Addendum 2

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

Statement of Accounts 2012/13

(draft subject to audit)

CONTENTS

EXPLANATORY FOREWORD

1. INTRODUCTION

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

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

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

2. ACCOUNTING STATEMENTS

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

Statement of Responsibilities

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

Movement in Reserves Statement

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

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.

3. REVENUE SPENDING IN 2012/13

The Authority's Budget Requirement for 2012/13 was set at £253.054m. Actual spending compared to the budget was as follows:

EXPLANATORY FOREWORD

Council Fund	Revised Budget £000	Actual £000
Expenditure		
Directly Controlled Expenditure	232,823	231,993
Capital Financing	15,951	15,951
Levies, Contributions and Miscellaneous Funds	6,912	6,907
Contingencies and Reserves	(2,336)	(3,118)
Outcome Agreement Grant	(1,462)	(1,462)
Net Expenditure	251,888	250,271
Income		
Revenue Support Grant / NNDR	(197,845)	(197,845)
Council Tax	(55,344)	(55,344)
Less Discretionary Rate Relief	135	148
Total Income/Budget Requirement	(253,054)	(253,041)
NET BUDGET (SURPLUS)/DEFICIT TO BALANCES	**(1,166)**	**(2,770)**
Council Fund Working Balance		
Opening Working Balance 1st April		(3,163)
Movement in Balance		(2,770)
Closing Working Balance 31st March		**(5,933)**

4. CAPITAL SPENDING IN 2012/13

	Actual £000
Capital investment	**78,182**
The expenditure was financed by:	
Government Grants and Other Contributions	(56,394)
Loans	(17,531)
Capital Receipts	(2,265)
Direct Revenue Contributions and Reserves	(1,992)
	(78,182)

5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £175.8m. Sources of borrowing include the Public Works Loan Board and Banks for long term borrowing and other financial institutions for short term borrowing.

6. RESERVES AND BALANCES AT 31ST MARCH 2013

	Actual £000
To support revenue expenditure	38,716
To support capital expenditure	890
Revenue Working Balances	14,432

7. EXCEPTIONAL ITEMS

Former Housing Revenue Account

Non-enhancing capital expenditure of £0.523m 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.

8. REVALUATION OF ASSETS

During 2012/13, the net book value of assets decreased by £1.6m 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 and 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 2012/13 Industrial Workshops and Sites were valued as at 1st December 2012 on a Fair Value basis; Residential Homes including Day & Other Centres were valued as at 1st December 2012 on a Depreciated Replacement Cost and Fair Value basis as appropriate; Sports Centres and Pools were valued as at 1st February 2013 on a Depreciated Replacement Cost basis; Country Parks were valued as at 1st January 2013 on an Historic Cost and Depreciated Replacement Cost basis as appropriate; Cemeteries were valued as at 1st January 2013 on an Historic Cost basis.

Assets classified as Surplus Assets Not For Sale and Surplus Assets Not For Sale - Regeneration since the last valuation in 2010 were valued as at 31st March 2013. Surplus

Assets Not For Sale were valued on a Fair Value basis and Surplus Assets Not For Sale - Regeneration were valued on an Historic Cost basis.

Assets Held For Sale are valued annually and were valued as at 31st March 2013. These assets were valued on the basis of Fair Market value.

9. IMPAIRMENT DUE TO FAILED ICELANDIC BANKS

The carrying value of investments at 31st March 2013 has been reduced by £91,000 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.

10. 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.

11. SIGNIFICANT PROVISIONS

There are two significant provisions:

- An insurance provision of £7.2m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £4.9m and a short term provision of £2.3m.
- A provision of £1.1m for Housing Warranties following the transfer of the Housing stock to Neath Port Talbot Homes in March 2011.

12. 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.

13. IMPACT OF CURRENT ECONOMIC CLIMATE ON THE AUTHORITY

The National Government austerity measures and public service funding levels are continuing to require councils and their partners to look for service efficiencies and reductions, whilst demands for services are increasing. The work that the Council had commenced as part of the 2009–2014 Forward Financial Plan (FFP) has enabled the Council to plan many service changes to have the least possible impact on services and service users in 2013/14. However, the position for 2014/15 and onward to 2017/18, prepared at budget setting time, showed the need for a further reduction in the Council Budget of £21m – this was in addition to the £30m already built into the former FFP. This is a real terms cut of over 30% over the period. Council met on 30th January and agreed to endorse the proposals and consultation set out in the FFP.

The setting of the 2013/14 Budget was made in the context of the Medium Term Financial Plan. The FFP incorporated savings targets via changes to staff conditions of service, increased income targets including Council Tax and service changes and reductions. The remaining unfunded budget gap to 2017/18 was over £4m. This must be addressed during 2013/14 and continuously revisited over the coming years.

A further report was considered by Council on 12th June which identified a budget gap of £22.6m. Further updates will be provided for Members consideration in relation to changes to the budget gap for 2014/15 and subsequent years arising from the National Government Spending Review and other national and local pressures.

14. CHANGE IN ACCOUNTING POLICIES

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. There are no such changes actioned in this Statement of Accounts.

15. FURTHER INFORMATION

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

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

Section 151 Officer: ______________________
Director of Finance and Corporate Services

Date: 19th June 2013

MOVEMENTS IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	Restated Housing Revenue Account	Earmarked HRA Reserve	Capital Receipts Reserves	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31st March 2011	762	46,656	13,999	163	10,952	13,147	**85,679**	64,826	**150,505**
Movement in reserves during 2011/12									
Surplus/(deficit) on the provision of services	(16,897)	-	-	-	-	-	**(16,897)**	-	**(16,897)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**0**	(31,731)	**(31,731)**
Total Comprehensive Income and Expenditure	(16,897)	0	0	0	0	0	**(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)	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	(255)	0	0	0	(1,335)	(3,680)	**(5,270)**	(43,358)	**(48,628)**
Transfers from/(to) Earmarked Reserves (Note 7)	5,490	(5,443)	-	(47)	-	-	**0**	-	**0**
Transfer from/(to) Unusable Reserve to Working Balance	(2,834)	-	-	-	-	-	**(2,834)**	2,834	**0**
Increase/(Decrease) in Year	2,401	(5,443)	0	(47)	(1,335)	(3,680)	**(8,104)**	(40,524)	**(48,628)**
Balance at 31st March 2012	3,163	41,213	13,999	116	9,617	9,467	**77,575**	24,302	**101,877**
Movement in reserves during 2012/13									
Surplus/(deficit) on the provision of services	18,872	-	-	-	-	-	**18,872**	-	**18,872**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**0**	(26,272)	**(26,272)**
Total Comprehensive Income and Expenditure	18,872	0	0	0	0	0	**18,872**	(26,272)	**(7,400)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(23,325)	-	-	-	(1,572)	2,548	**(22,349)**	22,349	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	(4,453)	0	0	0	(1,572)	2,548	**(3,477)**	(3,923)	**(7,400)**
Transfers from/(to) Earmarked Reserves (Note 7)	1,723	(1,716)	-	(7)	-	-	**0**	-	**0**
Transfers from HRA to General Fund Balance	5,500	-	(5,500)	-	-	-	**0**	-	**0**
Increase/(Decrease) in Year	2,770	(1,716)	(5,500)	(7)	(1,572)	2,548	**(3,477)**	(3,923)	**(7,400)**
Balance at 31st March 2013	5,933	39,497	8,499	109	8,045	12,015	**74,098**	20,379	**94,477**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure		Note	2012/13 Gross Expenditure	2012/13 Gross Income	2012/13 Net Expenditure
£000	£000	£000			£000	£000	£000
3,788	(1,425)	2,363	Central services to the public		4,433	(2,402)	2,031
21,088	(4,701)	16,387	Cultural and related services		29,568	(6,851)	22,717
26,349	(11,025)	15,324	Environmental and regulatory services		23,967	(9,743)	14,224
13,554	(10,198)	3,356	Planning Services		11,558	(8,780)	2,778
221,245	(44,008)	177,237	Children's and education services		199,494	(49,994)	149,500
22,357	(6,433)	15,924	Highways and transport services		19,921	(6,647)	13,274
61,561	(56,703)	4,858	Other housing services		62,576	(59,322)	3,254
71,101	(14,455)	56,646	Adult social care		71,540	(15,914)	55,626
811	(522)	289	Exceptional item	51	523	-	523
5,407	-	5,407	Corporate and democratic core		6,895	-	6,895
1,173	-	1,173	Non distributed costs	52	405	-	405
(1,289)	-	(1,289)	Miscellaneous	53	-	-	0
447,145	**(149,470)**	**297,675**	**Cost of Services**		**430,880**	**(159,653)**	**271,227**
16,104	-	16,104	Other operating expenditure	8	16,893	-	16,893
15,794	(1,524)	14,270	Financing and investment income and expenditure	9	18,050	(1,493)	16,557
-	(311,152)	(311,152)	Taxation and non-specific grant income	10	-	(323,549)	(323,549)
479,043	(462,146)	**16,897**	**(Surplus) or Deficit on Provision of Services**		465,823	(484,695)	**(18,872)**
		(60,839)	Surplus or deficit on revaluation of Property, Plant and Equipment assets				(9,522)
		-	Surplus or deficit on revaluation of available for sale assets				-
		5,950	Impairment losses on non-current assets charged to the revaluation reserve				3,474
		86,620	Actuarial gains/losses on pension assets / liabilities				32,320
		31,731	**Other Comprehensive Income and Expenditure**				**26,272**
		48,628	**Total Comprehensive Income and Expenditure**				**7,400**

BALANCE SHEET

Restated 31st Mar 2012 £000		Note	31st Mar 2013 £000
590,116	Property, Plant and Equipment	11	633,083
786	Heritage Assets	12	786
3,186	Long Term Investments	13	2,290
994	Long Term Debtors	13	917
595,082	**Long Term Assets**		**637,076**
87,322	Short Term Investments	13	68,878
2,125	Assets Held for Sale	18	2,719
932	Inventories	14	691
62,947	Short Term Debtors	16	84,204
1,495	Cash and Cash Equivalents	17	3,857
154,821	**Current Assets**		**160,349**
(17,017)	Short Term Borrowing	13	(4,879)
(58,918)	Short Term Creditors	19	(90,355)
(2,691)	Short Term Provisions	20	(2,405)
(78,626)	**Current Liabilities**		**(97,639)**
(18,957)	Long Term Creditors	13	(25,635)
(172,834)	Long Term Borrowing	13	(172,085)
(362,500)	Other Long Term Liabilities	13	(401,700)
(4,898)	Long Term Provisions	20	(5,889)
(10,211)	Capital Grants - Receipts in Advance	34	0
(569,400)	**Long Term Liabilities**		**(605,309)**
101,877	**Net Assets**		**94,477**
(77,575)	Usable Reserves	21	(74,098)
(24,302)	Unusable Reserves	22	(20,379)
(101,877)	**Total Reserves**		**(94,477)**

CASH FLOW STATEMENT

2011/12 £000		Note	2012/13 £000
(16,897)	Net surplus or (deficit) on the provision of services		18,872
68,949	Adjustments to net surplus or deficit on the provision of services for non-cash movements		52,344
(50,595)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(55,819)
1,457	Net cash flows from Operating Activities	23	15,397
(22,917)	Investing Activities	24	8
10,741	Financing Activities	25	(13,043)
(10,719)	Net increase or decrease in cash and cash equivalents		2,362
12,214	Cash and cash equivalents at the beginning of the reporting period		1,495
1,495	**Cash and cash equivalents at the end of the reporting period**	17	**3,857**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013.

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 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13 (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 expenditure and income

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probably that economic benefits or service potential associated with the transaction will flow to the Authority.

- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract,

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Discontinued operation

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. They will design, build, finance and operate four replacement care homes and manage 345 staff members who have transferred from the Council to Grwp Gwalia. This service is not so much discontinued as transferred to another service provider.

iv. Cash and cash equivalents

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

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.

v. 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.

vi. 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.

vii. 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 amortisation are therefore replaced by the contribution in the General Fund Balance for a Minimum Revenue Provision by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

viii. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements, 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

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 or, where applicable, to the Non Distributed Costs line 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.

Post-Employment Benefits

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

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

- the Local Government Pensions Scheme, administered by the City and County of Swansea.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's 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.

The Local Government Pension Scheme

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

- the liabilities of the City and County of Swansea Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- liabilities are discounted to their value at current prices.

- the assets of the City and County of Swansea Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - utilised securities – current bid price
  - property – market value

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

  - current service cost – the increase in liabilities as a result of years of service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities 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,

which is 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 charged 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 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.

ix. 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.

x. Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available for Sale Assets

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

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.

xi. 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.

NOTES TO THE ACCOUNTS

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.

xii. 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

xiii. Heritage Assets

The adoption of FRS30 in 2011/12 required the Authority to include Heritage Assets in its Statement of Accounts and to provide information in relation to other Heritage Assets not included in the Accounts. Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. In the absence of historic cost the insurable sum is deemed as an appropriate and relevant method of valuation.

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where Heritage Assets are disposed of these are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Because of the diverse nature of heritage assets and the potential cost implication of obtaining specialist valuations, the 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.

xiv. 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.

xv. Interest in Companies and Other Entities

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

xvi. 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.

xvii. 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.

xviii. 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 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.

xix. 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.

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

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Authority's net investment in the lease, is 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, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve (England and Wales) in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).
The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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.

xx. Overhead and Support Costs

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 2012/13 (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.

xxi. 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.

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.

- 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.

Deprecation 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.

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

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.

- 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.

xxii. Public 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 an 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 an authority at the end of the contracts for no additional charge, an authority is required to carry the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

This Authority does not have any such agreements.

NOTES TO THE ACCOUNTS

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxiv. 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.

xxv. 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.

xxvi. Value Added Tax (VAT)

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

xxvii. Carbon Reduction Commitment Scheme Value Added Tax (VAT)

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 ISSUED BUT NOT YET ADOPTED

The Code of Practice and IAS 8 requires that the accounts disclose information in respect of accounting standards that have been issued but not yet adopted.

The following accounting policy changes are on the horizon but are not due to be implemented for the 2012/13 accounts:

- amendments to IAS 1 Presentation of Financial Statements (other comprehensive income, June 2011)
- amendments to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities, December 2011)
- amendments to IAS 12 Income Taxes (deferred tax: recovery of underlying assets, December 2010)

- amendments to IAS 19 Employee Benefits (June 2011)
- IFRS 13 Fair Value Measurement (May 2011)

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2013/14.

A revised IAS 19 will come into force for accounting periods beginning on or after 1st January 2013. If this revised IAS 19 were adopted for the accounting period ending 31st March 2013 then this would increase the expenses recognised for funding benefits from £25.47M to £33.78M. There is no effect on the Balance Sheet.

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 judgement made in the Statement of Accounts is:

- The Authority has £6m deposited with the Icelandic Banks as at 31st March 2013, out of an original deposit of £20m. In preparing the accounts, preferred creditor status has been assumed in line with the Icelandic Courts decision.

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 2013 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 £7.167m as at 31st March 2013 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.

NOTES TO THE ACCOUNTS

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.
- 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.

There are no known events that would materially affect these accounts

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

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

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

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

NOTES TO THE ACCOUNTS

2012/13	General Fund Balance (Usable Reserves) £000	Capital Receipts Reserve (Usable Reserves) £000	Capital Grants Unapplied (Usable Reserves) £000	Movement in Unusable Reserves £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	15,815	-	-	(15,815)
Revaluation losses on Property Plant and Equipment	10,666	-	-	(10,666)
Capital grants and contributions applied	(55,183)	-	(1,211)	56,394
Revenue expenditure funded from capital under statute	12,868	-	-	(12,868)
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	1,321	-	-	(1,321)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(8,739)	-	-	8,739
Capital expenditure charged against the General Fund	(1,992)	-	-	1,992
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,759)	-	3,759	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	0
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	(636)	636	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,265)	-	2,265
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	57	-	(57)
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	2	-	-	(2)
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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	(84)	-	-	84
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	27,100	-	-	(27,100)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,220)	-	-	20,220
Adjustments 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	(484)	-	-	484
Total Adjustments	**(23,325)**	**(1,572)**	**2,548**	**22,349**

NOTES TO THE ACCOUNTS

2011/12	Usable Reserves General Fund Balance £000	 Capital Receipts Reserve £000	 Capital Grants Unapplied £000	 Movement in Unusable Reserves £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 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	(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	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	0
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	-	0
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:				
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 Account	22,900	-	-	(22,900)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,920)	-	-	21,920
Adjustments 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

7. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund 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 2012/13.

	Balance at 1st Apr 2011	Transfers Out 2011/12	Transfers in 2011/12	**Balance at 31st Mar 2012**	Transfers Out 2012/13	Transfers in 2012/13	**Balance at 31st Mar 2013**
	£000	£000	£000	**£000**	£000	£000	**£000**
Balances held by schools under a scheme of delegation	**(3,291)**	1,377	(809)	**(2,723)**	728	(1,394)	**(3,389)**
Education Equalisation	**(1,514)**	136	-	**(1,378)**	718	(101)	**(761)**
Other Education and Leisure	**(1,592)**	120	(977)	**(2,449)**	633	(758)	**(2,574)**
Hillside Secure Centre-Equalisation	**(1,498)**	294	(603)	**(1,807)**	168	(113)	**(1,752)**
Other Social Services	**(962)**	1,022	(61)	**(1)**	-	(272)	**(273)**
General Fund Housing	**(100)**	100	-	**0**	-	-	**0**
Environment	**(2,004)**	1,554	(1,492)	**(1,942)**	395	(586)	**(2,133)**
Operating Account	**(1,348)**	1,000	(1,678)	**(2,026)**	274	(56)	**(1,808)**
Finance and Corporate Services	**(1,967)**	346	(750)	**(2,371)**	968	(1,371)	**(2,774)**
Chief Executive's	**(587)**	195	(462)	**(854)**	591	(607)	**(870)**
Job Evaluation	**(3,536)**	1,942	(179)	**(1,773)**	1,200	(894)	**(1,467)**
Accommodation	**(3,300)**	612	(344)	**(3,032)**	200	(2,000)	**(4,832)**
Treasury Management	**(2,552)**	2,608	(689)	**(633)**	1,000	(1,661)	**(1,294)**
Management of Change	**(656)**	740	(421)	**(337)**	665	(399)	**(71)**
Other Corporate	**(173)**	43	-	**(130)**	130	-	**0**
Housing Warranties	**-**	-	(220)	**(220)**	-	-	**(220)**
Financial Systems IT	**(473)**	126	-	**(347)**	347	-	**0**
Transformation	**(502)**	191	(34)	**(345)**	345	-	**0**
LAWDC	**(1,651)**	248	(8)	**(1,411)**	1,740	(1,410)	**(1,081)**
Insurance	**(14,597)**	3,003	(1,351)	**(12,945)**	4,868	(1,636)	**(9,713)**
Welfare	**-**	-	-	**0**	-	(130)	**(130)**
Fire Authority	**-**	-	(157)	**(157)**	21	-	**(136)**
Waste	**(3,680)**	225	-	**(3,455)**	3,642	(3,516)	**(3,329)**
Sub Total	**(45,983)**	**15,882**	**(10,235)**	**(40,336)**	**18,633**	**(16,904)**	**(38,607)**
Housing Closure	**(163)**	47	-	**(116)**	113	(106)	**(109)**
Total Revenue Reserves	**(46,146)**	**15,929**	**(10,235)**	**(40,452)**	**18,746**	**(17,010)**	**(38,716)**
Capital	**(673)**	-	(204)	**(877)**	-	(13)	**(890)**
GRAND TOTAL	**(46,819)**	**15,929**	**(10,439)**	**(41,329)**	**18,746**	**(17,023)**	**(39,606)**

NOTES TO THE ACCOUNTS

Earmarked Reserves		**2012/13 £000**
Education, Leisure and Lifelong Learning		
Primary Schools	Delegated Schools Reserve - These reserves are ring-fenced for each individual school and will be used to help fund future expenditure.	2,467
Secondary Schools	Delegated Schools Reserve.	777
Special Schools	Delegated Schools Reserve.	145
		3,389
Education Equalisation Account	This reserve will be used to equalise costs over a number of years.	761
Leisure Regeneration	This has been established from savings in the running costs of the Afan Lido and will be used to fund the replacement facility.	1,652
Other	This includes equalisation reserves for School Transport, maintenance, improvements and Leisure Equalisation.	922
Education, Leisure and Lifelong Learning		**6,724**
Social Services and Health		
Hillside General	The fund has been established to equalise the capital investment required over time for the Hillside Secure Unit.	1,752
Other Social Services	Set aside to meet potential contingent liability.	273
Social Services and Health		**2,025**
Environment		
Provision Building Maintenance	This reserve will be used to equalise the effect of the annual building maintenance spend on the revenue account budget.	187
Civic Buildings Maintenance	This reserve will be used to keep the Civic Centres in good working condition.	570
Local Development Fund	Funds to meet statutory obligation for LD Plan.	387
Winter Maintenance	To equalise the cost incurred during severe winters.	222
Other	This includes reserves for Future Jobs fund, Planning equalixation and Gypsy Site.	767
Vehicle	This reserve will be used to finance the replacement cost of vehicles at the end of their useful economic life.	1,413
Trading Accounts Equalisation	This reserve is used to equalise annual costs for Streetcare and Building Services.	277
Other	This includes Fleet Sentinel Maintenance.	118
Environment		**3,941**

NOTES TO THE ACCOUNTS

Earmarked Reserves		2012/13 £000
Finance and Corporate Services		
IT Renewals Fund	This Reserve will be used to fund the costs of major IT projects.	1,406
Legal Equalisation	To set aside funds to meet legal costs.	312
One Stop Shop/Access to Strategy	This reserve will be used to assist in the funding of one off costs in the Access to Services Strategy.	386
Other	This includes a reserve for Finance IT.	670
Finance and Corporate Services		**2,774**
Chief Executive's Office		
Election Equalisation	This reserve will be used to meet the cost of the four year cycle of elections.	70
Management Capacity, Development, Advisors etc.	This relates to developing capacity in relation to transformational projects across the Council.	630
Other	This includes the Health & Safety and Occupational Health reserves.	170
Chief Executive's Office		**870**
Corporate issues		
Job Evaluation	This reserve will be used to fund staffing increments and other costs arising from Job Evaluation.	1,467
Accommodation	This reserve will be used to support the Authority's Accommodation Strategy.	4,832
Treasury Management	This reserve will be used to equalise the impact of fluctuations in Treasury Management returns.	1,294
Management of Change	This reserve has been set up to support the Authority's Management of Change costs.	71
Housing Warranties	This reserve has been set aside in recognition of the warranties to potential liabilities following the transfer of Housing Services.	220
Welfare	To provide contingency against additional costs arising for welfare reform.	130
LAWDC	This reserve has been established to help set aside funds for future renovation costs.	1,081

Earmarked Reserves		**2012/13 £000**
Corporate issues (continued)		
Insurance - Claims	This reserve has been generated from insurance settlements and surpluses from claims handling arrangements. It will be used to fund future insurance related projects.	9,703
Insurance - Risk Management	This reserve has been established to fund risk management initiatives.	10
Fire Authority	This relates to a refund from the Fire Authority and will be used to mitigate cost increase in future years.	136
Waste	This reserve will be used to fund future Waste Service projects.	3,329
Corporate issues		**22,273**
Total General Fund Reserves		**38,607**
Housing Closure		109
Total Revenue Reserves		**38,716**
Capital Reserves		890
Total Reserves		**39,606**

8. OTHER OPERATING ACCOUNTS

2011/12 £000		**2012/13 £000**
1,656	Community Council precepts	1,718
14,004	Levies	14,489
444	(Gains)/losses on the disposal of non current assets	686
16,104	**Total**	**16,893**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £000		**2012/13 £000**
8,594	Interest payable and similar charges	8,830
7,200	Pension interest cost and expected return on pension assets	9,220
(1,524)	Interest receivable and similar income	(1,493)
14,270	**Total**	**16,557**

NOTES TO THE ACCOUNTS

10. TAXATION AND NON SPECIFIC GRANT

2011/12 £000		2012/13 £000
(65,075)	Council Tax income	(66,796)
(32,372)	Non domestic rates	(37,390)
(165,523)	Non ring fenced government grants	(161,769)
(48,182)	Capital grants and contributions	(57,594)
(311,152)	**Total**	**(323,549)**

11. PROPERTY, PLANT AND EQUIPMENT

2012/13	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1st April 2012	377,042	26,467	210,497	447	12,222	64,030	**690,705**
additions	11,683	1,621	12,938	-	-	46,739	72,981
recognition of finance leases	-	-	-	-	-	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	6,407	-	-	165	833	(2,001)	5,404
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(15,247)	-	-	-	(54)	(5,955)	(21,256)
revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition-disposals	(231)	(1,272)	-	-	(7)	-	(1,510)
derecognition-other	(129)	(1,643)	-	-	-	-	(1,772)
assets reclassified (to)/from Held for Sale	(1,000)	-	-	-	110	-	(890)
change in asset classification	(2,520)	-	-	-	2,520	-	0
other movements in cost of valuation	-	-	-	-	-	-	0
At 31st March 2013	376,005	25,173	223,435	612	15,624	102,813	**743,662**

NOTES TO THE ACCOUNTS

	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**
Accumulated Depreciation and Impairment							
At 1st April 2012	(24,420)	(16,435)	(59,503)	-	(231)	-	**(100,589)**
depreciation charge	(8,485)	(1,943)	(5,262)	-	(125)	-	(15,815)
depreciation written out to the Revaluation Reserve	3,314	-	-	-	147	-	3,461
depreciation written out to the Surplus/Deficit on the Provision of Services	10,604	-	-	-	11	-	10,615
impairment losses/(reversals) recognised in the Revaluation Reserve	(3,474)	-	-	-	-	-	(3,474)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(7,667)	-	-	-	-	-	(7,667)
recognition of Depreciation on Finance Leases	-	-	-	-	-	-	0
depreciation written out to Revaluation Reserve on Revaluation of Finance Leases	-	-	-	-	-	-	0
derocognition-disposals	25	1,153	-	-	-	-	1,178
derocognition-other	15	1,697	-	-	-	-	1,712
Change in asset classification	42	-	-	-	(42)	-	0
other movements in depreciation and impairment	85	-	-	-	(85)	-	0
At 31st March 2013	(29,961)	(15,528)	(64,765)	0	(325)	0	**(110,579)**
Net Book Value							
At 31st March 2013	346,044	9,645	158,670	612	15,299	102,813	**633,083**
At 31st March 2012	352,622	10,032	150,994	447	11,991	64,030	**590,116**

Comparative Movements

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**
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
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	0
other movements in cost of 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
derocognition-disposals	82	-	-	-	-	-	82
other movements in depreciation and impairment	(2)	-	-	-	-	-	(2)
At 31st March 2012	(24,420)	(16,435)	(59,503)	0	(231)	0	**(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

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 - 20 years
Infrastructure	40 years

Effects of Changes in Estimates

During 2012/13, 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.

NOTES TO THE ACCOUNTS

12. HERITAGE ASSETS

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

	Total £000
Cost or Valuation	
1st Apr 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 Mar 2012	**786**
Cost or Valuation	
1st Apr 2012	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 Mar 2013	**786**

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

- Matthew Kessels (1784-1836) Scene of the Deluge which can be found on display in the Orangery at Margam Country Park.

- A Roman marble statue of Lucius Aelius Verus Caesar 2nd which again can be found on display in the Orangery at Margam Country Park.

Heritage Assets not included on the balance sheet

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

These Assets are of a diverse nature and therefore the cost or valuation information is not available as conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these assets would be disproportionate in terms of the benefit derived.

NOTES TO THE ACCOUNTS

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

Heritage Land, Buildings and Infrastructure

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

- Hen Egwlys at Margam Country Park

- Gnoll House and Cellar Remains at Gnoll Country Park

Art and Museums

- Thomas Horner collection of watercolours

- Charcoal drawing by eminent Welsh artist Wil Roberts

- Oil painting by Dorothy Coombe Tennant

Transport

- Full scale renovated gas tram

Other

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

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Current	
	31st Mar 2013 £000	31st Mar 2012 £000	31st Mar 2013 £000	31st Mar 2012 £000
Investments				
Loans and receivables at amortised cost:				
Fixed Term Investments	2,201	3,097	42,478	80,752
Cash	-	-	26,400	6,570
Unquoted equity at cost	89	89	-	-
Total investments	**2,290**	**3,186**	**68,878**	**87,322**
Borrowings				
Financial liabilities at amortised cost:				
Market Loans (LOBO)	(62,724)	(62,500)	(733)	(730)
PWLB	(109,361)	(110,334)	(2,992)	(3,015)
Other loans	-	-	(1,154)	(13,272)
Total borrowings	**(172,085)**	**(172,834)**	**(4,879)**	**(17,017)**
Other Long Term Liabilities				
Pension Liability	(401,700)	(362,500)	-	-

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, Expenses, Gains and Losses

	2012/13					2011/12				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Asset 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	Asset and Liabilities at Fair Value through Profit and Loss	**Total**
	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	**£000**
Interest Expense	8,830	-	-	-	**8,830**	8,594	-	-	-	**8,594**
Losses on derecognition	-	-	-	-	**0**	-	-	-	-	**0**
Reductions in fair value	-	-	-	-	**0**	-	-	-	-	**0**
Fee expense	-	-	-	-	**0**	-	-	-	-	**0**
Total expense in Surplus or Deficit on the Provision of Services	8,830	0	0	0	**8,830**	8,594	0	0	0	**8,594**
Interest income	-	(1,220)	-	-	**(1,220)**	-	(992)	-	-	**(992)**
Interest income accrued on impaired financial assets	-	(273)	-	-	**(273)**	-	(532)	-	-	**(532)**
Increases in fair value	-	-	-	-	**0**	-	-	-	-	**0**
Gains on derocognition	-	-	-	-	**0**	-	-	-	-	**0**
Fee income	-	-	-	-	**0**	-	-	-	-	**0**
Total Income in Surplus or Deficit on the Provision of Services	0	(1,493)	0	0	**(1,493)**	0	(1,524)	0	0	**(1,524)**
Gains on revaluation	-	-	-	-	**0**	-	-	-	-	**0**
Losses on revaluation	-	-	-	-	**0**	-	-	-	-	**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	**0**	-	-	-	-	**0**
Surplus/deficit arising on revaluation of financial assets in other Comprehensive Income and Expenditure	0	0	0	0	**0**	0	0	0	0	**0**
Net gain/(loss) for the year	8,830	(1,493)	0	0	**7,337**	8,594	(1,524)	0	0	**7,070**

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 2013, 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 2013, for an instrument with the same duration. Where it is difficult to obtain the rate for an instrument with identical features in an active market then the prevailing rate of a similar instrument with a published market rate has been used as the discount factor. For those banks that have gone into administration or receivership the NPV calculation uses the rate at which the investment was originally placed.

The values calculated are as follows:

	31st Mar 2013		31st Mar 2012	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt	(112,354)	(129,147)	(113,349)	(124,593)
Non-PWLB Debt	(63,457)	(63,286)	(63,230)	(58,421)
Non-PWLB Debt Temporary Borrowing	-	-	(11,500)	(11,496)
Total debt	**(175,811)**	**(192,433)**	**(188,079)**	**(194,510)**
Long Term creditors	(25,635)	(25,635)	(18,957)	(18,957)

31st March 2013 – 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 2013, arising from a commitment to pay interest to lenders above market rates. For Non PWLB Debt the reverse is true.

Fair Value of Assets

	31st Mar 2013		31st Mar 2012	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	71,079	71,576	90,419	90,897
Long term debtors	917	917	994	994

NOTES TO THE ACCOUNTS

14. INVENTORIES

	Stores		Work in Progress		Total	
	2012/13 £000	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**
Balance outstanding at start of year	780	715	152	45	932	760
Movement in year	(130)	65	(111)	107	(241)	172
Balance o/s at year end	**650**	**780**	**41**	**152**	**691**	**932**

15. CONSTRUCTION CONTRACTS

At 31st March 2013, the Authority has entered into a number of contracts for the construction of Property, Plant and Equipment. The budgeted cost of these commitments for 2013/14 and future years are shown in the table below. Similar commitments at 31st March 2012 were £58.2m. The major commitments are:

Major Capital Commitments	2013/14 £000	Future £000	Total £000
Ysgol Newydd, Sandfields	4,605	100	4,705
Margam Country Park-Conservation and Development	1,500	50	1,550
Harbour Way (PDR 2)	9,300	4,700	14,000
Street lighting replacement programme	4,600	7,600	12,200
Adults Respite Centre	4,400	400	4,800
Total	**24,405**	**12,850**	**37,255**

16. DEBTORS

Restated 31st Mar 2012 £000		31st Mar 2013 £000
31,063	Central government bodies	64,751
2,549	Other local authorities	3,124
1,324	NHS bodies	1,273
15,867	Other entities and individuals	14,739
14,876	Payments in advance	3,874
(2,732)	Less provision for doubtful debts	(3,557)
62,947	**Total**	**84,204**

NOTES TO THE ACCOUNTS

17. CASH AND CASH EQUIVALENTS

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

31st Mar 2012 £000		31st Mar 2013 £000
126	Cash held by the Authority	125
1,369	Bank current accounts	3,732
1,495	**Total**	**3,857**

18. ASSETS HELD FOR SALE

	Current		Non Current	
	2012/13 £000	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**
Balance outstanding at start of year	2,125	3,266	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment				
Revaluation losses	1,240	495	-	-
Revaluation gains	(24)	(320)	-	-
Impairment losses	200	-	-	-
Assets declassified as held for sale				
Property, Plant and Equipment				
Assets sold	(350)	(196)	-	-
Other movements	(472)	(1,120)	-	-
Balance outstanding at year end	**2,719**	**2,125**	**0**	**0**

19. CREDITORS

Restated 31st Mar 2012 £000		31st Mar 2013 £000
(5,719)	Central government bodies	(36,422)
(9,719)	Other local authorities	(10,144)
(232)	NHS bodies	(354)
(39,287)	Other entities and individuals	(40,161)
(3,961)	Receipts in advance	(3,274)
(58,918)	**Total**	**(90,355)**

NOTES TO THE ACCOUNTS

20. PROVISIONS

Long Term Provisions

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1st April 2011	-	-	0
Net Transfer (to)/from	(3,818)	(1,080)	(4,898)
Balance at 31st March 2012	(3,818)	(1,080)	(4,898)
Net Transfer (to)/from	(1,079)	88	(991)
Balance at 31st March 2013	**(4,897)**	**(992)**	**(5,889)**

Short Term Provisions

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1st April 2011	(5,877)	(3,191)	(9,068)
Net Transfer (to)/from	(563)	3,122	2,559
Reclassification of short term to long term	3,818	-	3,818
Balance at 31st March 2012	(2,622)	(69)	(2,691)
Net Transfer (to)/from	352	(66)	286
Balance at 31st March 2013	**(2,270)**	**(135)**	**(2,405)**

Long and Short Term - Injury and Damage Compensation Claims

This provision covers the estimated cost of settling all the outstanding insurance claims of the Authority that existed at 31st March 2013.

Long and Short Term - Other Provisions – Housing Warranties

This long term provision has been set aside in recognition of the warranties and commitments relating to potential liabilities following the transfer of housing services in 2010/11. A short term reserve has been created for £44,000 which reflects the costs likely to be incurred in the next financial year.

Short Term - Other Provisions – Municipal Mutual Insurance

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 this was unlikely to be achieved, then a Scheme of Arrangement would be triggered which would pass some of the liability to repay old claims to the Council.

The Scheme was triggered on 13th November 2012 and an assessment has been made that the Council will face of levy of 15% in the next financial year, with the cost of £91,000 included as a provision within the accounts.

21. USABLE RESERVES

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

Restated 31st Mar 2012 £000			31st Mar 2013 £000
(41,329)	Earmarked Reserves		(39,606)
(3,163)	Working Balances:	General Fund	(5,933)
(13,999)		HRA	(8,499)
(9,467)	Unapplied Grants		(12,015)
(9,617)	Usable Capital Receipts		(8,045)
(77,575)	**Total**		**(74,098)**

22. UNUSABLE RESERVES

31st Mar 2012 £000		31st Mar 2013 £000
(97,574)	Revaluation Reserve	(101,279)
(296,400)	Capital Adjustment Account	(327,461)
2,908	Financial Instruments Adjustment Account	2,824
362,500	Pensions Reserve	401,700
(148)	Deferred Capital Receipts Reserve	(91)
4,412	Accumulated Absences Account	3,928
(24,302)	**Total**	**(20,379)**

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.

NOTES TO THE ACCOUNTS

2011/12		Revaluation Reserve	2012/13	
£000	£000		£000	£000
	(43,738)	**Balance at 1st April**		(97,574)
(60,839)		Upward revaluation of assets	(9,522)	
-		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of	-	
5,950		Impairment losses on non-current assets	3,474	
	(54,889)			(6,048)
-		Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-	
1,053		Difference between fair value depreciation and historical cost depreciation	2,343	
-		Accumulated gains on assets sold or	-	
	1,053	Amount written off to the Capital Adjustment Account		2,343
	(97,574)	**Balance at 31st March**		**(101,279)**

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.

NOTES TO THE ACCOUNTS

2011/12		Capital Adjustment Account	2012/13	
£000	**£000**		**£000**	**£000**
	(305,439)	**Balance at 1st April**		(296,400)
-		Reversal of items relating to capital expenditure debited or credited to the CIES:	-	
16,703		Charges for depreciation and impairment of non current assets	15,815	
45,513		Revaluation losses on Property, Plant and Equipment	10,666	
13,603		Revenue expenditure funded from capital under statute	12,868	
1,614		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	1,321	
	77,433			40,670
	(1,053)	Adjusting amounts written out of the Revaluation Reserve		(2,343)
	(229,059)	Net written out amount of the cost of non current assets consumed in the year		(258,073)
		Capital financing applied in the year:		
(2,550)		Use of the Capital Receipts Reserve to finance new capital expenditure	(2,265)	
(54,113)		Application of grants to capital financing from the Capital Grants Unapplied Account	(56,394)	
(8,576)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,739)	
(2,106)		Capital expenditure charged against the General Fund and HRA balances	(1,992)	
	(67,345)			(69,390)
-		Use of Capital Receipts Reserve to repay loans	-	
4		Deferred Sale proceed to Comprehensive Income and Expenditure Account	2	
	4			2
	(296,400)	**Balance at 31st March**		**(327,461)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to release premiums and discounts paid which were received on the early redemption of loans. Over time, the premiums 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 2013 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.

2011/12		Financial Instruments Adjustment	2012/13	
£000	£000		£000	£000
	5,828	**Balance at 1st April**		2,908
(139)		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(138)	
54		Proportion of discounts received in previous financial years to be released to the General Fund Balance in accordance with statutory requirements	54	
	(85)			(84)
	(2,835)	Transfer of Impairment to General Fund Balances		-
	2,908	**Balance at 31st March**		**2,824**

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

2011/12 £000	Pension Reserve	2012/13 £000
274,900	**Balance at 1st April**	362,500
86,620	Actuarial gains or losses on pensions assets and liabilities	32,320
22,900	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	27,100
(21,920)	Employer's pensions contributions and direct payments to pensioners payable in the year	(20,220)
362,500	**Balance at 31st March**	**401,700**

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.

2011/12 £000	Deferred Capital Receipts Reserve	2012/13 £000
(193)	**Balance at 1st April**	(148)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
45	Transfer to the Capital Receipts Reserve upon receipt of cash	57
(148)	**Balance at 31st March**	**(91)**

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.

NOTES TO THE ACCOUNTS

2011/12		Accumulated Absences Account	2012/13	
£000	£000		£000	£000
	3,816	**Balance at 1st April**		4,412
(3,816)		Settlement or cancellation of accrual made at the end of the preceding year	(4,412)	
4,412		Amounts accrued at the end of the current year	3,928	
	596	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		(484)
	4,412	**Balance at 31st March**		**3,928**

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

Included within the cash flows for operating activities are the following items:

2011/12 £000		2012/13 £000
(992)	Interest Received	(1,167)
6,488	Interest Paid	8,544
5,496		**7,377**

24. CASH FLOW STATEMENT –INVESTING ACTIVITIES

2011/12 £000		2012/13 £000
(67,141)	Purchase of property, plant and equipment	(72,981)
(793,951)	Purchase of short term and long term investments	(1,413,865)
-	Other payments for investing activities	-
1,170	Proceeds from the sale of property, plant and equipment	636
787,580	Proceeds from short term and long term investments	1,431,035
49,425	Other receipts from investing activities	55,183
(22,917)	**Net cash flows from Investing Activities**	**8**

NOTES TO THE ACCOUNTS

25. CASH FLOW STATEMENT –FINANCING ACTIVITIES

2011/12 £000		2012/13 £000
11,738	Cash receipts of short and long term borrowing	224
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
(997)	Repayments of short and long term borrowing	(13,104)
-	Other payments for financing activities	(163)
10,741	**Net cash flows from Financing Activities**	**(13,043)**

26. 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:

- 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.

NOTES TO THE ACCOUNTS

Directorate Income and Expenditure	Education, Leisure and Lifelong Learning	Social Services, Health and Housing	Environment	Finance and Corporate Services	Chief Executive	Total
2012/13	£000	£000	£000	£000	£000	£000
Fees, Charges and other services income	(28,137)	(22,412)	(25,754)	(7,531)	(2,826)	(86,660)
Government Grants	(23,145)	(7,746)	(8,947)	(1,634)	(1,538)	(43,010)
Total Income	(51,282)	(30,158)	(34,701)	(9,165)	(4,364)	(129,670)
Employee expenses	99,591	36,133	16,484	14,503	5,084	171,795
Other service expenses	52,517	65,890	50,772	4,923	1,902	176,004
Support service recharges	6,229	7,875	1,623	3,201	2,023	20,951
Total Expenditure	158,337	109,898	68,879	22,627	9,009	368,750
Net Expenditure	**107,055**	**79,740**	**34,178**	**13,462**	**4,645**	**239,080**
2011/12	£000	£000	£000	£000	£000	£000
Comparative figures						
Fees, Charges and other services 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**

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.

2011/12 £000		2012/13 £000
235,643	Net expenditure in the Directorate Analysis	239,080
(3)	Net expenditure of services and support services not included in the Analysis	4
62,469	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	32,630
(434)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(487)
297,675	**Cost of Services in Comprehensive Income and Expenditure Statement**	**271,227**

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

2012/13	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	**Cost of Services Sub Total**	Corporate Amounts	**Total**
	£000	£000	£000	**£000**	£000	**£000**
Fees, Charges & other services inc.	(86,660)	(16,113)	(2,535)	**(105,308)**	-	**(105,308)**
Interest and investment income	-	-	-	**0**	(1,493)	**(1,493)**
Income from council tax & NNDR	-	-	-	**0**	(104,186)	**(104,186)**
Government Grants & contributions	(43,010)	-	(52,014)	**(95,024)**	(219,363)	**(314,387)**
Total Income	(129,670)	(16,113)	(54,549)	**(200,332)**	(325,042)	**(525,374)**
Employee expenses	171,795	1,902	(2,822)	**170,875**	-	**170,875**
Other service expenses	176,004	14,215	73,699	**263,918**	-	**263,918**
Support Service recharges	20,951	-	-	**20,951**	-	**20,951**
Depreciation, amortisation and impairment	-	-	15,815	**15,815**	-	**15,815**
Interest Payments	-	-	-	**0**	18,050	**18,050**
Precepts and Levies	-	-	-	**0**	16,207	**16,207**
Gain or Loss on Disposal of Fixed Assets	-	-	-	**0**	686	**686**
Total Expenditure	368,750	16,117	86,692	**471,559**	34,943	**506,502**
Surplus or deficit on the provision of services	**239,080**	**4**	**32,143**	**271,227**	**(290,099)**	**(18,872)**
2011/12	£000	£000	£000	**£000**	£000	**£000**
Comparative figures						
Fees, Charges & other services inc.	(83,990)	(16,837)	(3,175)	**(104,002)**	-	**(104,002)**
Interest and investment income	-	-	-	**0**	(1,524)	**(1,524)**
Income from council tax & NNDR	-	-	-	**0**	(97,447)	**(97,447)**
Government Grants & contributions	(38,886)	-	(49,867)	**(88,753)**	(213,705)	**(302,458)**
Total Income	(122,876)	(16,837)	(53,042)	**(192,755)**	(312,676)	**(505,431)**
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	-	-	-	**0**	15,794	**15,794**
Precepts and Levies	-	-	-	**0**	15,660	**15,660**
Gain or Loss on Disposal of Fixed Assets	-	-	-	**0**	444	**444**
Total Expenditure	358,519	16,834	115,077	**490,430**	31,898	**522,328**
Surplus or deficit on the provision of services	**235,643**	**(3)**	**62,035**	**297,675**	**(280,778)**	**16,897**

27. ACQUIRED AND DISCONTINUED OPERATIONS

Where operations have been acquired or discontinued in the year the Code requires disclosure of the nature of the acquired and discontinued operations and details of any outstanding liabilities in respect of discontinued operations.

There are no known events for inclusion in this note for 2012/13.

28. 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:

2011/12 £000			2012/13 £000
(944)	Catering Services	Turnover	(907)
1,034		Expenditure	962
90		(Surplus)/Deficit	55
(953)	Trade Refuse	Turnover	(989)
953		Expenditure	989
0		(Surplus)/Deficit-excluding full overheads	0

29. AGENCY SERVICE

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.

2011/12 £000		2012/13 £000
47,972	Expenditure - fully reimbursed by Welsh Government	44,666

30. POOLED BUDGETS –JOINT EQUIPMENT STORE

Neath Port Talbot County Borough Council was 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. This arrangement ended in 2011/12 and there is no further expenditure and income in 2012/13 in relation to this joint service. However, it has been replaced by a different arrangement which the City and County of Swansea are leading.

Joint Equipment Store – Health and Neath Port Talbot Council

2011/12			2012/13	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
(52)		The Authority	-	
(157)		The Health Trust	-	
	(209)			0
		Expenditure met from the pooled budget:		
52		The Authority	-	
(7)		The Health Trust	-	
	45			0
	(164)	Net (surplus)/deficit arising on the pooled budget during the year		0
	-	**Authority share of the net surplus arising on the pooled budget**		-

On the 1st April 2012, the Council entered into a new pooled arrangement with the Health Trust and the City and County of Swansea. This arrangement is led by the City and County of Swansea.

Joint Equipment Store – Health, Neath Port Talbot Council and the City and Country of Swansea

2011/12			2012/13	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
-		City and County of Swansea	(519)	
-		Neath and Port Talbot Council	(346)	
-		The Health Trust	(864)	
	-	Total Contributions		(1,729)
	-	Expenditure met from the pooled budget:		1,803
	-	Net (surplus)/deficit arising on the pooled budget during the year		74
	-	Authority share of the net (surplus)/deficit arising on the pooled budget		-

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

31. MEMBERS REMUNERATION

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

2011/12 £000		2012/13 £000
958	Basic Allowance/Basic and Senior Salaries	1,147
268	Special Responsibility Allowance (until May 2012 only)	26
11	Expenses	13
1,237	**Total**	**1,186**

32. 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 Mr Steven J Phillips	2012/13	134,253	90	19,467	153,810
	2011/12	129,725	58	18,810	148,593
Director of Environment	2012/13	98,790	-	14,325	113,115
	2011/12	101,819	417	14,764	117,000
Director of Social Services, Health & Housing	2012/13	106,149	-	15,392	121,541
	2011/12	101,216	-	14,676	115,892
Director of Education, Leisure & Lifelong Learning	2012/13	113,618	150	16,475	130,243
	2011/12	115,038	150	16,681	131,869
Director of Finance and Corporate Services	2012/13	83,498	115	12,141	95,754
	2012/13	28,668	-	4,157	32,825
	2011/12	106,338	150	15,419	121,907

The Employers pension contribution of 14.5% excludes any deficit contribution to the fund and represents the normal contribution required for the year.

The Chief Executive's remuneration does not include any 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 Director of Social Services, Health and Housing retired on 31st March 2013.

The remuneration for the Director of Education, Leisure and Lifelong Learning includes £5,000 (2011/12 £9,000) which was funded by Blaenau Gwent and is not included in the Neath Port Talbot CBC expenditure.

There are two lines showing for the Director of Finance and Corporate Services to show the pay of the retiring director followed by the pay of the newly appointed director.

The number of Authority's other employees receiving more than £60,000 remuneration for the year, excluding employer's pension contributions, in bands of £5,000 is listed below. The figures included for 2011/12 have been restated, as the initial information contained Chief Officers who had already been included in the Senior Officers remuneration statement. This restatement reduces the number of employees by five in 2011/12.

			2012/13 Number of employees	2011/12 Number of employees
£60,000	-	£64,999	10	13
£65,000	-	£69,999	10	8
£70,000	-	£74,999	5	12
£75,000	-	£79,999	11	5
£80,000	-	£84,999	5	3
£85,000	-	£89,999	-	3
£90,000	-	£94,999	2	1
£110,000	-	£114,999	1	-
£135,000	-	£139,999	-	1
			44	**46**

As a result of a voluntary redundancy scheme in 2011/12, a number of additional employees received remuneration above £60,000 in that year. These individuals were paid the following amounts:

			2012/13 Number of employees	2011/12 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
			0	**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	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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 £000	2011/12 £000
£0 - £20,000	4	34	56	122	60	156	316	1,201
£20,001 - £40,000	2	1	15	90	17	91	501	2,656
£40,001 - £60,000	-	-	-	13	-	13	-	591
£60,001 - £80,000	-	-	2	1	2	1	136	74
Total	**6**	**35**	**73**	**226**	**79**	**261**	**953**	**4,522**

NOTES TO THE ACCOUNTS

33. 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:

2011/12 £000		2012/13 £000
153	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	164
132	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	121
169	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	212
454	**Total**	**497**

NOTES TO THE ACCOUNTS

34. GRANT INCOME

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

2011/12 £000		2012/13 £000
	Credited to Taxation and Non Specific Grant Income	
1,460	Improvement Agreement Grant	1,462
164,063	Revenue Support Grant	160,307
35,761	Harbour Way Peripheral Distributor Road (PDR) Grant	41,060
-	Regeneration and Town Centre Redevelopments	7,496
5,872	Dwr Y Felin Comprehensive School Single Site	966
-	Ysgol Hendre Refurbishment	500
526	Cycling Centre of Excellence	1,097
-	Contribution from Margam Joint Committee	923
6,950	Other capital grants	5,552
214,632	**Total**	**219,363**
	Credited to Services	
1,325	Housing Renewal Area Grants	1,452
1,894	Cymorth Grant-Education (replaced by Families First Grant)	-
-	Families First Grant	2,154
1,328	Post 16 Provision in Schools Grant	2,085
1,957	Flying Start Grant	2,062
4,077	Foundation Phase Grant	4,312
1,205	School Effectiveness Grant	1,562
1,196	European Union Grants for Education	3,672
6,442	Other Education Grants	6,504
2,986	Concessionary Fares Re-imbursement Grant	2,986
575	Other Highways Grants	779
4,553	Social Services Grants	3,984
49,200	Mandatory Rent Allowances Grant	51,411
323	Mandatory Rent Rebates Grant	292
2,724	Supporting People Grant	4,244
3,084	Waste Grant	3,020
525	Community Purpose Grant	172
1,046	Recreation and Sports Grant	1,033
9,813	Other Services Grants	8,931
94,253	**Total**	**100,655**

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

2011/12 £000		2012/13 £000
	Capital Grants Receipts in Advance	
10,211	Harbour Way (PDR 2)	-

NOTES TO THE ACCOUNTS

35. RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties, such as council tax bills and housing benefits. Grants received from government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2013 are shown in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 31.

During 2012/13 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 2012/13, another Member had vending machines located in a small number of Council establishments. During 2012/13 Grwp Gwalia, the employer of another Member, had contracts with the Authority for the provision of housing and support services. Also, during 2012/13, the employer of another Member provided the Council's banking 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, who retired during the year, 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, who retired during the year, 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.

The Chief Executive of the Authority and the Director of Environment are unpaid appointed directors of Coed Darcy Ltd.

Coed Darcy Ltd has responsibility for overseeing the development of the former BP site at Llandarcy.

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 Head of Community Care is one of the unpaid directors for the Neath Port Talbot Home Inspection Services Ltd.

The 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 Director of Environment and the Head of Property and Regeneration are board members of the Neath Canal Company which oversees the running and development of the canal network within the Authority's boundary.

Entities Significantly influenced by the Authority

<u>Waste</u>
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 £224,489 at 31st March 2013 (inclusive of interest) relating to the company (£206,862 at 31st March 2012).

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 2012/13 on behalf of Neath Port Talbot CBC and Bridgend CBC of £7.398m (£7.317m in 2011/12) and received income from Bridgend CBC. There were no outstanding balances at 31st March 2013.

<u>Home Inspection Services</u>
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.

The Authority received income of £363,000 from NPT Home Inspection Services Limited in 2012/13 for support services provided; there was a £430,000 outstanding balance owed by NPT Home Inspection Services Limited on the 31st March 2013. As at the 31st March 2013, there was a balance of £44,000 owed by the Authority to NPT Home Inspection Services Limited. Further information is available in Note 49-Group Accounts.

Leisure Trust
The Authority formed the Trust to manage its indoor leisure activities and the Gwyn Hall. 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 2012/13 was £2.48m (£1.81m in 2011/12). There are no outstanding balances at 31st March 2013.

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 £464,000 in 2012/13; £309,000 of this relates to supporting people charges. In 2012/13, the Authority received £1.2m from Neath Port Talbot Homes for support services provided. There was a £225,000 outstanding balance owed by Neath Port Talbot Homes on the 31st March 2013.

36. 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.

2011/12 £000		2012/13 £000
	Capital Investment	
67,141	Property, Plant and Equipment	72,981
-	Investment Properties	-
-	Intangible Assets	-
8,984	Revenue Expenditure Funded From Capital Under Statute	5,201
-	Non Enhancement Expenditure - Chargeable against Services	-
-	Non Enhancement Expenditure - Chargeable against the Revaluation Reserve	-
76,125		**78,182**
	Sources of Finance	
(2,550)	Capital receipts	(2,265)
(54,113)	Government grants and other contributions	(56,394)
-	Sums Set aside from revenue	-
(2,106)	Direct revenue contributions and reserves	(1,992)
(17,356)	Loans	(17,531)
(76,125)		**(78,182)**

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.

2011/12 £000		2012/13 £000
(188,944)	**Opening Capital Financing Requirement**	**(197,724)**
(5,155)	Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	(4,591)
(12,201)	Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	(12,940)
-	Assets Acquired Under Finance Leases	-
-	Assets Acquired Under PFI/PPP Contracts	-
-	Housing Repayment	-
8,576	Minimum Revenue Provision and prudential borrowing	8,739
-	Set Aside Receipts	-
(197,724)	**Closing Capital Financing Requirement**	**(206,516)**

37. LEASES

Authority as Lessee

Finance Leases
The Authority 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.

31st Mar 2012 £000		31st Mar 2013 £000
3,051	Other Land and Buildings	2,981

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

31st Mar 2012 £000		31st Mar 2013 £000
	Finance Lease Liabilities	
10	Current	10
958	Non current	948
1,185	Finance lease costs payable in future years	1,139
2,153	**Minimum Lease Payments**	**2,097**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st Mar 2012 £000	31st Mar 2013 £000	31st Mar 2012 £000	31st Mar 2013 £000
Not later than one year	55	55	10	10
Between 1 and 5 years	221	221	43	46
Later than 5 years	1,877	1,821	915	902
	2,153	**2,097**	**968**	**958**

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 2012 £000		31st Mar 2013 £000
9	Not later than one year	35
-	Between 1 and 5 years	140
-	Later than 5 years	-
9		**175**

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 2012/13 was £1.146m 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.

38. TERMINATION BENEFITS

The Council continues to see a number of staff leaving, primarily through the early release of staff in the education field, who have been able to access their pensions or take voluntary redundancy, as part of the Council's commitment to avoid compulsory redundancy. Full details of the numbers and costs are included in Note 32 – Exit Packages.

39. 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 2012/13, the Council paid £6.35m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2011/12 were £6.5m 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 40.

40. 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13 £m	2011/12 £m	2012/13 £m	2011/12 £m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
current service cost	17.60	17.03	-	-
past service costs	0.26	0.80	0.02	0.05
settlements and curtailments	-	(2.18)	-	-
Financing and Investment Income and Expenditure	-	-	-	-
interest cost	34.44	34.40	1.61	1.81
expected return on scheme assets	(26.83)	(29.01)	-	-
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**25.47**	**21.04**	**1.63**	**1.86**
Other Post-employed Benefit Charged to the Comprehensive Income and Expenditure				
actuarial gains and losses	87.96	83.87	2.40	2.75
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**113.43**	**104.91**	**4.03**	**4.61**
Movement in Reserves Statement				
reversal of net charges made to the Surplus of Deficit for the Provision of Services for post	**(113.43)**	**(104.91)**	**(4.03)**	**(4.61)**
Other Post-employed Benefit Charged to the Comprehensive Income and Expenditure				
employers' contributions payable to scheme	17.46	19.25		
retirement benefit payable to pensioners			2.76	2.67

The cumulative amount of actuarial gain and losses recognised in the Comprehensive Income and Expenditure Statement in relation to actuarial gains or losses on pensions assets was a loss of £358.87m at 31st March 2013 and at 31st March 2012 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	
	2012/13 £m	2011/12 £m	2012/13 £m	2011/12 £m
Opening Balance at 1st April	(714.01)	(632.95)	(36.21)	(34.27)
Current service cost	(17.60)	(17.03)	-	-
Interest cost	(34.44)	(34.40)	(1.61)	(1.81)
Contributions by scheme participants	(5.01)	(5.47)	-	-
Actuarial gains and (losses)	(58.40)	(54.31)	(2.40)	(2.75)
Benefits paid	15.87	15.12	2.76	2.67
Past service costs	(0.26)	(0.80)	(0.02)	(0.05)
Business combinations	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	15.83	-	-
Closing balance at 31st March	**(813.85)**	**(714.01)**	**(37.48)**	**(36.21)**

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

2011/12 £m		2012/13 £m
392.32	Opening Balance at 1st April	387.72
29.01	Expected rate of return	26.83
(29.56)	Actuarial gains and (losses)	28.48
19.25	Employer contributions	17.46
5.47	Contributions by scheme participants	5.01
(15.12)	Net benefits paid out	(15.87)
-	Business combinations	-
(13.65)	Settlements	-
387.72	**Closing balance at 31st March**	**449.63**

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 gain of £55.31m. In 2011/12, this was a loss of £0.55m.

NOTES TO THE ACCOUNTS

Scheme History

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Present Value of liabilities:					
Local Government Scheme	(526.12)	(735.46)	(632.95)	(714.01)	(813.85)
Disretionary Benefits	(36.60)	(39.33)	(34.27)	(36.21)	(37.48)
Total	**(562.72)**	**(774.79)**	**(667.22)**	**(750.22)**	**(851.33)**
Less Fair value of assets in the Local Government Pension Scheme:	278.68	390.29	392.32	387.72	449.63
Total	**(284.04)**	**(384.50)**	**(274.90)**	**(362.50)**	**(401.70)**
Equals **Surplus/(deficit) in the scheme:**					
Local Government Pension Scheme	(247.44)	(345.17)	(240.63)	(326.29)	(364.22)
Discretionary Benefits	(36.60)	(39.33)	(34.27)	(36.21)	(37.48)
Closing balance at 31st March	**(284.04)**	**(384.50)**	**(274.90)**	**(362.50)**	**(401.70)**

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 £401.70m 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 £94.477m at 31st March 2013. 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 2014 is £18.09m. Expected contributions for the Discretionary Benefits schemes in the year to 31st March 2014 are £1.34m for the LGPS Scheme and £1.45m 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 were:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13 £m	2011/12 £m	2012/13 £m	2011/12 £m
Long term expected rate of return on assets in the scheme:				
Equity investments	7.8%	8.1%	-	-
Bonds:	-	-	-	-
Government	2.8%	3.1%	-	-
Corporate	3.8%	3.7%	-	-
Cash	0.9%	1.8%	-	-
Property	7.3%	7.6%	-	-
Other	7.8%	8.1%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.7	21.6	-	21.6
Women	23.9	23.8	-	23.8
Longevity at 65 for future pensioners:				
Men	23.5	23.4	-	-
Women	25.8	25.7	-	-
Rate of inflation:				
RPI	3.7%	3.6%	-	3.4%
CPI	2.8%	2.6%	-	2.4%
Rate of increase in salaries	4.7%	5.1%	-	-
Rate of increase in pensions	2.8%	2.6%	-	2.4%
Rate for discounting scheme liabilities	4.4%	4.8%	-	4.6%
Take-up of option to convert annual pension into retirement lump sum:				
Pre 2010	50.0%	50.0%	-	-
Post 2010	75.0%	75.0%	-	-

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:

31st Mar 2012 %		31st Mar 2013 %
68.4	Equity investments	72.4
4.1	Property	4.8
	Bonds:	
15.3	Government	14.3
1.8	Corporate	0.8
4.9	Cash	3.0
5.5	Other	4.7

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(26.80)	21.50	(2.80)	(7.60)	6.30
Experience gains and (losses) on liabilities	(0.40)	0.70	4.10	(0.60)	0.10

41. 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 was unlikely to be achieved, it was unidentified that a Scheme of Arrangement would be triggered which would pass some of the liability to repay old claims to the Council.

The Scheme was triggered on 13th November 2012 and an assessment has been made that the Council will face a levy of 15% in 2013/14, with the cost of £91,000 included as a provision within the accounts. As further claims are met, the Scheme Administrator may revisit the levy rate and increase the Council's liability by up to £516,000, but as this liability is not certain, this has not been included in the accounts.

Liability - Rentals

The Council has entered into an agreement with Gwalia for them to provide residential care home services. As part of this agreement, lease rentals are charged by the Council on the existing homes. However, the rentals paid for each home from contract commencement will be refunded to Gwalia if that home is closed in accordance with the agreed development programme. These refunds will be earned as each home is closed but will not become payable until the entire development programme is complete. This is identified as a contingent liability as the obligation to repay the lease rentals will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

At this early stage, the Council will act prudently and include a reserve within its accounts for the repayment of £272,000 which could fall due.

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 on-going uncertainty no allowance has been made in the accounts for this issue, the sum involved is between £182,000 and £269,000.

Liability – Property Searches

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £77,850 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Asset – VAT and Trade Waste

In the Spring of 2011, HMRC ruled that the provision of trade waste collection services by a local authority is non-business whereas it was previously VATable. Normally, when the VAT liability of a service changes, it can be possible to go back four years and reclaim the VAT previously paid. The Council has submitted a claim to HMRC for a refund of VAT to the value of £207,000. However, this amount could change as HMRC have yet to agree the value.

The likelihood of the claim actually being paid is difficult to determine, but current indications are that HMRC is not making it easy for authorities to receive refunds. Even when HMRC agrees the quantum of the claim they are arguing that unjust enrichment applies to the claim and this is the line they are currently pursuing.

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

Key Risks

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

- Credit Risk — the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk — the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing Risk — the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms

- Market Risk — the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations / standing order / constitution;

- by approving annually in advance prudential and treasury indicators for the following three years limiting;

  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial 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 27th February 2013 and is available on the Council website.

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

Credit Risk

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

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

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

Maturities up to a maximum of 1 year (Specified Investments)				
	Minimum "High" Credit Criteria	**Funds Managed**	**Maximum amount**	**Maximum 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
Maturities up to a maximum of 1 year (Specified Investments)				
	Minimum "High" Credit Criteria	**Funds Managed**	**Maximum amount**	**Maximum Duration**
Fixed term deposits with fixed rate and fixed maturity				
Term deposits – Nationalised & part nationalised UK bank/ 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+ 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 – Barclays Bank PLC	Fitch short-term rating F1+ with support rating of 1 and a stable outlook	In-house	£15m	6 months
Term deposits – UK banks/ building societies	Fitch short-term rating F1+ with support rating of 1 and a stable outlook	In-house	£10m	6 months
Principality Building Society	Fitch short-term rating F2	In-house	£3m	6 months
Co-operative Bank	Fitch short-term rating F2	In-house	£3m	6 months
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months
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.	

Maturities in excess of 1 year (Non-specified Investments)				
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 fixed rate and fixed maturity				
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.

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 that, despite meeting the credit criteria, collapsed and went into administration in October 2008.

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 2012 £000		31st Mar 2013 £000
5,451	Current - up to one month	5,922
771	One to three months	1,818
208	Three to six months	205
576	Six months to one year	499
2,219	More than one year	2,193
9,225	**Total**	**10,637**

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:

31st Mar 2012 £000		31st Mar 2013 £000
(14,238)	Less than 1 year	(972)
(972)	Between 1 and 2 years	(1,436)
(7,649)	Between 2 and 5 years	(6,995)
(17,916)	Between 5 and 10 years	(21,509)
(146,297)	More than 10 years	(142,146)
(187,072)	**Total**	**(173,058)**

Market Risk

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

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

- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

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

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

	31st Mar 2013 £000
Increase/decrease in interest received and credited to the CIES Account	664
Increase/decrease in external interest payable and debited to the CIES Account	1,730

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.

43. 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:

Bank	Original Principal Amount Invested £m	Balance Sheet Carrying Amount £m	Impairment £m
Heritable Bank Ltd	9.000	0.949	2.109
Kapthing Singer & Friedlander Ltd (KSF)	3.000	0.220	0.781
Landsbanki Islands hf	6.000	2.626	1.708
Glitner Bank hf	2.000	-	0.398
Total	**20.000**	**3.795**	**4.996**

	£m	£m
Original Investments made:		20.000
Less Repaid to 31st March 2013:		
Heritable Bank Ltd	(7.066)	
Kapthing Singer & Friedlander Ltd (KSF)	(2.345)	
Landsbanki Islands hf	(2.996)	
Glitner Bank hf	(2.000)	
		(14.407)
Net Investment o/s (excluding interest)		**5.593**

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 information provided by the administrators of the bank.

Subsequent to the preparation of the Accounts, CIPFA issued revised LAAP Bulletins which contained further updates in relation to the anticipated Icelandic dividend values and profiles. The financial impact of the updated LAAP82 compared to the information used in the Accounts was assessed and the impact calculated as approximately £19,000. Therefore, the Accounts have not been updated to reflect the information included in the Bulletin as the financial impact is deemed to be immaterial.

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 pay-outs 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	77.30%
July 2013	5.40%
January 2014	5.30%

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 pay outs is as shown in the table. The Authority has decided to recognise an impairment based on recovering 83.5p in the £.

Date	Repayment
Received to date	76.00%
January 2014	7.50%

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 May 2013.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 4.17%. 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 pay-outs 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	48.40%
May 2013	7.00%
December 2014	7.00%
December 2015	7.00%
December 2016	7.00%
December 2017	7.00%
December 2018	7.00%
December 2020	9.60%

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.

- 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 22nd 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 4.2%. 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 2012/13 of £91,000 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 include the impairment in its revenue each year.

44. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

There have been no movements in relation to Heritage Assets so there is no further information for inclusion in this note. Full details of the Heritage Assets held by the Council are included in Note 12 : Heritage Assets.

NOTES TO THE ACCOUNTS

45. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

Details of the Heritage Assets held by the Council are included in Note 12 : Heritage Assets.

46. TRUST FUNDS

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

Details of the unaudited accounts balances at 31st March are as follows:

2011/12 £000	Trust Funds	2012/13 £000
575	Welsh Church Acts	559
1,488	Education Trust Funds (Note 1)	1,497
62	Social Services Trust Fund	62
2,125		**2,118**

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

2011/12 £000	Education Trust Funds	2012/13 £000
1,001	Investment at Market Value	1,126
396	Cash	280
91	Investment at Book Value	91
1,488		**1,497**

The Social Services Trust Funds are stated at book value.

Note 1:
The Accounts 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.

47. 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 2012/13 was £1,416.23. 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 45,767 (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:

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Band	A	B	C	D	E	F	G	H	I	Total
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
No. of chargeable dwellings	12,712	26,330	10,884	6,778	3,983	1,299	475	101	20	62,582

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 2012/13 was 45.2p (2011/12 42.8p). 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 Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

In 2012/13, the total non domestic rateable value at the year end was 101.89m (2011/12 101.49m).

Significant precepts or demands

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

Community Councils	**2012/13 £000**
Blaengwrach	36
Blaenhonddan	221
Briton Ferry	104
Cilybebyll	80
Clyne and Melincourt	16
Coedffranc	310
Crynant	38
Cwmllynfell	23
Dyffryn Clydach	44
Glynneath	117
Gwaencaegurwen	58
Neath	330
Onllwyn	19
Pelenna	19
Pontardawe	152
Resolven	38
Seven Sisters	38
Tonna	25
Ystalyfera	50
	1,718
Other Levies and Demands	
South Wales Police Authority	7,754
Fire Authority	6,735
	14,489

48. 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
778	(379)	399

This Authority’s share of the net equity within the crematorium balance sheet is £44,427.

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 officers’ time and associated administrative costs.

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 2012/13 was £101,100.

This Authority’s share of the reserves held by the City and Council of Swansea is £61,000.

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 £75,000 in 2012/13.

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 2012/13 was £197,000 of which the Authority’s share was £18,000.

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 2012/13 was £300,000, with this Authority’s share being £60,000. At 31st March, reserves of £191,366 were held and this is allocated in equal shares, giving Neath Port Talbot Council a holding of £38,273. In addition, there is a reserve holding in relation to residual food waste of £50,000 with £10,000 of this relating to Neath Port Talbot Council.

Welsh Purchasing Consortium

The Welsh Purchasing Consortium is a collaborative procurement organisation made up of 16 Unitary Authorities in South, Mid and West Wales and run operationally by a central management team of three staff. Contracting activity within the WPC is undertaken by individual member Authorities on behalf of the whole membership on a reciprocal basis.

The total contribution for all members for 2012/13 was £249,272, with this Authority's share being £14,892. At 31st March, reserves of £347,373 with Neath Port Talbot Council share being £21,711.

49. 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 2013 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 £3m.

The accounts for NPTWM (Registration Number 2633569) for 2012/13 are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

Audited 2011/12 £000		Unaudited 2012/13 £000
29	Net Assets/(Liabilities)	not available
574	Net Profit/(Loss)	not available

The accounts for Neath Port Talbot (Recycling) Ltd. (Registration Number 3595980) for 2012/13 are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

Audited 2011/12 £000		Unaudited 2012/13 £000
(740)	Net Assets/(Liabilities)	not available
(254)	Net Profit/(Loss)	not available

The accounts for both companies in 2012/13 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.

The Council holds a 100% shareholding of NPT Home Inspection Services Limited. This company was originally set up to provide a variety of building related services for a range of organisations, including other local authorities.

In 2012/13, the turnover of the company increased significantly to £5.8m, as a result of a major contract to ensure the delivery of energy efficiency measures to energy suppliers, who are required to provide these by the Government. It is anticipated that this is a one off contract and that turnover will drop back to the more usual levels below £0.5m.

The accounts for 2012/13 NPT Home Inspection Services (Registration Number 0686245) are available as draft only and the full accounts will be available from Companies House in Cardiff.

2011/12 £000		**Draft 2012/13 £000**
66	Net Assets/(Liabilities)	117
(55)	Net Profit/(Loss)	183

50. LANDFILL SITES

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

The Council is required to recognise a provision when:

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

The Council is yet to receive a reliable estimate of the obligation from NPT Waste Management Limited as its Environment Agency closure programme does not contain agreed costs for the works. It is anticipated that this will be finalised during 2013.

The Authority currently holds a reserve of £1.080m to meet any future landfill obligations

51. EXCEPTIONAL ITEMS

The item included for 2012/13, within the exceptional items line of the Comprehensive Income and Expenditure Statement, is £0.523m 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 £0.523m 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.

NOTES TO THE ACCOUNTS

52. 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

The significant charge in 2012/13 relates to IAS19 adjustments in relation to the Pension Fund of £280,000, with the remaining balance of £125,000 relating to depreciation on Assets Held for Sale.

53. MISCELLANEOUS

In 2011/12, the Comprehensive Income and Expenditure Statement included a balancing figure of £1.289m which could not be easily identified. The accounts were not materially affected by this but improvements instigated throughout 2012/13 have ensured that this position has not arisen again.

HOUSING REVENUE ACCOUNT

Restated 1st Apr 2010 to 3rd Mar 2011		Income and Expenditure Account
£000	**£000**	
		Expenditure
362,752		Management and maintenance
74		Rents, rates, taxes and other charges
4,218		Negative HRA Subsidy payable
10,304		Depreciation and impairment of non current assets
7		Debt management costs
36		Movement in the allowance for bad debts
	377,391	**Total Expenditure**
		Income
(25,547)		Dwelling rents
(18)		Non dwelling rents
(690)		Charges for services and facilities
	(26,255)	**Total Income**
	351,136	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**
	500	HRA services' share of Corporate and Democratic Core
	351,636	**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
	392,823	**(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**
392,823		(Surplus) or deficit for the year on the HRA Income and Expenditure Statement
-394,495		Adjustments between accounting basis and funding basis under statute
-1,672		Net in year (increase) or decrease before transfers to or from reserves
-283		Transfers to or (from) reserves
	(1,955)	(Increase) or decrease in year on the HRA
	(13,999)	**Balance on the HRA at 3rd Mar 2011**

Notes:
There are no accounts for 2012/13 or 2011/12 as on 4th March 2011, the Authority's Housing Service was transferred to NPT Homes, an Industrial Provident charitable organisation.

HOUSING REVENUE ACCOUNT

The 2010/11 accounts are restated to take account of an adjustment to the value due from the Welsh Government which was identified as part of the audited HRA Subsidy claim. Initially, there was a creditor of £391,000 included in the accounts, but once the final audit of this claim was completed it resulted in the Welsh Government owing the Council £254,000 which was paid on 4th April 2013. These changes meant that the reserve balance increased by £645,000.

In 2012/13, an Item 10 Direction was received from the Welsh Government to transfer the sum of £5.5m from the Housing Revenue Account to the Council's usable reserves. The 2012/13 closing balance for the HRA is £8.499m. The Direction also includes the transfer of a further £0.875m in 2013/14.

ANNUAL GOVERNANCE STATEMENT

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 on-going 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 2013. The framework is described to reflect the arrangements in place to meet the core principles of effective governance.

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.

During 2012/13, work started on the Local Service Board's first Single Integrated Plan (SIP), which is to replace the existing Community Plan, Health, Social Care and Well-being Strategy, Community Safety and Children and Young People's Plan. Since the Welsh Government published the final guidance on the production of single integrated plans, "Shared Purpose – Shared Delivery", senior officers from Local Service Board (LSB) organisations and the supporting executive and management groups have met regularly to help produce the plan. Also a 12 week public consultation period on the draft plan ended on 8th April 2013. A final version of the plan will be published during July 2013, which will incorporate the vision, an action plan, enabling strategies for instance on engagement, and give assurance on local service board governance, performance management and scrutiny.

Whilst developing the plan, the opportunity was taken to appropriately align it with the Council's Corporate Plan for 2012/2015 which was published in September 2012 and to review partnership arrangements and existing priorities, including the Welsh Government's Programme for Government priorities. The publication of the Corporate Plan was delayed to give the new administration an opportunity to review the Council's improvement objectives to ensure they remained relevant. The review drew on a wide range of evidence including political and regularity drivers, the economic position and performance information. Since September, work has been undertaken to finalise this review, including a public consultation exercise on the proposed new improvement objectives, to ensure their inclusion in the Council's Corporate Improvement Plan (CIP) for 2013/2016. This plan was published in May 2013 and sets out the Council's vision for the next phase of transformation which is "to protect services especially those that support the most disadvantaged and vulnerable whilst protecting the employment of people in public services; identifying and exploiting opportunities that are available and to position the county borough to take early advantage of economic recovery when it happens". The Corporate Improvement Plan is the Council's improvement plan, prepared under Section 15(6) of the Local Government (Wales) Measure, and which discharges the Council's duties under sections 2(1), 3(2) and 8(7).

In October 2012, the Council's second Annual Report was published which provided citizens with an overview of the Council's performance in delivering services during 2011/12. 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 2012/13 we further integrated out key planning activities that underpin the delivery of the Council's improvement objectives. The outcome of this is:

- A revised Forward Financial Plan which describes the financial outlook and how the savings target of £21 million will be achieved in order to balance the Council's budgets over the medium term as well
- A People Strategy which sets out the way in which the Council will support and develop its workforce arrangements to ensure delivery of both the above

In addition to the above, during 2012/2013, a review has been undertaken of the capacity and capability of the Change Management & Innovation Unit and other corporate resources (including Finance, ICT, Property and Human Resources) to ensure an alignment with the refreshed transformation programme.

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 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.

ANNUAL GOVERNANCE STATEMENT

Under the Local Government (Wales) Measure 2009, the Auditor General for Wales (AGW) is required to report annually on his audit and assessment work in relation to whether the Council has discharged its duties and the met the requirements of the Measure.

The first output of this work for 2012/2013 was contained in the AGW's first Improvement Assessment Letter which concentrated on whether the Council had discharged its statutory duties in respect of improvement planning. The focus of this work was the contents of the Council's Corporate Plan for the period 2012/2015.

The AGW reported:

1. The Council has discharged its improvement planning duties under the Measure and has established improvement objectives for 2012/2013;
2. The Council is likely to comply with the requirement to make arrangements to secure continuous improvement during the financial year 2012/2013;
3. The Council continues to manage its financial challenges effectively; and
4. A number of proposals for improvement identified in my previous assessments have been addressed or are planned to be progressed.

The second output of this work is contained in the AGW's second Improvement Assessment Letter which concentrated on whether the Council had discharged its statutory duties in respect of reporting on performance. The focus of this audit work was the Council's Annual Report for the period 2011/2012, an audit of a sample of the Council's performance indicators and regular liaison with the Change Management & Innovation Unit. The AGW concluded the Council has discharged its improvement reporting duties under the Measure by publishing the Annual Report by the deadline of 31 October 2012 and provided an assessment of performance against each of the improvement themes. However, the Auditor General commented there is scope for the Council to act more in accordance with Welsh Government guidance and, although the Annual Report provided a reasonably balanced picture of performance, there is scope to make outcomes clearer and the report be more readily accessible to specific interest groups.

The AGW also commented that the Council's assessment of performance did not explain sufficiently how the Council had evaluated its performance by means of peer reviews, scrutiny assessment or benchmarking and more detail on whether or not collaborative activity had achieved its intended outcomes and supported the achievement of improvement objectives could also have been included. The AGW also felt the range of evidence used to support improvement performance could be broadened to present a fuller picture of service quality and user experience.

These comments have been taken on board and our response will be included in our Annual Report for 2012/2013. The AGW acknowledged the Council has recognised the need to develop its performance reporting arrangements so that it is better placed to identify the outcomes achieved and work is progressing towards this. For this reason, the AGW did not suggest any new proposals for improvement but will be continuing to monitor and report on progress made by the Council in implementing the proposals set out in previous reports and letters.

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 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. The two reviews undertaken during 2012/2013 were:

- Afan Lido Replacement Facility – Following a scrutiny meeting in July 2012 the Cabinet scrutiny committee were unable to agree with recommendations made for a replacement leisure facility. The Cabinet considered the view and requested that a cross party group of elected Members be established to undertake a review and develop alternative proposals. The review group considered evidence from a wide range of sources including the general public and developed alternative proposals that were presented and agreed by Cabinet.

- Customer Complaints Data – the Environment and Highways scrutiny committee commenced a review on the information in relation to complaints and how they are reported to the Scrutiny Committee. The work is still ongoing and a final report will be prepared during 2013/2014.

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.

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.

The Corporate Comments, Compliments and Complaints Policy takes account of the Complaints Wales Group's Model Concerns and 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 are required to 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. As part of an overview of the complaints process, a Task and Finish Group was formed to consider complaints made about waste and recycling services. Also the Council now attends meetings of the All Wales Complaints Officer Group, which was established during 2012/13, so that policy implementation issues can be discussed amongst local authorities and good practice shared.

The work of declarations of officers interests and offers of gifts and hospitality was completed during 2011/12. In 2012/2013 a revised Employee Code of Conduct has now been put on the intranet and is in use.

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 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.

The Director of Finance is responsible for overseeing the implementation and continuous development of the Corporate Risk Policy, the Corporate Risk Register and procedures. 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 2012/13, 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.

During 2012/13 a review of the IT system was undertaken by the Council's Internal Audit Section to assess whether expected outcomes and benefits have been achieved. The review found the IT system provides a good foundation for the monitoring and reviewing of the Authority's key risks. However, the review found the system is not being used to its full potential and efforts need to be made to promote and embed the Risk Management Policy into the day to day decision making process and culture within the Authority. The Director of Finance and Corporate Services is committed to ensuring that further development work is undertaken to ensure the Council's risk management arrangements are further strengthened in the next reporting period.

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, following an inspection of Children and Young People Services, the Chief Inspector of the Care and Social Services Inspectorate for Wales (CSSiW) invoked the Serious Concerns Protocol. A strengthened Children's Strategic Implementation Programme Board was established to ensure a strong corporate and partnership 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. The arrangements at officer level are complemented by strengthened arrangement at Member level. The Leader of the Council has established a four Member Panel to report to him on the progress that is being made in implementing the Strategic Improvement Programme. This augments additional monitoring being undertaken through the Council's Children, Young People and Education Scrutiny Committee as well as regular reports to all Members of the Council. A specific development for the civic year 2013-14 will be the establishment of a Corporate Parenting Panel to enhance oversight of the arrangements the Council has in place to support looked after children and care leavers.

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 proposals all of which have been agreed by the Cabinet. This work has further continued in 2012/13 providing senior officer direction, challenge and support for the delivery of the Children's Improvement Programme; to monitor and identify the financial impact and implications of the improvement work within the context of the Forward Financial Plan; and to ensure key improvement priorities are communicated effectively both internally and externally.

The Board is also responsible for reporting to the Cabinet and Scrutiny Committees of the Council on the sufficiency of progress in making the required improvements.

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 on-going 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 development review during 2012/13 in accordance with the Local Government Wales Measure 2011.

In accordance with the Local Government Wales Measure 2011 all elected Members have been offered a Personal Development Review. The reviews commenced in April 2013 and the responses will be used to develop a wide ranging Member Development Programme. An exercise has also been undertaken on what matters to Councillors which sought to identify what support elected Members had and what support they would require. The information from the exercise will be included in the Member Development Programme.

During 2012/2013 Member Development commenced with an in depth induction programme following the local government elections in May 2012. The programme was designed to equip both returning and new Members with the skills and knowledge to undertake their role as an elected Member. Following the induction programme additional seminars have been held to further enhance the knowledge of elected Members including:

- Corporate Parenting
- Budget
- Hate Crime

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 an interim performance appraisal system for the Chief Executive, Chief Officers and some other senior managers. During 2012/2013, work has mainly focussed on clarifying the Council's priorities and what constitutes "good performance" as part of the ongoing corporate review of the Council's performance management framework. This work is now being concluded, resulting in the opportunity for a more comprehensive and systematic performance appraisal scheme to be phased in during 2013/2014.

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 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.

We aim to be an open and responsive Council that encourages those who use our services to tell us what is important to them and to suggest how services might improve. We endeavour to engage with those who do not use our services and explore the issues or barriers, if any, which prevent them from doing so.

Also as part of our community leadership role, we are committed to working in partnership to protect and improve local services and support our communities. We aim to be a listening Council, which seeks to communicate, consult, involve and encourage participation, so that our citizens have a voice to influence the development of policies and strategies that affect their lives and inform the way services are planned and delivered. We involve Elected Members by gathering their views and informing them of the outcome of engagement activities and we encourage partners to involve them as the democratically elected representatives of their communities.

Communication and engagement plans utilise existing corporate and partnership mechanisms including:

- Black Minority Ethnic (BME) Forum
- Disability Network Action Group (DNAG)
- Disabled Persons Advisory Group (DPAG)

- Listen to Us Group – Self advocacy group for adults with learning disabilities
- Local Service Board including Health, Social Care and Wellbeing Executive Board, Safer Neath Port Talbot Management Group, Children and Young People's Management Group
- Communities First Cluster Partnerships
- Scrutiny work including Member Seminars – for elected councillors in NPT
- Neath Town Centre Consortium
- NPT Carers Forum
- Objective – the Council's online consultation portal
- Older Persons' Council (OPC)
- Voluntary Sector Liaison
- Youth Council

In addition to the above the Council utilises a number of established mechanisms for communicating and engaging with the wider public in the county borough. They include:

- Advertising
- Customer contact centre
- Focus groups
- Media and Public Relations – traditional media such as newspapers, journals, TV and radio
- Online and digital – website, DigiTV, social media, TV screens, and a council e-zine currently under development
- Printed materials e.g. posters, leaflets, brochures, flyers, booklets and electronic versions of these
- Public meetings
- Task and Finish Groups

Understanding the complexity of the differing needs of citizens enables us to shape service provision in the best way. Not all needs can be met, but a good understanding means we are better placed to divert valuable resource into the right places, at the right times, and in the right ways. This requires meaningful engagement when developing objectives and in completing equality impact assessments.

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 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 Councils, 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 2012/13, the Group has continued to oversee the management of the governance issues identified in the 2011/12 Governance Statement including the implementation of the recently revised Corporate Risk Management Policy and the further development of scrutiny arrangements to ensure a robust approach to decision making and transparency.

During 2012/13 there were no significant breaches of internal control.

5. Governance issues being managed during 2013/14

- **Local Government Wales Measure 2009** – - 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 2013/14, to support the successful discharge of this duty and building on the work undertaken during 2012/13 a review of the council's performance management framework will be undertaken to ensure it remains relevant and coherent.

- **Strengthening Democratic Services** – The Council will continue to implement the provisions of the Local Government Wales Measure 2011 and prepare for changes that will arise from the Local Government (Democracy) (Wales) Bill. The Council will also consider the lessons learned from its involvement in the review of Scrutiny Arrangements, conducted by Wales Audit Office and take steps to further strengthen the role and support for scrutiny activities.

- **Sustainable Development Bill –** An assessment of the proposed impact of the Bill will be undertaken.

- **Corporate Complaints, Compliments and Comments Policy –** Following the completion of the review in 2011/12, the implementation of the revised Policy will be monitored.

- **Corporate Risk Management Policy–** The operation of the Corporate Risk Management Policy will be reviewed to address the deficits identified in the monitoring work carried out in 2012/13.

- **Regional and Local Collaboration Arrangements** – A review of the Council's involvement in these joint arrangements will be carried out in 2013/2014 to ensure effective governance is in place.

- **Support for Children and Young People Services –** We will keep under continuous review the impact of the improvement work being undertaken under the framework of the Strategic Improvement Plan.

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: 20th June 2013	***Date:*** 20th June 2013

AUDITORS REPORT

The Independent Auditors Report will be incorporated into the final statement of accounts once the auditors have completed their audit work. It is a requirement that this is completed and reported by 30th September.

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.

Accumulated Absences	The Code of Practice requires an adjustment for accumulated absences which gives a monetary value to the cost of holidays accrued by staff but not taken at the end of the financial year. The net effect of this adjustment is reversed from the accounts.
Actuary	An actuary is someone who works with complex mathematical models to predict the likelihood of future years. Their skills are used to work out insurance and pension fund valuations, taking into account relevant factors such as trends in insurance claims and life expectancy.
Carbon Reduction Scheme	The CRC is a mandatory scheme intended to drive energy efficiency in both private and public sectors. The scheme was designed to create a market for carbon allowances such that it will be in an organisation's best interests to save energy and potentially resell its surplus carbon allowances.
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 on organisation and a financial liability or equity instrument of another. A collective name for investments, trade debtors and borrowings.

GLOSSARY OF TERMS

General Fund Balance	This represents the cumulative retained surpluses on the Council's revenue budget. It 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.
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 dependent 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 used to ensure improvements through coordinating expenditure.
Precepts	Precepts are levied on the Authority by non-billing organisations such as the police and community councils to enable them to cover their costs in the performance of their services or duties.
Provision	This is an amount set aside in the accounts for a past event which is likely or certain to result in a financial cost some time in the future, though the exact amount and date may be uncertain.

GLOSSARY OF TERMS

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.