780 | 3,909 | 1,305 | 470 | 103 | 19 | 62,499 |

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 2011/12 was 42.8p (2010/11 40.9p). The Council is responsible for collecting rates due from businesses in its area but pays the proceeds into the NNDR pool administered by the Welsh

NOTES TO THE ACCOUNTS

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

In 2011/12, the total non domestic rateable value at the year end was 101.49m (2010/11 101.46m).

Significant Precepts or demands

An element of the council tax bill relates to funding which is paid over to other organisations. In 2011/12, the main demands and precepts were:

| Community Councils | £000 |
|---------------------------------|---------------|
| Blaengwrach | 36 |
| Blaenhonddan | 187 |
| Briton Ferry | 102 |
| Cilybebyll | 80 |
| Clyne and Melincourt | 16 |
| Coedffranc | 309 |
| Crynant | 38 |
| Cwmllynfell | 23 |
| Dyffryn Clydach | 44 |
| Glynneath | 118 |
| Gwaencaegurwen | 57 |
| Neath | 332 |
| Onllwyn | 18 |
| Pelenna | 15 |
| Pontardawe | 130 |
| Resolven | 38 |
| Seven Sisters | 38 |
| Tonna | 25 |
| Ystalyfera | 50 |
| | 1,656 |
| Other Levies and Demands | |
| South Wales Police Authority | 7,396 |
| Fire Authority | 6,608 |
| | 14,004 |

44. TRUST FUNDS

The County Borough Council 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 31st March are as follows:

NOTES TO THE ACCOUNTS

| 2010/11 £000 | Trust Funds | 2011/12 £000 |
|-------------------------|--------------------------------|-------------------------|
| 596 | Welsh Church Acts | 575 |
| 1,474 | Education Trust Funds (Note 1) | 1,488 |
| 61 | Social Services Trust Funds | 62 |
| 2,131 | | 2,125 |

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

| 2010/11 £000 | | 2011/12 £000 |
|-------------------------|-----------------------------|-------------------------|
| 1,077 | Investments at Market Value | 1,001 |
| 307 | Cash | 396 |
| 90 | Investments at Book Value | 91 |
| 1,474 | | 1,488 |

The Social Services Trust Funds are stated at book value.

Note 1:

The Accounts for 2011/12 are prepared on a receipts and payments basis as opposed to an accruals basis as the gross income of the charity is less than £100,000 per annum.

45. HERITAGE ASSETS - CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for property, plant and equipment.

The Council will recognise £0.786m of heritage assets that were not previously recognised in the Balance Sheet. This increase is recognised in the Revaluation reserve. The 1st April 2010 and 31st March 2011 Balance Sheets and 2010/11 comparative figures have been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

NOTES TO THE ACCOUNTS

Effect on Opening Balance Sheet 1st April 2010

| | Opening Balances as at 1st April 2010 | Restatement | Restatement required to opening balances as at 1st April 2010 |
|-----------------------------|---|--------------------|---|
| | £000 | £000 | £000 |
| Property, Plant & Equipment | 979,078 | 979,078 | - |
| Heritage Assets | - | 786 | 786 |
| Long-term assets | 990,535 | 991,321 | 786 |
| Total Net Assets | 446,152 | 446,938 | 786 |
| Unusable Reserves | (366,563) | (367,349) | 786 |
| Net Worth/Total Reserves | (446,152) | (446,938) | 786 |

The restated Balance Sheet for 2010/11 has not been shown as it has no material effect on the Balance Sheet.

Effect on the Comprehensive Income and Expenditure Statement

There were no impairments during 2010/11 and there has been no restatement of any of any of the line of the Comprehensive Income and Expenditure Statement.

Effect on the Movement in Reserves Statement – Unusable Reserves

| | As previously stated 31st March 2011 £000 | As restated 31st March 2011 £000 | Restatement 2011 £000 |
|--|---|--|--------------------------------------|
| Balance as at the end of the previous reporting period – 31 st March 2010 | - | - | - |
| Surplus or Deficit on the Provision of Services | - | - | - |
| Other Comprehensive Income and Expenditure | (34,243) | (34,243) | - |
| Adjustments between the accounting basis and the funding basis under regulations | - | - | - |
| Increase/(decrease) in year | - | - | - |
| Balance at the end of the current reporting period 31 st March 2011 | (63,342) | (64,128) | 786 |

NOTES TO THE ACCOUNTS

Effect on Balance Sheet 31st March 2011

| | As previously stated 31 st March 2011 £000 | As restated 31 st March 2011 £000 | Restatement 2011 £000 |
|-----------------------------|--|---|-----------------------------|
| Property, Plant & Equipment | 533,721 | 533,721 | - |
| Heritage Assets | - | 786 | 786 |
| Long-term assets | 540,576 | 541,362 | 786 |
| Total Net Assets | 148,667 | 149,453 | 786 |
| Unusable Reserves | (63,342) | (64,128) | 786 |
| Net Worth/Total Reserves | (148,667) | (149,453) | 786 |

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £0.786m on the Balance Sheet resulting in an increase to the Revaluation of reserve of £0.786m.

46. FORMER HOUSING REVENUE ACCOUNTS CAPITAL MOVEMENTS

Included within the exceptional items line of the Comprehensive Income and Expenditure Statement is £1.77m of non enhancing capital expenditure in relation to the construction of a property for occupancy by tenants of the former Housing Revenue Account. The exceptional item has occurred as a result of a contractual obligation and formed part of the legal document which transferred the Council's housing stock to Neath Port Talbot Homes.

This £1.77m has been reversed out of the Comprehensive Income and Expenditure Statement in line with the statutory accounting requirements and funded in full by the application of former Housing Revenue Account receipts.

47. EXCEPTIONAL ITEMS

The major items included for 2011/12 include the cost of setting up a provision for the cost of Housing Warranties following the transfer of council houses to NPT Homes and the capital commitment to complete a sheltered housing facility following the transfer to NPT Homes. These amount to over £3m and are offset by an accounting adjustment relating to the transfer of staff from the Council's element of the Pension Fund to Gwalia and impairment gains in relation to the Icelandic investments of £383,000.

In 2010/11, the adjustment related primarily to the pension implications of the staff transferring to NPT Homes.

48. NON DISTRIBUTED COSTS

Non Distributed Costs are costs that do not relate directly to the provision of a service and can include items such as the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale

NOTES TO THE ACCOUNTS

The significant charges in 2011/12 relate to losses and depreciation on surplus assets of £426,000 and adjustments for past service costs within the Pension Fund IAS 19 adjustments.

In 2010/11, this mainly related to an adjustment for negative past service costs following the transfer of staff to NPT Homes.

49. MISCELLANEOUS

The Comprehensive Income and Expenditure Statement includes a balancing figure of £1.289m which needs further analysis. The accounts are not materially affected by this but investigations will continue to improve the way in which the accounts are collated.

HOUSING REVENUE ACCOUNT

| Restated 1 st Apr 2010 to 3 rd Mar 2011 | | Income and Expenditure Account |
|---|-----------------|--|
| £000 | £000 | |
| 362,752 | | Expenditure |
| 74 | | Management and maintenance |
| 4,863 | | Rents, rates, taxes and other charges |
| 10,304 | | Negative HRA Subsidy payable |
| 7 | | Depreciation and impairment of non current assets |
| 36 | | Debt management costs |
| | | Movement in the allowance for bad debts |
| | 378,036 | Total Expenditure |
| (25,547) | | Income |
| (18) | | Dwelling rents |
| (690) | | Non dwelling rents |
| | | Charges for services and facilities |
| | (26,255) | Total Income |
| | | |
| | 351,781 | Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement |
| | 500 | HRA services' share of Corporate and Democratic Core |
| | 352,281 | Net Cost for HRA Services |
| | | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: |
| | (105) | (Gain) or loss on sale of HRA non-current assets |
| | 1,518 | Interest payable and similar charges |
| | (125) | Interest and investment income |
| | 391,970 | Other Operating Expenditure |
| | (346,347) | Development Agreement NPT Homes |
| | (5,724) | Capital grants and contributions receivable |
| | 393,468 | (Surplus) or deficit for the year on HRA services |
| | | |
| 2010/11 | | Movement on the HRA Statement |
| £000 | £000 | |
| | (12,044) | Balance on the HRA at 1st April 2010 |
| 393,468 | | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement |
| (394,495) | | Adjustments between accounting basis and funding basis under statute |
| (1,027) | | Net in year (increase) or decrease before transfers to or from reserves |
| (283) | | Transfers to or (from) reserves |
| | (1,310) | (Increase) or decrease in year on the HRA |
| | (13,354) | Balance on the HRA at 3rd Mar 2011 |

Note: There are no accounts for 2011/12 as on 4th March 2011, the Authority's Housing Service was transferred to NPT Homes, an Industrial Provident charitable organisation.

The 10/11 accounts are restated to take account of a creditor due to the Welsh Government which was identified as part of the HRA Subsidy claim prepared in August 2012.

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1. Scope of Responsibility

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

The 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 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.

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

The Council has approved and adopted a code of corporate governance which was reviewed during 2011/12 to ensure it is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have resulted in the delivery of appropriate, cost effective and efficient services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31st March 2012. The framework is described to reflect the arrangements in place to meet the core principles of effective governance.

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3. The Governance Framework

3.1 Core Principle 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

The Council and its partners are currently implementing the third Community Plan produced by the Neath Port Talbot Community Plan Partnership. It was published in April 2010 in accordance with section 39 of the Local Government (Wales) Measure 2009. All partners, including public, private and voluntary sector organisations are jointly committed to delivering the vision and priorities in the Plan, over a ten year period to 2020.

The Community Plan helped inform the Council's priorities encapsulated in the Corporate Plan which was published in April 2011 in accordance with Section 15 of the Local Government (Wales) Measure 2009 which discharges the Council's duties under sections 2(1), 3(2) and 8(7) of the Measure. The Corporate Plan sets out how the Council will continue to:

- Deliver quality services for local people over the next three years;
- Protect, to the maximum extent possible, the employment of our workforce; and
- At the same time, achieve significant financial savings so that legal requirements to deliver a balanced budget are met

The Plan describes the Council's priorities to ensure citizens receive high quality services whether directly, or in partnership, or by commissioning from others. In 2009, the Council embarked on a comprehensive Transformation Programme which provided the opportunity to concentrate on those priorities and actions that will protect important public services. These priorities were identified having considered a number of factors including areas where the Council was performing well/least well compared with other councils; areas that local people identified through the many different consultation exercises undertaken as being important locally; areas likely to reduce cost and initiatives that were likely to have the greatest impact on the overall wellbeing of our communities, as described in the Community Plan.

The Council has facilitated the Neath Port Talbot Local Service Board's response to the Welsh Government's consultation document "Shared Purpose – Shared Delivery". The overall purpose of the guidance is to facilitate the production of a single integrated plan (SIP), which will replace community strategies or plans and which local service boards will be required to publish by 1st April 2013. The SIP should set out clearly the vision, analysis, an action plan, enabling strategies for instance on engagement and give assurance with regards to local service board governance, performance management and scrutiny. A work programme for the preparation of the SIP by 1st April 2013 has been endorsed.

Overall the SIP requirements contained in the guidance align with what was anticipated and which has already been acted upon by for instance instigating the partnership rationalisation process. The Board is now the overarching partnership for the three existing statutory partnership plans and associated management/executive groups. It has also been acknowledged that the development of the SIP provides a learning and development opportunity for the Board.

In October 2011, the Council's second Annual Report was published which provided citizens with an overview of the Council's performance in delivering services during

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2010/11. This Annual Report is the Council's publication of improvement information, prepared under Section 15(3) of the Local Government (Wales) Measure 2009, which discharged the Authority's duties under sections 2(1), 3(2), 8(7) and 13(1) of the Measure.

To inform both the Corporate Plan and the Annual Report, services across the Council are required to prepare annual business plans as a means of achieving continuous improvement.

During 2011/12, the Council continued to implement the "systems thinking" methodology within services. This represents a cultural shift in the way the Council thinks about the design and management of its services. It starts by getting a clear understanding of "what matters" to the people who use our services, involving those employees who deliver the service. Employees, supported by their managers, critically analyse the current service to find out "what matters" and then they assess the Council's capability to deliver "what matters". Following the analysis the service is re-designed, focusing on those steps which are of value in customer terms, which releases capacity which can either be realised as cashable savings or re-invested in new or additional services. A large number of reviews have now been completed and a number of officers have been trained in the intervention methodology. In June 2011, a lessons learned event was held where representatives from all of the reviews were asked to identify "what has worked well" and "what hasn't worked so well". The feedback from the event demonstrated the Council has yet to reach a tipping point in changing its culture from pre-dominantly command and control to one based on system thinking principles. Following the workshop and our learning from reviews undertaken to date, a revised system intervention methodology has been developed.

To facilitate the sharing of learning, in August 2011, a lessons learned workshop was held to identify factors that enabled a smooth transfer of the Council's housing stock to NPT Homes and any other lessons learned that could be applied more generally within the Council. A post workshop report was produced which contains transferable issues to inform the management of future projects.

In 2009, the Council was one of the first councils in Wales to develop a Forward Financial Plan (FFP). This plan set out how the Council would fund its operations covering the period 2009/10 to 2013/14 and gave the Council a firm footing to plan the improvements it wanted to bring about whilst also achieving a balanced budget by making required savings. During 2011/12 the delivery of the plan was monitored on a quarterly basis throughout the year by Chief Officers and elected Members to ensure the successful delivery of the savings identified and is currently being updated for the period 2013/14 – 2017/18.

The annual revenue budget together with the capital programme details the Council's financial resources and spending plans for the financial year ahead. Quarterly monitoring reports of the revenue budget, capital programme and the Forward Financial Plan are submitted to Cabinet and Scrutiny Committees.

The Internal Audit Section is an independent and objective assurance service to the management of the Council. The service prepares an annual plan of work which is then monitored throughout the year by the Audit Committee. Completion of this plan involves Internal Audit carrying out a series of audit reviews in order to provide an opinion on the internal controls, risk management and governance arrangements of the Council. Included in its work each year the Internal Audit section carries out a number of special investigations which will include investigations into suspected incidents of fraud, irregularity and malpractice. Weaknesses in the control environment are reported to senior management and

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the Audit Committee. In addition to these individual reports the Chief Internal Auditor provides an annual report to the Audit Committee which highlights any concerns that have been raised on individual control issues and to give assurance to elected Members regarding the Council's internal control systems.

In January 2012, the Council received its second "Annual Improvement Report" issued by the Auditor General for Wales (Wales Audit Office). The Auditor General has a statutory duty to report to the public on the arrangements councils in Wales put in place to secure continuous improvement. To write this report, the Wales Audit Office (WAO) undertook two key pieces of work within the Council:

1. A forward looking assessment of the Council's arrangements to secure continuous improvement
2. A backward looking assessment of whether the Council has achieved its planned improvements

The assessments concluded that the Council achieved much of what it set out to do in its identified priorities. The report comments on the robustness of the Council's plans, how well they are delivered and recognises the breadth of the Council's activity.

The Auditor General also found the Council has achieved much of what it set out to achieve in its identified priorities. This was based upon the following:

- Overall, the Council has made good progress towards achieving its improvement objectives in 2010/11. In most cases, the Council achieved what it set out to do and in some cases exceeded its expectations;
- The Council is providing good support to some groups in need; but there are concerns over children's social services. Adult services have made good progress in changing its service infrastructure but this has yet to translate into improvement in some of its key performance indicators;
- The Council has made good progress against its plans to improve the standard of housing for council tenants;
- The Council is providing good support to help people develop. Overall education performance is good and very good at secondary school level and inspection findings confirm that the prospects for future improvement are good; and
- The Council has done what it set out to do to create and maintain the area as a safe, prosperous and pleasant place.

However, the Auditor General did comment the Council needs to ensure that it continues to balance its ambition with its ability to sustain delivery and support future improvement and the Council does not have a consistent approach to evaluating performance across services. The Council also did not meet the statutory deadline for the production of the 2010/11 Statement of Accounts. The report also commented the Council has not yet developed a clear strategic approach to the design and implementation of its public engagement activities; and there is currently no overall monitoring and evaluation of all its consultation and engagement activities. However, the Auditor General did acknowledge the Council recognises that this is a key area for improvement.

The Auditor General determined the Council had discharged all of its duties in relation to publishing improvement information and did not make any "formal" recommendations for improvement but did include the following "proposals" for improvement:

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- P1 -** In order to help citizens fully understand the progress the Council is making in meeting its objectives and improving performance, the Council should:
- Ensure its annual report is more balanced;
 - Express clearly its own view of what it aims to achieve by setting performance goals and expectations;
 - Be explicit about performance that is not as good as expected, as well as where it has exceeded expectations;
 - Make communities and citizens more aware of the performance assessment; and
 - Actively seek feedback and comments from citizens.
- P2 -** The Council needs to address areas for development and improvement set out in previous external audit and inspection reports.

Work to address these weaknesses started in 2011 and will continue during 2012/13.

3.2 Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions

The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It does this by operating a Leader and Cabinet model of governance. The Council's Constitution clearly sets out the different, but complementary, responsibilities of Members and Officers.

The Council has responsibility for approving or adopting the policy framework and the budget. Alongside this the Council also appoints the Leader and Deputy Leader; with the Leader appointing the remainder of the Cabinet.

The Cabinet discharges a number of functions with delegated authority including:

- Strategic leadership and direction
- Developing and proposing to the full Council those plans and strategies which are set out in the Constitution as the policy and budget framework
- Proposing the annual budget to the full Council for approval
- Consulting with relevant Scrutiny Committees in the development of the policy and budget framework
- Delivering services in line with adopted policies and budgets
- Drafting the Corporate Plan

The Constitution is at the core of the Council's business. It has the power to determine the roles and responsibilities of Members and Officers within the Council.

All Committees in the Council have clear terms of reference that set out their roles and responsibilities. The Cabinet and Scrutiny Committees have work programmes which highlight their respective work for each civic year, this is also true of the Audit Committee and it receives an update of activity at each of its meetings.

Scrutiny Committees also undertake work outside of the main Scrutiny meetings. These can be one day inquiries or longer reviews termed task and finish groups. The Committee may request to review a particular service area or may undertake a review following a request by

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Cabinet/Cabinet Boards. The relevant Scrutiny Committee will then write a report which will include a number of recommendations that will be presented to the Cabinet Board for consideration. Some of the reviews undertaken include:

- Educational provision that young people receive in relation to alcohol – Children Young People and Education Scrutiny Committee
- Understanding the Council's position in relation to duties of the Equality Act 2010 – Policy and Resources Scrutiny Committee
- Engagement activities of the Safer Neath Port Talbot Partnership – Policy and Resources Scrutiny Committee
- Review of the arrangements the Council has in place to secure continuous improvement of its services and functions – Policy and Resources Scrutiny Committee
- How we help create new businesses in Neath Port Talbot and how we encourage more people into business – Economic and Community Regeneration Scrutiny Committee.

The Chief Executive (as Head of Paid Service) leads the Council Officers and chairs the Corporate Directors and Corporate Management Groups (includes all Heads of Service).

All staff have clear conditions of employment and job descriptions which highlight their roles and responsibilities.

The Director of Finance and Corporate Services, as the Section 151 officer appointed under the Local Government Act 1972, is the officer responsible for the proper administration of the financial affairs of the Authority. A corporate finance function provides support to directorates and determines the budget preparation and financial monitoring processes. Following the delay in the completion of the Statement of Accounts a comprehensive timetable for meeting the 30th June 2012 deadline has been put in place.

The Head of Legal Services is designated as the Monitoring Officer and carries overall responsibility for legal compliance.

3.3 Core Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council takes fraud, corruption and maladministration very seriously and has an anti-fraud, corruption and malpractice policy which incorporates a whistle blowing policy.

Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee, which also investigates allegations of misconduct by Members of Community and Town Councils.

The Audit Committee is responsible for examining, approving and keeping under review the adequacy and effectiveness of risk assessment, risk management and internal controls /compliance. The terms of reference of the committee are consistent with those recommended by CIPFA and will be updated to take into account the requirements of the Local Government (Wales) Measure 2011. The committee is responsible for reviewing the work and performance of both internal and external audit and receives reports from both. The committee meets on a quarterly basis throughout the year.

During 2011, a revised Corporate Comments, Compliments and Complaints Policy was published, which took account of the Complaints Wales Group's Model Concerns and

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Complaints Policy and accompanying guidance on implementation, which is promoted by the Public Services Ombudsman for Wales. The Ombudsman's overall aim is to have a more consistent approach in the way complaints are handled across the public sector.

The Policy has a number of objectives, which include:

- the public will find it easy to complain and get things put right when the service they receive is not good enough;
- to learn from comments, compliments and complaints by using them as a tool to achieve improvements and better practices in service delivery.

The policy applies to activities carried out by the Council's employees and to 'contractors' providing services to the Council. The policy also states that the Public Services Ombudsman for Wales should be contacted where there is a complaint that a councillor or co-opted member has broken the Member's Code of Conduct. The successful implementation of the policy relies upon all employees and councillors helping ensure complaints are dealt with promptly. In addition to this, the Council has nominated Complaints Officers, who together with the support of other key officers; constitutes the Council's "central complaints team".

Complaints Officers report the results of the monitoring and analysis of complaints to the relevant Cabinet Board/Scrutiny Committee on a biannual basis. Comments and Compliments are also reported. An overview of Stage Two complaints was not reported to Policy and Resources during 2011/12 partly due to the Complaints Policy as well as further consideration was required on the correct reporting mechanisms. This has now been agreed and an overview report will be presented to Policy and Resources in 2012.

The Authority established a Task and Finish Group to review and update the procedures for declarations of officers interests and offers of gifts and hospitality. This work was completed during 2011/12 and implemented by way of a revised Employee Code of Conduct being introduced during 2012/13.

The Authority has identified the role of a Senior Information Risk Owner (SIRO) which complies with the Local Government Association guidance. Key responsibilities of the SIRO are the assurance of information security and owning the corporate information security policy.

3.4 Core Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council's Constitution sets out how the Council operates and the process for policy and decision making. Within this framework all the decisions are taken by Council, Cabinet or Cabinet Boards.

Generally the Cabinet will take decisions in relation to the Tier One Projects contained within the Transformation Programme. The decisions are presented in a comprehensive written format and have any relevant implications highlighted via a compliance statement. The Cabinet Scrutiny Committee considers any decisions directly before the Cabinet meets.

The decision making process is unique to this Council and is scrutinised by five scrutiny committees which support the work of the Council and Cabinet. Scrutiny meetings are held

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directly before Cabinet and Cabinet Board meetings with Cabinet Members in attendance to hear the thoughts and comments of Scrutiny. This is referred to as contemporaneous scrutiny.

Scrutiny Committees also undertake a monitoring role by monitoring the decisions taken by Cabinet and Cabinet Boards and how they are being implemented. Decisions taken can be called in although this is extremely rare due to the scrutiny arrangements in place.

Other decisions are taken by officers under delegated powers. The authority to make day to day operational decisions is contained within the Council's constitution.

Sound risk management has always been important, but it takes on a new prominence when significant change has to be delivered at pace. During 2010/11, the Council developed a robust approach to corporate risk management, encapsulated in a policy approved by Members in September 2010. This policy provides for improvements in the way the Council measures risk and integrates risk management into the wider planning and resource management activities. This new approach demonstrates effective corporate governance by meeting the requirement for a corporate view of risks and will enable the allocation of limited resources to be based on an objective assessment of the level of risk. During 2011, the new Corporate Risk Management IT system, which was developed to support the implementation of the policy, has been rolled out to senior officers. This system was developed to ensure the effective and consistent recognition and management of strategic risks and allocates clear roles, responsibilities and accountabilities. A review of the system will be undertaken during 2012/13 to assess whether expected outcomes and benefits have been achieved.

The Council's financial management 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. 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 and this is done through a framework of policies and procedures including financial regulations, financial procedures, contract standing orders, accounting instructions and officer delegations. 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. In addition, quarterly budget monitoring reports are produced for both Cabinet and Scrutiny Committees culminating in the production of the statutory Annual Statement of Accounts.

During 2011/12 a Children's Programme Board was established to ensure a corporate focus on a service area that constitutes a significant financial, reputational, performance risk to the Council as well as risks to achieving positive outcomes for children and their families supported by the service. The Board has instituted an improvement programme supported by a financial plan which provides additional resources which will be reimbursed over a 5 year period. This should result in reduced numbers of looked after children and better outcomes for children and their families. The Children's Services Sub Committee and the Cabinet Scrutiny Committee have been fully involved in the development of the proposals all of which have been agreed by the Cabinet.

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3.5 Core Principle 5 - Developing the capacity and capability of members and officers to be effective

The Council aims to provide a wide range of opportunities for Members and Officers to gain new skills and knowledge whilst also providing opportunities to enhance existing skills and knowledge. All new Members and those returning Members following an election, and new staff, receive an induction programme to familiarise themselves with protocols, procedures, values and aims of the Council.

The Council seeks to promote the ongoing training and development of Members, to better enable them to undertake the important role they play in local government. To deliver this the Council has developed a strategy and charter for Member Support and Development which endorses that all Members have equal access to support and development activities and the voluntary participation and development of each Member is according to their personal needs recognising their existing skills and expertise. All Members will be offered a training and development review during 2012/13 in accordance with the Local Government Wales Measure 2011.

During 2011/12, a number of seminars have been held with the view to increase the knowledge base of Members which assists when they come to scrutinise key plans and decisions of the Council including:

- Safeguarding Children
- Carers
- Budget
- Transforming older People's Services – Residential Care Options

With regard to officer development the Council is in a unique position that has seen 60 officers undertake a Leadership Programme that on successful completion will give the officers a certificate at Practitioner Level in Local Government Leadership Studies. The programme is robust and challenging and equips potential leaders of the future with the skills and knowledge needed to undertake their roles efficiently and effectively.

For all other staff there is a training and development programme available which gives officers the opportunity to learn new skills or enhance their existing skills. The training opportunities are identified during employee development reviews and staff are encouraged to undertake any identified training.

The Council has a performance appraisal system for the Chief Executive, Chief Officers and some other senior managers. During 2011/12 work has been ongoing to develop an approach suitable for rolling out more widely across the Council. This approach is currently being piloted in both a systems and non systems thinking service to develop an approach which is suitable for both environments. Following the completion of the pilots, and underpinned by the outcome of the ongoing review of the Council's performance management framework, the approach to be adopted will be rolled out across the Council on a phased basis.

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3.6 Core Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability

Whilst acknowledging more can be done to develop an effective approach to engagement, the Council has a number of tools and mechanisms which can be built upon and which are set out below.

The Neath Port Talbot Local Service Board has endorsed the National Principles for Public Engagement in Wales, which align with its updated Joint Citizen Engagement Strategy. The Strategy aims to ensure that the citizens of Neath Port Talbot have a voice to influence the development of policies and strategies that affect their lives and inform the way services in Neath Port Talbot are planned and delivered.

The Strategy establishes a framework for public engagement between the Council and its key partner organisations and, to help aid its implementation, a Joint Citizen Engagement Toolkit and Activity Plan have been made available on a Community of Practice website. The joint engagement website www.talkingnpt.org has also been reviewed and following feedback the database is to be simplified to encourage the addition of more activities.

The Council is systematically asking citizens about the things that are important to them through system reviews and designing service improvements based on citizen responses. The Council has also undertaken sustained and effective engagement work as part of its Tier 1 Transformation Programme. This is supplemented by engagement with groups and fora such as the Black and Minority Ethnic Forum, Youth Council, Older Persons' Council and Disability Network, many of which also involve elected Members.

Examples of engagement activities during 2011/12 include:

- A Heath Social Care and Wellbeing “learning and sharing” event for local organisations to share their projects which make a difference to the health, social care or well being of local communities with other organisations and individuals.
- A research project involving the local regional equality council and local people to identify health inequities in the Black and Minority Ethnic communities. This project will be concluded during 2012/13.
- A Community Cohesion and Equalities' Event for older and disabled people to have their say about local priorities which informed Strategic Equality Plans. A focus group on sexual orientation and also one for younger people were held too.
- As an existing user of Objective's Online engagement solution, the Council has begun an exercise to see if more value can be added by extending its use as a corporate engagement tool and also a collaborative document creation and publishing tool.
- Members of the Local Service Board have attended a Council Keynote Event, with some giving their perspective on priorities and financial challenges.
- As part of the review of the Citizen Engagement activities of the Safer Neath Port Talbot partnership a public survey was undertaken that received over 130 responses

4. 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

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environment and also by comments made by the external auditors and other review agencies and inspectorates.

The review mechanism includes:

- The Constitution itself provides that 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.
- A resourced Scrutiny function which holds the Executive to account. The Policy and Resources Scrutiny Committee is responsible for maintaining an overview of corporate governance, risk management, performance management and budget monitoring / controls overview.
- The Standards Committee which met three times during the year to consider training for Clerks of Town and Community Council's, Adjudication Panel for Wales Annual report, specific referrals from the Ombudsman in relation to breaches of code of conduct by Community Councils and granting of dispensations to Councillors.
- The Audit Committee which is responsible for examining, approving and keeping under review the adequacy and effectiveness of risk assessment, risk management and internal controls /compliance. The terms of reference of the Committee are consistent with those recommended by CIPFA. The Committee is responsible for reviewing the work and performance of both internal and external audit and receives reports from both. The committee meets on a quarterly basis throughout the year.
- The Internal Audit Service is an independent and objective assurance service to the management of the Council. The service prepares an annual plan of work which is then monitored throughout the year by the Audit Committee. Completion of this plan involves Internal Audit carrying out a series of audit reviews in order to provide an opinion on the internal control, risk management and governance arrangements of the Council. Included in its work each year the Internal Audit section carries out a number of special investigations which will include investigations into suspected incidents of fraud, irregularity and malpractice. Weaknesses in the control environment are reported to senior management and the Audit Committee. In addition to these individual reports the Chief Internal Auditor provides an annual report to the Audit Committee which highlights any concerns that have been raised on individual control issues and to give assurance to members regarding internal control system of the Council.
- The Annual Improvement Report produced by WAO is considered by the Corporate Management Team, Cabinet and full Council.

During 2010/11, a Governance Group was established. The membership of the group is those senior officers with responsibility for the Council's governance functions. During 2011/12, the Group has overseen the management of the governance issues identified in the 2010/11 Governance Statement including the implementation of the recently revised Corporate Risk Management Policy, the further development of scrutiny arrangements to ensure a robust approach to decision making and transparency and the further development of the corporate performance management framework

During 2011/12 there were no significant breaches of internal control.

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5. Governance Issues Being Managed

- **Local Government Wales Measure 2011** – Provisions of the Measure are and will continue to be implemented in accordance with guidance issued by Welsh Government as and when received.
- **Annual Improvement Report (WAO)** – In developing the next Corporate Plan and Annual Report account will be taken of both the issues and “proposals” for improvement highlighted in the WAO’s Annual Improvement Report.
- **Organisational Development** – During 2012 an evaluation will be undertaken of the cultural transformation that has taken place since the Council adopted a systems thinking approach to the improvement of its services. This will include a self evaluation, via post implementation reviews, in those areas of service which have adopted systems thinking approaches, and an external evaluation that has been commissioned with the Lean Enterprise Research Centre in Cardiff University. Outcomes from this work will be used to inform the emerging organisational development strategy.
- **Workforce Strategy** – In 2012/13 work will focus on the development of a new People Strategy for the period 2012/2017, along with further development of workforce planning and the performance appraisal processes.

Following the completion of the performance appraisal pilots the approach to be adopted will be available during 2012, and will be supported by an implementation plan for 2012/13.

- **Scrutiny Arrangements** - Scrutiny continues to develop. Scrutiny Committees have taken more ownership of their work programmes which are reviewed at every meeting. More task and finish reviews have been undertaken on important topics and a number of tangible recommendations have been developed. Development of the Scrutiny function will continue in 2012/13 as it not only continues to add value but in response to the Local Government Wales Measure 2011 that has a number of regulations in relation to Scrutiny
- **Performance Management** - The Council has a general duty under the Local Government (Wales) Measure 2009 to “make arrangements to secure continuous improvement in the exercise of its functions”. During 2012/13, to support the successful discharge of this duty and building on the work undertaken during 2011/12, further work will be undertaken to strengthen the Council’s approach to business planning and performance management to place these arrangements on an even stronger footing and aligned with the Forward Financial Plan (FFP), Transformation Programme, overarching strategies and the systems thinking approach.
- **Managing the Forward Financial Plan (FFP)** – During 2012/13 the Forward Financial Plan will be revised for the period 2013/14 – 2017/18 and will be approved by Council in the autumn. During 2012/13 progress in delivering the current Plan will be reviewed quarterly by Chief Officers and elected Members to ensure the successful delivery of the savings identified therein. A number of external financial pressures (risks) have been identified which will require monitoring as part of the above management arrangements

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during 2012/13. Work will also continue to improve alignment of the FFP with wider plans and strategies.

- **Local Service Board (LSB) and Partnership Rationalisation** – In 2012/13 the work programme for the preparation of the Single Integrated Plan (SIP) by April 2013 will be monitored. During the summer, work will be undertaken to bring together the Results Based Accountability (RBA) work undertaken across existing partnerships to inform the development of the SIP.
- **Capacity Planning** – The Transformation Programme Board will continue to operate to ensure that the Council's resources are aligned to support the achievement of the next phase of the Council's Transformation Programme.
- **Corporate Complaints, Compliments and Comments Policy** – Following the completion of the review in 2011/12, the implementation of the revised Policy will be monitored.
- **Risk Management** – During 2012/13, a review will be undertaken of the roll out of the revised Risk Management Policy to measure the impact of the new corporate risk management arrangements and whether expected outcomes have been achieved.
- **Declarations of Interest** – The Authority has reviewed and updated its procedures for declarations of officers' interests and receipt of offers of gifts and / or hospitality. Internal Audit has as part of its planned work for 2012/13 established new monitoring arrangements to ensure that these procedures are followed by all officers.
- **Statement of Accounts 2011/12** – Following the delay last year in the completion of the Statement of Accounts, a comprehensive timetable for meeting the 30th June 2012 deadline has been put in place.

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:

Signed:

Chief Executive:

Leader of the Council:

Date: 27th September 2012

Date: 27th September 2012

INDEPENDENT AUDITOR'S REPORT TO NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

I have audited the accounting statements and related notes of Neath Port Talbot County Borough Council for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards (IFRS).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

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

Opinion on other matters

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

INDEPENDENT AUDITOR'S REPORT TO NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett

**Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ**

28th September 2012

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 the local government finance.

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| 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 to work out insurance and pension fund valuations, taking into account relevant factors such as trends in insurance claims and life expectancy. |
| Cashflow 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. |
| ER/VR | This stands for Early Retirement/Voluntary Redundancy, which can be used to give the Authority the opportunity to reduce its workforce levels. |
| Fair Value | This is the estimated value of an asset or liability at the balance sheet date, assuming that the transaction was negotiated between parties who understand the market. |
| Financial Instruments | This relates to any contract which gives rise to a financial asset in one organisation and a financial liability or equity instrument of another. A collective name for investments, trade debtors and borrowings. |
| General Fund Balance | This represents the cumulative retained surpluses on the Council's revenue budget. It provides a cushion against unexpected events or emergencies and the level of the balance is considered as part of the annual budget process each year. |

GLOSSARY OF TERMS

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| Housing Revenue Account Income and Expenditure Account | This account contains all expenditure and income in relation to the Authority's Council Dwellings including Council Houses up to March 2011. At this date all Council Dwellings were transferred to NPT Homes. |
| 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. |
| Outcome Agreement Grant | This is a Grant provided by the Welsh Government which is dependant on the Authority meeting pre agreed performance levels. |
| 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 tries 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. |

GLOSSARY OF TERMS

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| Public Works Loans Board (PWLB) | This is a Government Agency which provides longer term loans to local authorities. |
| Related Party Transactions | These are disclosed to highlight any relationships that may exist between the Authority and third parties which may materially affect or influence the way the Authority or third parties are able to operate. |
| Resource Allocation Decisions | This refers to the accounting basis used by the Authority to make its accounting decisions. The Council operates a Management Budget for budget setting processes and this excludes some of the accounting adjustments required for the statutory accounts. |
| Reserves | These are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure. |
| Revaluation Reserve | This reserve is used to record gains in fixed asset values as a result of formal revaluations of the Authority's fixed assets. |
| Revenue Expenditure funded from Capital under Statute | This represents revenue expenditure which the Council is allowed to apply to Capital under statutory provisions. It does not result in fixed assets controlled by the Authority. |
| Revenue Support Grant/NNDR | This is general government grant in support of local authority services which is paid by the Welsh Government. The distribution of this grant tries to take account of the differing needs in each Authority. |
| Wales Audit Office | A body that independently examines the activities of the Authority. |