Addendum 2

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

Draft Statement of Accounts 2013/14

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 Authority.

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 Authority.

Cash Flow

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

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 Authority's housing stock transferred to NPT Homes during March 2011. However, the Housing Revenue Account could not be closed until final approval was received from the Welsh Government and whilst this approval was not received, the Authority had to continue to present the HRA, as at the date of transfer, within its Statement of Accounts. This is the last year that the HRA will be included in the Statement of Accounts.

3. REVENUE SPENDING IN 2013/14

The Authority's Budget Requirement for 2013/14 was set at £276.254m. Actual spending compared to the budget was as follows:

EXPLANATORY FOREWORD

Council Fund	Revised Budget £000	Actual £000
Expenditure		
Directly Controlled Expenditure	237,932	236,932
Capital Financing	16,604	16,602
Levies, Contributions and Miscellaneous Funds	6,981	6,999
Council Tax Support	16,199	15,892
Contingencies and Reserves	(4,834)	(6,489)
Outcome Agreement Grant	(1,477)	(1,477)
Net Expenditure	271,405	268,459
Income		
Revenue Support Grant / NNDR	(218,969)	(218,969)
Council Tax	(57,422)	(57,422)
Less Discretionary Rate Relief	137	152
Total Income/Budget Requirement	(276,254)	(276,239)
NET BUDGET (SURPLUS)/DEFICIT TO BALANCES	**(4,849)**	**(7,780)**
Council Fund Working Balance		
Opening Working Balance 1st April		(5,933)
Movement in Balance		(7,780)
Closing Working Balance 31st March		**(13,713)**

4. CAPITAL SPENDING IN 2013/14

	Actual £000
Capital investment	**53,718**
The expenditure was financed by:	
Government Grants and Other Contributions	(26,820)
Loans	(21,367)
Capital Receipts	(1,530)
Direct Revenue Contributions and Reserves	(4,001)
	(53,718)

EXPLANATORY FOREWORD

5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £174.663m. 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 2014

	Actual £000
To support revenue expenditure	35,174
To support capital expenditure	772
Revenue Working Balances	13,713

7. EXCEPTIONAL ITEMS

Former Housing Revenue Account

Non-enhancing capital expenditure of £0.223m 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 2013/14, the net book value of assets increased by £2.5m as a consequence of a revaluation performed by the Head of Property and Regeneration.

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

The significant assumption applied when estimating the fair value of Property, Plant and Equipment is that the asset will continue in its existing use. Where there is a market 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 2013/14, Transportation and Garage Compounds, Plots and Domestic Garages were valued as at 1st December 2013, on a fair value basis; Outdoor Leisure Facilities were valued as at 1st February 2014, on a depreciated replacement cost and on a fair value basis as appropriate.

Assets Held For Sale are valued annually and were valued as at 31st March 2014. These assets were valued on the basis of fair market value.

EXPLANATORY FOREWORD

9. IMPAIRMENT DUE TO FAILED ICELANDIC BANKS

The Council has recognised a credit of £651,000 in its accounts in 2013/14 in relation to the impairment of Icelandic Bank Investments. This credit is due to the fact the dividends anticipated from the banks are greater than included in the 2012/13 Accounts.

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.

The latest version of the International Accounting Standard IAS 19R resulted in a change to the 2012/13 accounting information. These changes resulted in minor changes to the amount charged to the individual service areas within the Comprehensive Income and Expenditure Statement for 2012/13 but, due to the immateriality of these changes, the accounts have not been restated. This had no net effect on the Council's balances.

11. SIGNIFICANT PROVISIONS

There are three significant provisions:

- An insurance provision of £7.3m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £5.1m and a short term provision of £2.2m.
- A provision of £1m for Housing Warranties following the transfer of the Housing stock to Neath Port Talbot Homes in March 2011.
- A provision of £1.048m to provide the costs of early retirements and voluntary redundancies which have been agreed by 31st March 2014, with leaving dates during 2014/15.

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

In May 2013, Welsh Government Ministers informed local authorities that following the Chancellor's Budget Announcements, authorities should plan for 'English Style' funding reductions and illustrations of 4% to 4.5% year on year reductions were mentioned.

During December 2013, the Welsh Government's Draft Budget and Provisional Local Government Announcements showed that whilst the Welsh Government's Budget had been cut by 0.1% it had prioritised its funding towards the Health Service and provided a cash reduction to local government of 3.4% (net of new monies for Council Tax Support and Highways Borrowing Initiative Investment). Welsh Government mentioned that this is equivalent to a reduction of over 6% in real terms, when general inflation is taken into account.

The Authority has undertaken a comprehensive review of Council services and the structure of the Budget Proposals for 2014/15 was reported to a Special Cabinet meeting held on the 30th October 2013. The report highlighted the need to identify savings for 2014/15 of £17.3m and circa £38m over the next 4 years. This level of savings is unprecedented and has required significant changes to services and consultation thereon with various stakeholders.

The 2014/15 Budget shows a net Revenue Budget of £269.879m, a cash reduction of £6.375m from 2013/14. Such a significant reduction in funding requires the Authority and its partners to look for service efficiencies and reductions, at a time when demands for services are increasing.

The Authority's working budget for 2014/15 requires the use of £454,000 from General Reserves which will need to be saved from the base budget when setting next year's budget.

In setting the Budget, Members considered the requirement of delivering its statutory services as well as those other services that the public and users have come to expect. The challenge has been to set a budget at activity levels that are sustainable and equitable. Members also have to consider the demand for services and changes to these services in light of the impact on:

- Service users
- Employees
- Legislation including the Equality Act considerations
- Income generation
- Council tax level
- Welsh Government improvement targets.

The Budget provides a positive proposal to help the most disadvantaged pensioners in the County Borough to pay their Council Tax. A maximum contribution of £75 will be provided to Pensioners receiving partial support under the Council Tax Reduction Scheme. Work will continue to update the Forward Financial Plan to 2017/18 and to identify additional income/savings in order to balance the annual budgets for that period.

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: 17th June 2014

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 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	19,363	-	-	-	-	-	**19,363**	-	**19,363**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**0**	(29,970)	**(29,970)**
Total Comprehensive Income and Expenditure	19,363	0	0	0	0	0	**19,363**	(29,970)	**(10,607)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(23,816)	-	-	-	(1,572)	1,945	**(23,443)**	23,443	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	(4,453)	0	0	0	(1,572)	1,945	**(4,080)**	(6,527)	**(10,607)**
Transfers from/(to) Earmarked Reserves (Note 7)	1,723	(1,716)	-	(7)	-	-	**0**	-	**0**
Transfer from/(to) Unusable Reserve to Working Balance	5,500	-	(5,500)	-	-	-	**0**	-	**0**
Increase/(Decrease) in Year	2,770	(1,716)	(5,500)	(7)	(1,572)	1,945	**(4,080)**	(6,527)	**(10,607)**
Balance at 31st March 2013	5,933	39,497	8,499	109	8,045	11,412	**73,495**	17,775	**91,270**
Movement in reserves during 2013/14									
Surplus/(deficit) on the provision of services	(11,501)	-	-	-	-	-	**(11,501)**	-	**(11,501)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**0**	109,329	**109,329**
Total Comprehensive Income and Expenditure	(11,501)	0	0	0	0	0	**(11,501)**	109,329	**97,828**
Adjustments between accounting basis and funding basis under regulations (Note 6)	7,122	-	-	-	(414)	1,658	**8,366**	(8,366)	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	(4,379)	0	0	0	(414)	1,658	**(3,135)**	100,963	**97,828**
Transfers from/(to) Earmarked Reserves (Note 7)	3,660	(3,551)	-	(109)	-	-	**0**	-	**0**
Transfers from HRA to General Fund Balance	8,499	-	(8,499)	-	-	-	**0**	-	**0**
Increase/(Decrease) in Year	7,780	(3,551)	(8,499)	(109)	(414)	1,658	**(3,135)**	100,963	**97,828**
Balance at 31st March 2014	13,713	35,946	0	0	7,631	13,070	**70,360**	118,738	**189,098**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	2013/14 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,288	(1,547)	1,741	Central services to the public		19,402	(870)	18,532
22,209	(5,570)	16,639	Cultural and related services		21,993	(5,319)	16,674
26,772	(10,474)	16,298	Environmental and regulatory services		26,950	(9,274)	17,676
11,583	(8,780)	2,803	Planning Services		10,989	(8,241)	2,748
198,832	(48,192)	150,640	Children's and education services		191,586	(49,011)	142,575
24,380	(7,962)	16,418	Highways and transport services		28,093	(7,471)	20,622
63,721	(60,177)	3,544	Other housing services		66,754	(62,216)	4,538
70,596	(15,914)	54,682	Adult social care		76,692	(19,141)	57,551
523	-	523	Exceptional item	51	223	-	223
6,895	-	6,895	Corporate and democratic core		5,566	-	5,566
405	-	405	Non distributed costs	52	1,376	-	1,376
429,204	**(158,616)**	**270,588**	**Cost of Services**		**449,624**	**(161,543)**	**288,081**
16,438	-	16,438	Other operating expenditure	8	16,690	-	16,690
18,050	(1,493)	16,557	Financing and investment income and expenditure	9	25,800	(1,585)	24,215
-	(322,946)	(322,946)	Taxation and non-specific grant income	10	-	(317,485)	(317,485)
463,692	(483,055)	**(19,363)**	**(Surplus) or Deficit on Provision of Services**		492,114	(480,613)	**11,501**
		(8,522)	Surplus or deficit on revaluation of Property, Plant and Equipment assets				(3,559)
		4,338	Surplus or deficit on revaluation of available for sale assets				188
		1,834	Impairment losses on non-current assets charged to the revaluation reserve				82
		32,320	Actuarial gains/losses on pension assets / liabilities				(106,040)
		29,970	**Other Comprehensive Income and Expenditure**				**(109,329)**
		10,607	**Total Comprehensive Income and Expenditure**				**(97,828)**

BALANCE SHEET

31st Mar 2013		Note	31st Mar 2014
£000			£000
630,479	Property, Plant and Equipment	11	655,939
786	Heritage Assets	12	1,303
2,290	Long Term Investments	13	10,146
917	Long Term Debtors	13	598
634,472	**Long Term Assets**		**667,986**
68,878	Short Term Investments	13	49,331
2,719	Assets Held for Sale	18	2,541
691	Inventories	14	744
52,096	Short Term Debtors	16	47,260
3,857	Cash and Cash Equivalents	17	4,501
128,241	**Current Assets**		**104,377**
(4,879)	Short Term Borrowing	13	(5,155)
(58,850)	Short Term Creditors	19	(53,520)
(2,405)	Short Term Provisions	20	(3,332)
(66,134)	**Current Liabilities**		**(62,007)**
(25,635)	Long Term Creditors	13	(30,262)
(172,085)	Long Term Borrowing	13	(170,650)
(401,700)	Other Long Term Liabilities	13	(314,293)
(5,889)	Long Term Provisions	20	(6,053)
(605,309)	**Long Term Liabilities**		**(521,258)**
91,270	**Net Assets**		**189,098**
(73,495)	Usable Reserves	21	(70,360)
(17,775)	Unusable Reserves	22	(118,738)
(91,270)	**Total Reserves**		**(189,098)**

CASH FLOW STATEMENT

2012/13 £000		Note	2013/14 £000
19,363	Net surplus or (deficit) on the provision of services		(11,501)
51,853	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23a	46,059
(55,819)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23b	(24,644)
15,397	Net cash flows from Operating Activities	*	9,914
8	Investing Activities	24	(8,290)
(13,043)	Financing Activities	25	(980)
2,362	Net increase or decrease in cash and cash equivalents		644
1,495	Cash and cash equivalents at the beginning of the reporting period		3,857
3,857	**Cash and cash equivalents at the end of the reporting period**	17	**4,501**

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

2012/13 £000		2013/14 £000
(1,167)	Interest Received	(995)
8,544	Interest Paid	8,562

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014.

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 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14 (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 probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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

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

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

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

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

NOTES TO THE ACCOUNTS

iii. Acquired and discontinued operation

There are no new acquired and discontinued operations during 2013/14.

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service.

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- amortisation of intangible assets attributable to the service.

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

NOTES TO THE ACCOUNTS

vii. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave such as flexitime) earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday 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 at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

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

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

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

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

  - current service cost – the increase in liabilities as a result of years of service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset), which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve

- 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.

viii. 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.

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

ix. Financial Instruments

Financial Liabilities

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

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

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

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.

x. Foreign Currency Translation

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

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

xi. Government Grants and Contributions

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

- the Authority will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

Amounts recognised as due to the Authority 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.

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

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

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

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

xiii. Intangible assets

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

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

The Authority does not currently have any intangible assets.

xiv. 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.

xv. Inventories and Long Term Contracts

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

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

xvi. Investment Property

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

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

xvii. Jointly controlled operations and Jointly Controlled Assets

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The

Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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.

NOTES TO THE ACCOUNTS

xix. 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 2013/14 (SeRCOP). The total absorption costing principle is used; the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xx. Property, Plant and Equipment

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

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

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.

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 Authority's financial statements.
  Componentisation will only be considered for individual non land assets that have a net book value of more than £2.5m or 0.5% of total net book value.

- Significance of component
  For individual assets meeting the above threshold, where services within a building, such as boilers, heating, lighting, ventilation, etc. are a material component of the cost of that asset, that is greater than 30%, then those services will be valued separately on a component basis.

- Difference in rate or method of depreciation compared to the overall asset.
  Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

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

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

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

- Mechanical and electrical services
- Structure

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

The Authority does not undertake componentisation of Infrastructure assets.

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

xxi. 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

xxii. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

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

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

xxiii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and

Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

xxiv. Revenue Expenditure Funded from Capital under statute

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

xxv. 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.

xxvi. 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 the last year of its introductory phase which ends on 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 requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2014 for 2013/14). Disclosure requirements are expected to be included in a subsequent edition of the Code.

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 Cycle.

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2014/15.

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 £1.1m deposited with the Icelandic Banks as at 31st March 2014, 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 2014 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 £7.345m as at 31st March 2014 to meet the potential cost of insurance liabilities. The number and value of potential claims includes actuarial assumptions particularly in respect of the most recent financial years as these are immature in terms of insurance experience. Any significant change in assumptions and/or number and value of claims could significantly alter the value of the provision. The Authority holds Insurance Reserves to mitigate any risk.

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

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 Authority is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

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

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

NOTES TO THE ACCOUNTS

2013/14	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves			
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	17,134	-	-	(17,134)
Revaluation losses on Property Plant and Equipment	313	-	-	(313)
Capital grants and contributions applied	(23,567)	-	(3,253)	26,820
Revenue expenditure funded from capital under statute	12,835	-	-	(12,835)
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	929	-	-	(929)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(8,918)	-	-	8,918
Capital expenditure charged against the General Fund	(4,001)	-	-	4,001
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,911)	-	4,911	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	(1,077)	1,077	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,530)	-	1,530
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	39	-	(39)
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	(136)	-	-	136
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	40,093	-	-	(40,093)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,460)	-	-	21,460
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	(114)	-	-	114
Total Adjustments	**7,122**	**(414)**	**1,658**	**(8,366)**

NOTES TO THE ACCOUNTS

2012/13	Usable Reserves: General Fund Balance £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: 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	15,815	-	-	(15,815)
Revaluation losses on Property Plant and Equipment	10,027	-	-	(10,027)
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	866	-	-	(866)
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	(3,156)	-	3,156	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	**(23,816)**	**(1,572)**	**1,945**	**23,443**

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.

	Balance at 1st Apr 2012	Transfers Out 2012/13	Transfers in 2012/13	**Balance at 31st Mar 2013**	Transfers Out 2013/14	Transfers in 2013/14	**Balance at 31st Mar 2014**
	£000	£000	£000	**£000**	£000	£000	**£000**
Balances held by schools under a scheme of delegation	**(2,723)**	728	(1,394)	**(3,389)**	1,993	(1,576)	**(2,972)**
Education Equalisation	**(1,378)**	718	(101)	**(761)**	814	(309)	**(256)**
Other Education and Leisure	**(2,449)**	633	(758)	**(2,574)**	975	(997)	**(2,596)**
Hillside Secure Centre-Equalisation	**(1,807)**	168	(113)	**(1,752)**	242	(603)	**(2,113)**
Other Social Services	**(1)**	-	(272)	**(273)**	-	(313)	**(586)**
Environment	**(1,942)**	395	(586)	**(2,133)**	1,694	(1,355)	**(1,794)**
Operating Account	**(2,026)**	274	(56)	**(1,808)**	560	(586)	**(1,834)**
Finance and Corporate Services	**(2,371)**	968	(1,371)	**(2,774)**	2,129	(2,139)	**(2,784)**
Chief Executive's	**(854)**	591	(607)	**(870)**	649	(410)	**(631)**
Job Evaluation	**(1,773)**	1,200	(894)	**(1,467)**	867	-	**(600)**
Accommodation	**(3,032)**	200	(2,000)	**(4,832)**	67	-	**(4,765)**
Treasury Management	**(633)**	1,000	(1,661)	**(1,294)**	500	(2,176)	**(2,970)**
Management of Change	**(337)**	665	(399)	**(71)**	625	(554)	**0**
Other Corporate	**(130)**	130	-	**0**	-	-	**0**
Housing Warranties	**(220)**	-	-	**(220)**	-	-	**(220)**
Financial Systems IT	**(347)**	347	-	**0**	-	-	**0**
Transformation	**(345)**	345	-	**0**	-	-	**0**
LAWDC	**(1,411)**	1,740	(1,410)	**(1,081)**	92	-	**(989)**
Insurance	**(12,945)**	4,868	(1,636)	**(9,713)**	4,096	(567)	**(6,184)**
Welfare	**-**	-	(130)	**(130)**	130	-	**0**
Fire Authority	**(157)**	21	-	**(136)**	21	-	**(115)**
Waste	**(3,455)**	3,642	(3,516)	**(3,329)**	1,787	(177)	**(1,719)**
ERVR Transitional	**-**	-	-	**0**	3,292	(5,338)	**(2,046)**
Sub Total	**(40,336)**	**18,633**	**(16,904)**	**(38,607)**	**20,533**	**(17,100)**	**(35,174)**
Housing Closure	**(116)**	113	(106)	**(109)**	109	-	**0**
Total Revenue Reserves	**(40,452)**	**18,746**	**(17,010)**	**(38,716)**	**20,642**	**(17,100)**	**(35,174)**
Capital	**(877)**	-	(13)	**(890)**	136	(18)	**(772)**
GRAND TOTAL	**(41,329)**	**18,746**	**(17,023)**	**(39,606)**	**20,778**	**(17,118)**	**(35,946)**

NOTES TO THE ACCOUNTS

Earmarked Reserves		2013/14 £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.	1,949
Secondary Schools	Delegated Schools Reserve.	838
Special Schools	Delegated Schools Reserve.	185
		2,972
Education Equalisation Account	This reserve will be used to equalise Strategic School Improvement Programme (SSIP) costs over a number of years.	256
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.	2,152
Other	This includes equalisation reserves for Schools and Education Services.	444
Education, Leisure and Lifelong Learning		**5,824**
Social Services and Health		
Hillside General	The fund has been established to equalise the capital investment required over time for the Hillside Secure Unit.	2,113
Other Social Services	Set aside to meet potential contingent liability.	586
Social Services and Health		**2,699**
Environment		
Provision Building Maintenance	This reserve will be used to equalise the effect of the annual building maintenance spend on the revenue account budget.	50
Civic Buildings Maintenance	This reserve will be used to keep the Civic Centres in good working condition.	572
Environment Equalisation Account	This reserve will be used to fund one off pressures across the Directorate.	154
Local Development Fund	Funds to meet statutory obligation for LD Plan.	343
Winter Maintenance	To equalise the cost incurred during harsh winters.	322
Other	This includes reserves for Future Jobs fund, service equalisation and Gypsy Site.	353

NOTES TO THE ACCOUNTS

Earmarked Reserves		**2013/14 £000**
Environment (continued)		
Vehicle	This reserve will be used to fund a cost effective transport and plant programme to meet service requirements.	1,597
Trading Accounts Equalisation	This reserve is used to equalise annual costs for Streetcare and Building Services.	118
Other	This includes Fleet Sentinel Maintenance.	119
Environment		**3,628**
Finance and Corporate Services		
IT Renewals Fund	This Reserve will be used to fund the costs of major IT projects.	1,911
Legal Equalisation	To set aside funds to meet legal costs.	202
Corporate Equalisation	This reserve will fund one off pressures arising across the directorate.	591
Other	This includes the balance of the Development Fund for modernisation	80
		2,784
Chief Executive's Office		
Election Equalisation	This reserve will be used to meet the cost of the four year cycle of elections.	95
Management Capacity, Development, Advisors etc.	This relates to developing capacity in relation to transformational projects across the Council.	342
Other	This includes funds which will be utilised to match fund grants.	194
Corporate Services Reserves		**3,415**
Corporate issues		
Job Evaluation	This reserve will be used to fund staffing increments and other costs arising from Job Evaluation.	600
Accommodation	This reserve will be used to support the Authority's Accommodation Strategy.	4,765
Treasury Management	This reserve will be used to equalise the impact of fluctuations in Treasury Management returns.	2,970

NOTES TO THE ACCOUNTS

Earmarked Reserves		**2013/14 £000**
Corporate issues (continued)		
Housing Warranties	This reserve has been set aside in recognition of the warranties to potential liabilities following the transfer of Housing Services.	220
LAWDC	This reserve has been established to help set aside funds for future renovation costs.	989
Insurance - Claims	This reserve is generated from insurance settlements and surpluses from claims handling arrangements. It will be used to fund future insurance related projects and claims.	6,184
Fire Authority	This relates to a refund from the Fire Authority and will be used to mitigate cost increase in future years.	115
Waste	This reserve will be used to fund future Waste Service projects.	1,719
ER VR Transitional Reserve	This reserve will fund future ER/VR costs	2,046
Corporate issues		**19,608**
Total General Fund Reserves		**35,174**
Capital Reserves		772
Total Reserves		**35,946**

8. OTHER OPERATING ACCOUNTS

2012/13 £000		**2013/14 £000**
1,718	Community Council precepts	1,748
14,489	Levies	15,090
231	(Gains)/losses on the disposal of non current assets	(148)
16,438	**Total**	**16,690**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £000		**2013/14 £000**
8,830	Interest payable and similar charges	8,700
9,220	Pension interest cost and expected return on pension assets	17,100
(1,493)	Interest receivable and similar income	(1,585)
16,557	**Total**	**24,215**

NOTES TO THE ACCOUNTS

10. TAXATION AND NON SPECIFIC GRANT

2012/13 £000		2013/14 £000
(66,796)	Council Tax income	(70,943)
(37,390)	Non domestic rates	(43,456)
(161,769)	Non ring fenced government grants	(175,418)
(56,991)	Capital grants and contributions	(27,668)
(322,946)	**Total**	**(317,485)**

11. PROPERTY, PLANT AND EQUIPMENT

2013/14	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 2013	367,343	25,173	223,380	612	15,623	102,813	**734,944**
additions	5,899	1,752	10,713	-	1,503	25,307	45,174
recognition of finance leases	-	-	-	-	-	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	3,275	-	-	-	88	-	3,363
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(3,125)	-	-	-	(435)	-	(3,560)
revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition-disposals	(36)	(1,484)	-	-	(114)	-	(1,634)
derecognition-other	-	-	-	-	-	-	0
assets reclassified (to)/from Held for Sale	(60)	-	-	-	-	-	(60)
change in asset classification	10,080	-	46,674	-	1,128	(57,882)	0
other movements in cost of valuation	(30)	-	-	-	-	-	(30)
At 31st March 2014	383,346	25,441	280,767	612	17,793	70,238	**778,197**

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 2013	(23,847)	(15,528)	(64,765)	-	(325)	-	**(104,465)**
depreciation charge	(8,201)	(2,091)	(5,586)	-	(143)	(1,113)	(17,134)
depreciation written out to the Revaluation Reserve	1,652	-	-	-	-	-	1,652
depreciation written out to the Surplus/Deficit on the Provision of Services	553	-	-	-	44	-	597
impairment losses/(reversals) recognised in the Revaluation Reserve	(82)	-	-	-	-	-	(82)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(4,290)	-	-	-	-	-	(4,290)
recognition of Depreciation on Finance Leases	-	-	-	-	-	-	0
depreciation written out to Revaluation Reserve on Revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition-disposals	-	1,456	-	-	3	-	1,459
derecognition-other	-	-	-	-	-	-	0
change in asset classification	44	-	-	-	(44)	-	0
other movements in depreciation and impairment	5	-	-	-	-	-	5
At 31st March 2014	(34,166)	(16,163)	(70,351)	0	(465)	(1,113)	**(122,258)**
Net Book Value							
At 31st March 2014	349,180	9,278	210,416	612	17,328	69,125	**655,939**
At 31st March 2013	343,496	9,645	158,615	612	15,298	102,813	**630,479**

NOTES TO THE ACCOUNTS

2012/13	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
Cost or Valuation	£000	£000	£000	£000	£000	£000	**£000**
At 1st April 2012	377,042	26,467	210,497	447	12,222	64,030	**690,705**
additions	6,019	1,621	12,938	-	521	51,882	72,981
recognition of finance leases	-	-	-	-	-	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,911)	-	-	165	283	-	(7,463)
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(17,026)	-	-	-	(81)	-	(17,107)
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	10,579	-	(55)	-	2,575	(13,099)	0
other movements in cost of valuation	-	-	-	-	-	-	0
At 31st March 2013	367,343	25,173	223,380	612	15,623	102,813	**734,944**
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	11,324	-	-	-	146	-	11,470
depreciation written out to the Surplus/Deficit on the Provision of Services	3,044	-	-	-	12	-	3,056
impairment losses/(reversals) recognised in the Revaluation Reserve	(1,834)	-	-	-	-	-	(1,834)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,643)	-	-	-	-	-	(3,643)
recognition of Depreciation on Finance Leases	-	-	-	-	-	-	0
depreciation written out to Revaluation Reserve on Revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition - disposals	25	1,153	-	-	-	-	1,178
derecognition - 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	(23,847)	(15,528)	(64,765)	0	(325)	0	**(104,465)**
Net Book Value							
At 31st March 2013	343,496	9,645	158,615	612	15,298	102,813	**630,479**
At 31st March 2012	352,622	10,032	150,994	447	11,991	64,030	**590,116**

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 2013/14, there have been no material changes made to the accounting estimates for property, plant and equipment.

Revaluations

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

12. HERITAGE ASSETS

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

	Total £000
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**
Cost or Valuation	
1st Apr 2013	786
Additions	-
Disposals	-
Revaluations	517
Impairments Losses (reversals) recognised in the Revaluation Reserve	-
Impairments Losses (reversals) recognised in Surplus or Deficit on the Provision of Services	-
Depreciation	-
31st Mar 2014	**1,303**

NOTES TO THE ACCOUNTS

The Heritage Assets recognised in the balance sheet consist of works of Art and are held in the balance sheet at the value used for insurance purposes. The Heritage Assets were revalued in 2013/14 by Sotheby's, recognised experts in the valuation of works of art. This revaluation resulted in a revaluation gain of £517,000. 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 Authority also identified Heritage Assets which are not recorded in the Balance Sheet. The majority of these assets are held by the Authority's Library and Museum Service, the collection is located currently at Y Wern School stores in Ystalyfera.

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

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

Heritage Land, Buildings and Infrastructure

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

- Hen Egwlys at Margam Country Park

- Gnoll House and Cellar Remains at Gnoll Country Park

Art and Museums

- Thomas Horner collection of watercolours

- Charcoal drawing by eminent Welsh artist 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 2014 £000	31st Mar 2013 £000	31st Mar 2014 £000	31st Mar 2013 £000
Investments				
Loans and receivables at amortised cost:				
Fixed Term Investments	10,057	2,201	26,221	42,478
Cash	-	-	23,110	26,400
Unquoted equity at cost	89	89	-	-
Total investments	**10,146**	**2,290**	**49,331**	**68,878**
Borrowings				
Financial liabilities at amortised cost:				
Market Loans (LOBO)	(62,724)	(62,724)	(738)	(733)
PWLB	(107,926)	(109,361)	(3,275)	(2,992)
Other loans	-	-	(1,142)	(1,154)
Total borrowings	**(170,650)**	**(172,085)**	**(5,155)**	**(4,879)**
Other Long Term Liabilities				
Pension Liability	(314,293)	(401,700)	-	-

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

	2013/14					2012/13				
	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	8,700	-	-	-	**8,700**	8,830	-	-	-	**8,830**
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	8,700	0	0	0	**8,700**	8,830	0	0	0	**8,830**
Interest income	-	(776)	-	-	**(776)**	-	(1,220)	-	-	**(1,220)**
Interest income accrued on impaired financial assets	-	(809)	-	-	**(809)**	-	(273)	-	-	**(273)**
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	(1,585)	0	0	**(1,585)**	0	(1,493)	0	0	**(1,493)**
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	8,700	(1,585)	0	0	**7,115**	8,830	(1,493)	0	0	**7,337**

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 2014, 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 2014, 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 2014		**31st Mar 2013**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt	(111,201)	(119,901)	(112,354)	(129,147)
Non-PWLB Debt	(63,462)	(57,704)	(63,457)	(63,286)
Non-PWLB Debt Temporary Borrowing	-	-	-	-
Total debt	**(174,663)**	**(177,605)**	**(175,811)**	**(192,433)**
Long Term creditors	(30,262)	(30,262)	(25,635)	(25,635)

31st March 2014 – 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 2014, arising from a commitment to pay interest to lenders above market rates. For Non PWLB Debt the reverse is true.

NOTES TO THE ACCOUNTS

Fair Value of Assets

	31st Mar 2014		31st Mar 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	59,389	58,789	71,079	71,576
Long term debtors	598	598	917	917

14. INVENTORIES

	Stores		Work in Progress		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance outstanding at start of year	650	780	41	152	691	932
Movement in year	79	(130)	(26)	(111)	53	(241)
Balance o/s at year end	**729**	**650**	**15**	**41**	**744**	**691**

15. CONSTRUCTION CONTRACTS

At 31st March 2014, the Authority has entered into a number of contracts for the construction of Property, Plant and Equipment. The budgeted cost of these commitments for 2014/15 and future years are shown in the table below. Similar commitments at 31st March 2013 were £50.2m. The major commitments are:

Major Capital Commitments	2014/15 £000	Future £000	Total £000
Leisure Facility at Aberafan Seafront	11,300	500	11,800
Baglan Energy Link Bridge	5,334	-	5,334
Harbour Way PDR	4,700	-	4,700
Neath Town Centre Redevelopment Phase 1	12,000	-	12,000
Street Lighting	4,600	3,000	7,600
Total	**37,934**	**3,500**	**41,434**

NOTES TO THE ACCOUNTS

16. DEBTORS

31st Mar 2013 £000		31st Mar 2014 £000
32,643	Central government bodies	28,472
3,124	Other local authorities	3,049
1,273	NHS bodies	1,646
14,739	Other entities and individuals	13,588
3,874	Payments in advance	4,025
(3,557)	Less provision for doubtful debts	(3,520)
52,096	**Total**	**47,260**

17. CASH AND CASH EQUIVALENTS

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

31st Mar 2013 £000		31st Mar 2014 £000
125	Cash held by the Authority	115
3,732	Bank current accounts	4,386
3,857	**Total**	**4,501**

18. ASSETS HELD FOR SALE

	Current		Non Current	
	2013/14 £000	**2012/13 £000**	**2013/14 £000**	**2012/13 £000**
Balance outstanding at start of year	2,719	2,125	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	60	1,240		
Revaluation losses	(55)	(24)	-	-
Revaluation gains	545	200	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale				
Property, Plant and Equipment	-	(350)		
Assets sold	(728)	(472)	-	-
Other movements	-	-	-	-
Balance outstanding at year end	**2,541**	**2,719**	**0**	**0**

NOTES TO THE ACCOUNTS

19. CREDITORS

31st Mar 2013 £000		31st Mar 2014 £000
(6,663)	Central government bodies	(5,331)
(9,472)	Other local authorities	(6,905)
(354)	NHS bodies	(348)
(39,087)	Other entities and individuals	(36,140)
(3,274)	Receipts in advance	(4,796)
(58,850)	**Total**	**(53,520)**

20. PROVISIONS

Long Term Provisions

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1st April 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)
Net Transfer (to)/from	(208)	44	(164)
Balance at 31st March 2014	**(5,105)**	**(948)**	**(6,053)**

Short Term Provisions

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1st April 2012	(2,622)	(69)	(2,691)
Net Transfer (to)/from	352	(66)	286
Balance at 31st March 2013	(2,270)	(135)	(2,405)
Net Transfer (to)/from	30	(957)	(927)
Balance at 31st March 2014	**(2,240)**	**(1,092)**	**(3,332)**

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 2014.

NOTES TO THE ACCOUNTS

Long and Short Term - Other Provisions – Housing Warranties

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

Short Term - Other Provisions – ER/VR

The Authority undertook a significant exercise to seek volunteers for early retirement and voluntary redundancies to ensure that it could continue to make significant savings across the Authority. Some of those who agreed to finish will not actually leave the Authority until after 31st March 2014. However, accounting regulations require the Authority to account for the costs in the year that the agreement to leave is made. A charge has been made to the individual revenue accounts for the cost of these leavers in 2013/14 with this provision of £1.048m being set up to meet the costs when the individuals actually leave.

21. USABLE RESERVES

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

31st Mar 2013 £000			31st Mar 2014 £000
(39,606)	Earmarked Reserves		(35,946)
(5,933)	Working Balances:	General Fund	(13,713)
(8,499)		HRA	-
(11,412)	Unapplied Grants		(13,070)
(8,045)	Usable Capital Receipts		(7,631)
(73,495)	**Total**		**(70,360)**

22. UNUSABLE RESERVES

31st Mar 2013 £000		31st Mar 2014 £000
(98,038)	Revaluation Reserve	(99,095)
(328,098)	Capital Adjustment Account	(340,386)
2,824	Financial Instruments Adjustment Account	2,688
401,700	Pensions Reserve	314,293
(91)	Deferred Capital Receipts Reserve	(52)
3,928	Accumulated Absences Account	3,814
(17,775)	**Total**	**(118,738)**

NOTES TO THE ACCOUNTS

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 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.

2012/13		Revaluation Reserve	2013/14	
£000	£000		£000	£000
	(97,574)	**Balance at 1st April**		(98,038)
(8,522)		Upward revaluation of assets	(3,559)	
4,338		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	188	
1,834		Impairment losses on non-current assets	82	
	(2,350)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(3,289)
1,886		Difference between fair value depreciation and historical cost depreciation	1,522	
-		Accumulated gains on assets sold or scrapped	710	
	1,886	Amount written off to the Capital Adjustment Account		2,232
	(98,038)	**Balance at 31st March**		**(99,095)**

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.

NOTES TO THE ACCOUNTS

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

2012/13		Capital Adjustment Account	2013/14	
£000	£000		£000	£000
	(296,400)	**Balance at 1st April**		(328,098)
-		Reversal of items relating to capital expenditure debited or credited to the CIES:	-	
15,815		Charges for depreciation and impairment of non current assets	17,134	
10,027		Revaluation losses on Property, Plant and Equipment	313	
12,868		Revenue expenditure funded from capital under statute	12,835	
866		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	929	
	39,576			31,211
	(1,886)	Adjusting amounts written out of the Revaluation Reserve		(2,232)
	(258,710)	Net written out amount of the cost of non current assets consumed in the year		(299,119)
		Capital financing applied in the year:		
(2,265)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,530)	
(56,394)		Application of grants to capital financing from the Capital Grants Unapplied Account	(26,820)	
(8,739)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,918)	
(1,992)		Capital expenditure charged against the General Fund and HRA balances	(4,001)	
	(69,390)			(41,269)
-		Use of Capital Receipts Reserve to repay loans	-	
2		Deferred Sale proceed to Comprehensive Income and Expenditure Account	2	
	2			2
	(328,098)	**Balance at 31st March**		**(340,386)**

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to release premiums and discounts paid which were received on the early redemption of loans. Over time, the premiums are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the effect on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance of the premiums at 31st March 2014 will be charged to the General Fund until 2055.

2012/13		Financial Instruments Adjustment	2013/14	
£000	**£000**		**£000**	**£000**
	2,908	**Balance at 1st April**		2,824
(138)		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(136)	
54		Proportion of discounts received in previous financial years to be released to the General Fund Balance in accordance with statutory requirements	-	
	(84)			(136)
	-	Transfer of Impairment to General Fund Balances		-
	2,824	**Balance at 31st March**		**2,688**

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

2012/13 £000	Pension Reserve	2013/14 £000
362,500	**Balance at 1st April**	401,700
32,320	Actuarial gains or losses on pensions assets and liabilities	(106,040)
27,100	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	40,093
(20,220)	Employer's pensions contributions and direct payments to pensioners payable in the year	(21,460)
401,700	**Balance at 31st March**	**314,293**

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.

2012/13 £000	Deferred Capital Receipts Reserve	2013/14 £000
(148)	**Balance at 1st April**	(91)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
57	Transfer to the Capital Receipts Reserve upon receipt of cash	39
(91)	**Balance at 31st March**	**(52)**

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.

2012/13		Accumulated Absences Account	2013/14	
£000	£000		£000	£000
	4,412	**Balance at 1st April**		3,928
(4,412)		Settlement or cancellation of accrual made at the end of the preceding year	(3,928)	
3,928		Amounts accrued at the end of the current year	3,814	
	(484)	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		(114)
	3,928	**Balance at 31st March**		**3,814**

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2012/13 £000		2013/14 £000
15,815	Depreciation	17,134
10,027	Impairment	313
77	(Increase)/decrease in long term debtors	319
10,851	(Increase)/decrease in short term debtors	4,836
241	(Increase)/decrease in inventories	(53)
(68)	Increase/(decrease) in short term creditors	(5,330)
6,678	Increase/(decrease) in long term creditors	4,627
(286)	Increase/(decrease) in short term provisions	927
991	Increase/(decrease) in long term provisions	164
866	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	929
6,880	Increase/ (decrease) in Pension Liability	18,633
(91)	Impairments charged to the CIES	601
(46)	Finance lease interest	(45)
(31)	Foreign exchange gains/(loss)	(43)
(51)	Other non-cash items charged to net surplus/deficit on the provision of services	3,047
51,853		**46,059**

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

2012/13 £000		2013/14 £000
636	Proceeds from the sale of property, plant and equipment	1,077
55,183	Other receipts from investing activities	23,567
55,819		**24,644**

NOTES TO THE ACCOUNTS

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £000		2013/14 £000
(72,981)	Purchase of property, plant and equipment	(45,174)
(1,413,865)	Purchase of short term and long term investments	(854,060)
-	Other payments for investing activities	-
636	Proceeds from the sale of property, plant and equipment	1,077
1,431,035	Proceeds from short term and long term investments	866,300
55,183	Other receipts from investing activities	23,567
8	**Net cash flows from Investing Activities**	**(8,290)**

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £000		2013/14 £000
224	Cash receipts of short and long term borrowing	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
(13,104)	Repayments of short and long term borrowing	(980)
(163)	Other payments for financing activities	-
(13,043)	**Net cash flows from Financing Activities**	**(980)**

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	Corporate Services	Total
2013/14	£000	£000	£000	£000	£000
Fees, Charges and other services income	(22,845)	(24,656)	(22,910)	(4,900)	(75,311)
Government Grants	(26,506)	(10,030)	(10,381)	(2,515)	(49,432)
Total Income	(49,351)	(34,686)	(33,291)	(7,415)	(124,743)
Employee expenses	102,413	37,818	17,772	19,880	177,883
Other service expenses	41,300	70,487	49,332	977	162,096
Support service recharges	14,298	8,145	1,485	5,008	28,936
Total Expenditure	158,011	116,450	68,589	25,865	368,915
Net Expenditure	**108,660**	**81,764**	**35,298**	**18,450**	**244,172**
2012/13	£000	£000	£000	£000	£000
Comparative figures					
Fees, Charges and other services income	(24,393)	(22,412)	(24,254)	(10,357)	(81,416)
Government Grants	(25,087)	(7,746)	(11,212)	(3,172)	(47,217)
Total Income	(49,480)	(30,158)	(35,466)	(13,529)	(128,633)
Employee expenses	99,591	36,133	16,484	19,587	171,795
Other service expenses	50,715	65,890	51,537	6,825	174,967
Support service recharges	6,229	7,875	1,623	5,224	20,951
Total Expenditure	156,535	109,898	69,644	31,636	367,713
Net Expenditure	**107,055**	**79,740**	**34,178**	**18,107**	**239,080**

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.

2012/13 £000		2013/14 £000
239,080	Net expenditure in the Directorate Analysis	244,172
4	Net expenditure of services and support services not included in the Analysis	4
31,991	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	44,359
(487)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(454)
270,588	**Cost of Services in Comprehensive Income and Expenditure Statement**	**288,081**

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

2013/14	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.	(75,311)	(16,409)	(167)	**(91,887)**	-	**(91,887)**
Interest and investment income	-	-	-	**0**	(1,585)	**(1,585)**
Income from council tax & NNDR	-	-	-	**0**	(114,399)	**(114,399)**
Government Grants & contributions	(49,432)	-	(53,771)	**(103,203)**	(203,086)	**(306,289)**
Total Income	(124,743)	(16,409)	(53,938)	**(195,090)**	(319,070)	**(514,160)**
Employee expenses	177,883	-	1,416	**179,299**	-	**179,299**
Other service expenses	162,096	4	79,293	**241,393**	-	**241,393**
Support Service recharges	28,936	16,409	-	**45,345**	-	**45,345**
Depreciation, amortisation and impairment	-	-	17,134	**17,134**	-	**17,134**
Interest Payments	-	-	-	**0**	25,800	**25,800**
Precepts and Levies	-	-	-	**0**	16,838	**16,838**
Gain or Loss on Disposal of Fixed Assets	-	-	-	**0**	(148)	**(148)**
Total Expenditure	368,915	16,413	97,843	**483,171**	42,490	**525,661**
Surplus or deficit on the provision of services	**244,172**	**4**	**43,905**	**288,081**	**(276,580)**	**11,501**

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**
Comparative figures						
Fees, Charges & other services inc.	(81,416)	(16,113)	(2,535)	**(100,064)**	-	**(100,064)**
Interest and investment income	-	-	-	**0**	(1,493)	**(1,493)**
Income from council tax & NNDR	-	-	-	**0**	(104,186)	**(104,186)**
Government Grants & contributions	(47,217)	-	(51,823)	**(99,040)**	(218,760)	**(317,800)**
Total Income	(128,633)	(16,113)	(54,358)	**(199,104)**	(324,439)	**(523,543)**
Employee expenses	171,795	-	(2,822)	**168,973**	-	**168,973**
Other service expenses	174,967	1,902	72,869	**249,738**	-	**249,738**
Support Service recharges	20,951	14,215	-	**35,166**	-	**35,166**
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**	231	**231**
Total Expenditure	367,713	16,117	85,862	**469,692**	34,488	**504,180**
Surplus or deficit on the provision of services	**239,080**	**4**	**31,504**	**270,588**	**(289,951)**	**(19,363)**

NOTES TO THE ACCOUNTS

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 the year.

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:

2012/13 £000			2013/14 £000
(907)	Catering Services	Turnover	(902)
962		Expenditure	989
55		(Surplus)/Deficit	87
(989)	Trade Refuse	Turnover	(800)
989		Expenditure	800
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.

2012/13 £000		2013/14 £000
44,666	Expenditure - fully reimbursed by Welsh Government	50,311

30. POOLED BUDGETS –JOINT EQUIPMENT STORE

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

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

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

NOTES TO THE ACCOUNTS

2012/13			2013/14	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
(519)		City and County of Swansea	(619)	
(346)		Neath and Port Talbot Council	(389)	
(864)		The Health Board	(978)	
	(1,729)	Total Contributions		(1,986)
	1,803	Expenditure met from the pooled budget:		2,038
	74	Net (surplus)/deficit arising on the pooled budget during the year		52
	-	Authority share of the net (surplus)/deficit arising on the pooled budget		-

31. MEMBERS REMUNERATION

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

2012/13 £000		2013/14 £000
1,147	Basic Allowance/Basic and Senior Salaries	1,198
26	Special Responsibility Allowance (until May 2012 only)	-
13	Expenses	13
1,186	**Total**	**1,211**

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	2013/14	134,253	29	19,467	153,749
	2012/13	134,253	90	19,467	153,810
Director of Environment	2013/14	108,618	-	15,750	124,368
	2012/13	98,790	-	14,325	113,115
Director of Social Services, Health & Housing	2013/14	-	-	-	-
	2012/13	106,149	-	15,392	121,541
Director of Education, Leisure & Lifelong Learning	2013/14	9,344	13	1,355	10,712
	2013/14	95,591	-	13,861	109,452
	2012/13	113,618	150	16,475	130,243
Director of Finance and Corporate Services	2013/14	100,693	-	14,634	115,327
	2012/13	83,498	115	12,107	95,720
	2012/13	28,668	-	4,157	32,825

NOTES TO THE ACCOUNTS

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 figures do not include any remuneration for the Chief Executive in his role as Returning Officer. There was no election in 2013/14 and the costs in 2012/13 were £7,073, which is based on rates defined by the respective election bodies.

The Director of Social Services, Health and Housing retired on 31st March 2013. The current director is not a direct employee of the Authority. If the post had been filled by a council employee the salary range would have been £98,745 to £108,618 (2012/13 £98,745 to £108,618).

The former Director of Education, Leisure and Lifelong Learning left the Authority for a full time secondment with the Welsh Government on 2nd May 2013. The former director was paid salary, fees, allowances and expenses of £109,800 during 2013/14, with the Authority being fully reimbursed for the costs incurred during his time with the Welsh Government.

The new Director of Education, Leisure and Lifelong Learning took up the position on 20th May 2013.

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 in 2012/13.

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.

			2013/14 Number of employees	2012/13 Number of employees
£60,000	-	£64,999	14	10
£65,000	-	£69,999	16	10
£70,000	-	£74,999	7	5
£75,000	-	£79,999	12	11
£80,000	-	£84,999	1	5
£85,000	-	£89,999	1	
£90,000	-	£94,999	1	2
£110,000	-	£114,999	-	1
			52	**44**

As a result of a voluntary redundancy scheme in 2013/14, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

			2013/14 Number of employees	2012/13 Number of employees
£60,000	-	£64,999	5	-
£65,000	-	£69,999	5	-
£70,000	-	£74,999	2	-
			12	**0**

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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £000	2012/13 £000
£0 - £20,000	23	4	148	56	171	60	1,371	316
£20,001 - £40,000	2	2	75	15	77	17	2,203	501
£40,001 - £60,000	-	-	16	-	16	-	728	-
£60,001 - £80,000	-	-	-	2	-	2	-	136
Total	**25**	**6**	**239**	**73**	**264**	**79**	**4,302**	**953**

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:

2012/13 £000		**2013/14 £000**
164	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	177
121	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	125
212	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	100
497	**Total**	**402**

One of the changes introduced by the Public Audit (Wales) Act 2013 is that Wales Audit Office is no longer able to retain reserves. The reserves generated to 31st March 2014 are to be redistributed and the Authority is predicted to receive a rebate of around 15% of the previous year's audit fees. The 2013/14 accounts will be updated to note the level of rebate once the Wales Audit Office has closed its accounts and confirmed the value of the refund.

34. GRANT INCOME

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

NOTES TO THE ACCOUNTS

2012/13 £000		2013/14 £000
	Credited to Taxation and Non Specific Grant Income	
1,462	Improvement Agreement Grant	1,477
160,307	Revenue Support Grant	173,941
40,457	Harbour Way Peripheral Distributor Road (PDR) Grant	13,278
7,496	Regeneration and Town Centre Redevelopments	3,522
966	Dwr Y Felin Comprehensive School Single Site	-
500	Ysgol Hendre Refurbishment	-
-	Awel y Mor Primary School	3,878
-	Regional Transport Consortia Grant	1,219
1,097	Cycling Centre of Excellence	317
923	Contribution from Margam Joint Committee	50
5,552	Other capital grants	5,404
218,760	**Total**	**203,086**
	Credited to Services	
1,452	Housing Renewal Area Grants	960
-	Pupil Deprivation Grant	1,903
2,154	Families First Grant	2,224
2,085	Post 16 Provision in Schools Grant	1,399
2,062	Flying Start Grant	3,009
4,312	Foundation Phase Grant	4,490
1,562	School Effectiveness Grant	1,400
3,672	European Union Grants for Education	-
6,504	Other Education Grants	3,658
2,986	Concessionary Fares Re-imbursement Grant	3,217
779	Other Highways Grants	614
3,984	Social Services Grants	5,104
51,411	Mandatory Rent Allowances Grant	52,588
292	Mandatory Rent Rebates Grant	283
4,244	Supporting People Grant	4,967
3,020	Waste Grant	2,890
172	Community Purpose Grant	2,040
1,033	Recreation and Sports Grant	2,107
9,051	Other Services Grants	5,990
100,775	**Total**	**98,843**

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.

NOTES TO THE ACCOUNTS

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 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 2013/14 is shown in Note 31.

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

- A taxi firm owned by a Member of the Authority had a contract with the Authority for the provision of specified taxi services. This contract was entered into in full compliance with the Authority's Standing Orders and services of £329,000 were purchased during the year (2012/13 - £280,000).
- The Council has a lease with another Member for the provision of three vending machines at the cost of £1 per machine.
- A Member owns Heddfan Properties which has three properties rented out through Property Bay Wales, a wholly owned subsidiary of the Council.
- During 2013/14 Grwp Gwalia, the employer of another Member, had contracts with the Authority for the provision of housing, support services and residential care.
- The employer of another Member provided the Council's banking services.
- During the year, a member was appointed as a director of Neath Port Talbot Home Inspection Services Ltd.
- In addition, various grants and funds were paid to organisations in which Members have an interest. These payments were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

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

Officers

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

The Chief Executive and Head of Legal Services are unpaid shareholder representatives on behalf of the Council with Neath Port Talbot Waste Management Ltd. The role does not involve any decision making on the day to day running of the Company.

The Director of Social Services, Health and Housing, the Head of Community Care and a member of staff from Legal Services are 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 Head of Property and Regeneration, is a paid director of Neath Port Talbot Waste Management Company Ltd and Neath Port Talbot Recycling Ltd who are the companies providing waste disposal services to Neath Port Talbot County Borough Council.

The Head of Property and Regeneration is an unpaid director of Neath Port Talbot (Green Energy) Ltd and Green Energy (South Wales) Ltd. Both companies have been established to develop an alternative solution for the disposal of waste for Neath Port Talbot County Borough Council. Neath Port Talbot (Green Energy) Ltd is a dormant company.

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

The Head of Partnership and Community Development is a board member of the NPTC Group which provides further and higher education in the area.

Entities Significantly influenced by the Authority

Waste

The Authority owns a Waste Management Company (Neath Port Talbot Waste Management Company Ltd) and relevant transactions and details are included in notes to the Balance Sheet. The Authority had made a loan to the waste management company, to assist with cashflow, which was repaid during 2013/14 (£224,489 at 31st March 2013).

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 2013/14 on behalf of Neath Port Talbot CBC and Bridgend CBC of £8.83m (£7.398m in 2012/13) and received income from Bridgend CBC. There were no outstanding balances at 31st March 2014.

Home Inspection Services

The Authority established a company in 2007 which provides a range of building/property services. The company issued £1,000 of share capital which is 100% owned by the Authority. The board of the company consists of three unpaid Authority staff and one member 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 £186,000 from NPT Home Inspection Services Limited in 2013/14 for support services provided; there was a £412,000 outstanding balance owed by NPT Home Inspection Services Limited on the 31st March 2014. As at the 31st March 2014, there was no money owed by the Authority to NPT Home Inspection Services Limited. Further information is available in Note 49-Group Accounts.

NOTES TO THE ACCOUNTS

Leisure Trust
The Council uses the leisure trust, Neath Port Talbot Leisure Limited 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 2013/14 was £1.94m (£2.48m in 2012/13). There are no outstanding balances at 31st March 2014.

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 £518,000 from April 2013 to March 2014; £399,000 of this relates to supporting people charges. In the same period, the Authority charged Neath Port Talbot Homes £834,000. There was a £48,000 outstanding balance owed by Neath Port Talbot Homes on the 31st March 2014.

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

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

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

During the year, the company paid the Authority £30,793 (2012 £24,496) for rates on empty properties. There are no creditors due to the Authority within one year held within Coed Darcy's balance sheet (2012 £11,235).

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.

NOTES TO THE ACCOUNTS

2012/13 £000		2013/14 £000
	Capital Investment	
72,981	Property, Plant and Equipment	45,174
-	Investment Properties	-
-	Intangible Assets	-
5,201	Revenue Expenditure Funded From Capital Under Statute	8,544
-	Non Enhancement Expenditure - Chargeable against Services	-
-	Non Enhancement Expenditure - Chargeable against the Revaluation Reserve	-
78,182		**53,718**
	Sources of Finance	
(2,265)	Capital receipts	(1,530)
(56,394)	Government grants and other contributions	(26,820)
-	Sums Set aside from revenue	-
(1,992)	Direct revenue contributions and reserves	(4,001)
(17,531)	Loans	(21,367)
(78,182)		**(53,718)**

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.

2012/13 £000		2013/14 £000
(198,701)	**Opening Capital Financing Requirement**	**(207,493)**
(4,591)	Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	(4,276)
(12,940)	Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	(17,091)
-	Assets Acquired Under Finance Leases	-
-	Assets Acquired Under PFI/PPP Contracts	-
-	Housing Repayment	-
8,739	Minimum Revenue Provision and prudential borrowing	8,918
-	Set Aside Receipts	-
(207,493)	**Closing Capital Financing Requirement**	**(219,942)**

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 2013 £000		31st Mar 2014 £000
2,981	Other Land and Buildings	3,036

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 2013 £000		31st Mar 2014 £000
	Finance Lease Liabilities	
10	Current	10
948	Non current	938
1,139	Finance lease costs payable in future years	1,094
2,097	**Minimum Lease Payments**	**2,042**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st Mar 2013 £000	31st Mar 2014 £000	31st Mar 2013 £000	31st Mar 2014 £000
Not later than one year	55	55	10	11
Between 1 and 5 years	221	221	46	48
Later than 5 years	1,821	1,766	902	889
	2,097	**2,042**	**958**	**948**

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:

NOTES TO THE ACCOUNTS

31st Mar 2013 £000		31st Mar 2014 £000
35	Not later than one year	8
140	Between 1 and 5 years	-
-	Later than 5 years	-
175		**8**

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 2013/14 was £1.028m and in 2012/13 was £1.146m. 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.

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

- Arwelfa
- Caewern
- Dan Y Bryn
- Gorffwysfa
- Hafod
- Min Yr Afon
- Morfa Afan
- Trem Y Glyn

Gwalia will develop four new homes to replace these homes with the exception of Dan y Bryn, which is to remain operational. The new homes must all be opened no later than May 2015 or such date as agreed between the Council and the Contractor.

As the new homes are opened the residents will be transferred into them. The existing homes will be decommissioned and handed back to the Council. In the event that the Contractor elects to close the Dan Y Bryn site at any time, it too will be handed back.

The lease rental on the existing homes is charged by the Council from contract commencement and the Council received income of £271,700 during 2013/14 (2012/13 £271,700). However, the rentals paid for each home from contract commencement will be refunded to the Contractor if that home is closed in accordance with the agreed development programme and the Council has set up a reserve to meet the cost of any refund of this nature. These refunds will be earned as each home is closed but will not become payable until the entire development programme, including, the older people's housing scheme, is completed. No refunds will be made for any home where there is slippage in the programme for closure of that home and transfer of its residents and staff to it.

NOTES TO THE ACCOUNTS

38. TERMINATION BENEFITS

The Council undertook a significant exercise to seek volunteers for early retirement and voluntary redundancies to ensure that it could continue to make significant savings across the Council. Those leaving under the scheme have been able to access their pensions or take voluntary redundancy, as part of the Council's commitment to avoid compulsory redundancy where possible. 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 2013/14, the Council paid £6.418m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2012/13 were £6.349m 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.

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

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

Discretionary Post –retirement Benefits

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

Presentation of accounting statements

The presentation of this table differs in the 2013/14 Statement of Accounts due to the changes that have been implemented with the introduction of International Accounting Standard 19R. The principal changes introduced by this standard are:

- The expected return on assets is calculated at the discount rate, instead of, as previously, at an expected return based on the actual assets.
- The interest on the service cost is included in the service cost itself.
- Administration expenses continue to be charged through the Profit and Loss Account.

These changes resulted in minor changes to the amount charged to the individual service areas within the Comprehensive Income and Expenditure Statement for 2012/13 but, due to the immateriality of these changes, the accounts have not been restated. The total change was £780,000 which is less than 0.2% of the Gross Expenditure in the Comprehensive Income and Expenditure Statement. This change has no net effect on the Council's balances.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14	**2012/13**	**2013/14**	**2012/13**
	£m	**£m**	**£m**	**£m**
Comprehensive Income and Expenditure Statement (CIES)				
Cost of Services:				
current service cost	21.90	17.60	-	-
past service costs	0.80	0.26	0.29	0.02
(gain)/loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure	-	-	-	-
Net interest expense	15.62	7.61	1.48	1.61
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**38.32**	**25.47**	**1.77**	**1.63**
Other Post-employed Benefit Charged to the CIES				
Remeasurement of the net defined benefit liability comprising				
Return on plan assets (excluding the amount included in the net interest expense)	14.78	29.92	-	2.40
Actuarial gains and losses arising on changes in financial assumptions	(65.28)	-	(2.00)	-
Actuarial gains and losses arising on changes in demographic assumptions	(5.21)	-	1.59	-
Actuarial gains and losses due to liability experience	(52.92)	-	3.00	-
Total Amount recognised in Other Comprehensive Income	**(108.63)**	**29.92**	**2.59**	**2.40**
Total Post Employment Benefit Charged to the CIES	**(70.31)**	**55.39**	**4.36**	**4.03**
Movement in Reserves Statement				
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**70.31**	**(55.39)**	**(4.36)**	**(4.03)**
Actual amount charged against the General Fund Balance for pensions in the year				
employers' contributions payable to scheme	18.76	17.46		
retirement benefit payable to pensioners			2.70	2.76

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

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Present Value of liabilities:					
Local Government Scheme	(735.46)	(632.95)	(714.01)	(813.85)	(734.93)
Discretionary Benefits	(39.33)	(34.27)	(36.21)	(37.48)	(39.14)
Total	**(774.79)**	**(667.22)**	**(750.22)**	**(851.33)**	**(774.07)**
Less Fair value of assets in the Local Government Pension Scheme:	390.29	392.32	387.72	449.63	459.78
Total	**(384.50)**	**(274.90)**	**(362.50)**	**(401.70)**	**(314.29)**
Equals **Surplus/(deficit) in the scheme:**					
Local Government Pension Scheme	(345.17)	(240.63)	(326.29)	(364.22)	(275.15)
Discretionary Benefits	(39.33)	(34.27)	(36.21)	(37.48)	(39.14)
Closing balance at 31st March	**(384.50)**	**(274.90)**	**(362.50)**	**(401.70)**	**(314.29)**

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

2012/13 £m		2013/14 £m
387.72	Opening fair value of scheme assets	449.63
26.83	Interest Income on assets	19.90
28.48	Remeasurement gains/(losses) on assets	(14.78)
17.46	Contributions by the employer	18.76
5.01	Contributions by participants	5.30
(15.87)	Net benefits paid out	(19.03)
-	Net increase in assets from disposals/acquisitions	-
-	Settlements	-
449.63	**Closing fair value of assets**	**459.78**

NOTES TO THE ACCOUNTS

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

	Funded liabilities: Local Government Pension Scheme		**Unfunded liabilities: Discretionary**	
	2013/14 £m	**2012/13 £m**	**2013/14 £m**	**2012/13 £m**
Opening Balance at 1st April	(813.85)	(714.01)	(37.48)	(36.21)
Current service cost	(21.90)	(17.60)	-	-
Interest cost	(35.52)	(34.44)	(1.48)	(1.61)
Contributions from scheme participants	(5.30)	(5.01)	-	-
Remeasurement gains and (losses)				
Actuarial gains/losses arising from changes in financial assumption	65.28	(58.40)	2.00	(2.40)
Actuarial gains/losses arising from changes in demographic assumptions	5.21	-	(1.59)	-
Actuarial gains and losses due to liability experience	52.92	-	(3.00)	-
Net benefits paid out	19.03	15.87	2.70	2.76
Past service cost (incl. curtailments)	(0.80)	(0.26)	(0.29)	(0.02)
Net increase in liabilities-disposals/acquisitions	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31st March	**(734.93)**	**(813.85)**	**(39.14)**	**(37.48)**

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2013/14	**2012/13**
	£000	**£000**
Cash and cash equivalents	14,419	12,666
Equity instruments		
By industry type		
Consumer	43,254	46,325
Manufacturing	43,103	38,580
Energy and utilities	28,625	26,186
Financial institutions	46,210	42,734
Health and care	26,109	23,839
Information Technology	15,163	13,683
Telecommunications Services	7,387	9,544
Sub total	209,851	200,891
Pooled Equity Investment Vehicles		
UK	46,545	46,813
Overseas	69,566	69,095
Sub total	116,111	115,908
Property	22,992	21,521
Fixed Interest	-	-
Fixed Interest	60,712	60,452
Index linked	6,932	7,246
Sub total	90,636	89,219
Hedge Funds	16,413	15,799
Private Equity	8,028	8,740
Global Tactical Asset Allocation	5,195	6,021
Net Current Assets	(873)	386
Total assets	482,772	471,151

All scheme assets have quoted prices in active markets.
The risks relating to assets in the scheme are also analysed by company size below:

	Fair Value of scheme assets	
	2013/14 £000	2012/13 £000
Equity instruments:		
By company size		
Large capitalisation	128,515	121,306
Small capitalisation	81,336	79,585
Sub total equity instruments	209,851	200,891

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 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.5	21.7	-	-
Women	25.0	23.9	-	-
Longevity at 65 for future pensioners:				
Men	24.7	23.5	-	-
Women	27.3	25.8	-	-
Rate of inflation:				
RPI	3.4%	3.7%	3.2%	3.5%
CPI	2.4%	2.8%	2.2%	2.6%
Rate of increase in salaries	3.9%	4.7%	-	-
Rate of increase in pensions	2.4%	2.8%	2.2%	2.6%
Rate for discounting scheme liabilities	4.3%	4.4%	4.2%	4.1%
Take-up of option to convert annual pension into retirement lump sum:				
Pre 2010	-	50.0%	-	-
Post 2010	-	75.0%	-	-
Post 2014-total cash (including any lump sum) as % of the permitted maximum	-	80.0%	-	-

NOTES TO THE ACCOUNTS

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2014 and the projected service cost for the year ending 31st March 2015 is set out below

Discount Rate assumption

Adjustment to discount rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£m's)	721.79	748.31
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£m's)	19.42	20.57
Approximate % change in projected service cost	-2.8%	2.9%

Rate of general increase in salaries

Adjustment to salary increase rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£M's)	738.93	730.97
% change in present value of total obligation	0.5%	-0.5%
Projected service cost (£m's)	19.99	19.99
Approximate % change in projected service cost	0.0%	0.0%

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

Adjustment to pension increase rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£M's)	744.17	725.89
% change in present value of total obligation	1.3%	-1.2%
Projected service cost (£m's)	20.59	19.40
Approximate % change in projected service cost	3.0%	-2.9%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	**-1 year**	**+1 year**
Present value of total obligation (£M's)	751.81	718.00
% change in present value of total obligation	2.3%	-2.3%
Projected service cost (£m's)	20.60	19.38
Approximate % change in projected service cost	3.1%	-3.1%

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The City and County of Swansea Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next twenty five years and they monitor these funding levels. The next triennial valuation is due to be completed on 31st March 2016.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2015 is £19.10m. Expected payments to beneficiaries of the Discretionary Benefits schemes in the year to 31st March 2015 are £1.13m for the LGPS Scheme and £1.65m for Teachers.

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 identified that a Scheme of Arrangement would be triggered which would pass some of the liability to repay old claims to the Council.

The Scheme was triggered on 13th November 2012 and an assessment made that the Council faced a levy of 15% in 2013/14, with the cost of £91,000 included 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 has not happened and the liability is not certain, this element 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 stage, the Council will act prudently and add an additional £272,000 to the reserve within its accounts for the repayment 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. The guidance from the Local Government Employers Pension Committee is that settlements made in advance of the legislative change should not be reopened unless there are compelling reasons. Due to the on-going uncertainty around this matter, no allowance has been made in the accounts; 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 £80,023 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, but it is possible that additional claimants may come forward to submit claims for refunds.

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 30th January 2014 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
Term deposits – Nationalised & part nationalised UK bank/ building societies	Fitch short-term rating F1 with support rating of 1	In-house	£20m	1 year

Maturities up to a maximum of 1 year (Specified Investments)				
	Minimum "High" Credit Criteria	**Funds Managed**	**Maximum amount**	**Maximum Duration**
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 a support rating of 1 and a short term stable outlook	In-house	£15m	6 months
Term deposits – UK banks/ building societies	Fitch short-term rating F1 with a support rating of 1 and a short term stable outlook	In-house	£10m	6 months
Principality Building Society	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 - a maximum of £25m will be held in non-specified investments all of which will be sterling denominated.				
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 2013 £000		31st Mar 2014 £000
5,922	Current - up to one month	2,519
1,818	One to three months	659
205	Three to six months	329
499	Six months to one year	1,184
2,193	More than one year	1,768
10,637	**Total**	**6,459**

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 2013 £000		31st Mar 2014 £000
(972)	Less than 1 year	(1,436)
(1,436)	Between 1 and 2 years	(1,891)
(6,995)	Between 2 and 5 years	(9,287)
(21,509)	Between 5 and 10 years	(21,969)
(142,146)	More than 10 years	(137,502)
(173,058)	**Total**	**(172,085)**

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 2014 £000
Increase/decrease in interest received and credited to the CIES Account	586
Increase/decrease in external interest payable and debited to the CIES Account	1,731

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. 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	-	1.561
Kaupthing Singer & Friedlander Ltd (KSF)	3.000	0.125	0.716
Landsbanki Islands hf	6.000	-	1.668
Glitner Bank hf	2.000	-	0.398
Total	**20.000**	**0.125**	**4.343**

	£m	£m
Original Investments made:		20.000
Less Repaid to 31st March 2014:		
Heritable Bank Ltd	(8.596)	
Kaupthing Singer & Friedlander Ltd (KSF)	(2.515)	
Landsbanki Islands hf	(5.745)	
Glitner Bank hf	(2.000)	
		(18.856)
Net Investment o/s (excluding interest)		**1.144**

All monies within three of these institutions, namely Heritable, Kaupthing Singer and Friedlander and Glitnir 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.

In relation to the investment in the former Landsbanki, the Council has sold its claims against the insolvent estate. The claims were sold through a competitive auction process.

NOTES TO THE ACCOUNTS

The proceeds of the sale were paid in cash in pounds sterling and those funds have already been received. The sales means that the Council has recovered 96% of the £6m originally invested.

The current situation with regards to recovery of the sums deposited varies between each institution and is based on the latest information provided by the institutions administrators.

Heritable Bank Ltd

Heritable Bank is a UK registered bank under Scottish law. The company was placed into administration on 7th October 2008. To date the bank's administrators have paid out dividends totalling 94.02p in the £. The latest administrators report states that no further dividends are anticipated; a position which is reflected in the Council's accounts.

Date	Repayment
Received to date	94.02%
No further repayments anticipated	

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 87.5p in the £, which is based on advice provided by its Treasury Management Advisors.

Date	Repayment
Received to date	81.50%
June 2014	2.25%
June 2015	2.00%

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

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 Authority has no control.

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

NOTES TO THE ACCOUNTS

Foreign exchange risk in Relation to Icelandic Deposits

The Authority has foreign exchange exposure resulting from an element of the settlement received from Glitnir. 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 and assumed investment interest recognised in the Income and Expenditure Account has resulted in a credit of £824,000. This is due to the fact that the total percentage dividends either assumed or received for Heritable, Kaupthing Singer and Friedlander and Landsbanki were/are greater than reflected in the 2012/13 Accounts.

44. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Initial recognition of heritage assets					
Works of Art	-	-	786	-	-
Total initial recognition	**0**	**0**	**786**	**0**	**0**
Acquisition of heritage assets					
Works of Art	-	-	-	-	-
Total cost of Acquisition	**0**	**0**	**0**	**0**	**0**
Value of heritage assets acquired by donation					
Works of Art	-	-	-	-	-
Total Donations	**0**	**0**	**0**	**0**	**0**
Transfer of assets from other categories in the period					
Works of Art	-	-	-	-	-
Total Transfers	**0**	**0**	**0**	**0**	**0**
Revaluation of assets in the period					
Works of Art	-	-	-	-	517
Total Revaluation	**0**	**0**	**0**	**0**	**517**

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

Details of the Heritage Assets held by the Authority 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:

2012/13 £000	Trust Funds	2013/14 £000
604	Welsh Church Acts	604
1,497	Education Trust Funds (Note 1)	1,527
62	Social Services Trust Fund	63
2,163		**2,194**

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

2012/13 £000	Education Trust Funds	2013/14 £000
1,126	Investment at Market Value	1,160
280	Cash	276
91	Investment at Book Value	91
1,497		**1,527**

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 2013/14 was £1,475.59. 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 45,715 (which is the number of properties we collect council tax from, adjusted by discounts etc., and converted to the equivalent number of Band D properties). The amounts for properties in other bands are calculated by multiplying the Band D figure by the relevant multiplier in the table below:

Band	A	B	C	D	E	F	G	H	I	Total
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
No. of chargeable dwellings	12,646	26,313	10,935	6,843	3,988	1,292	480	100	21	62,618

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 2013/14 was

46.4p (2011/12 45.2p). The Authority is responsible for collecting rates due from businesses in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

In 2013/14, the total non domestic rateable value at the year end was 97.781m (2012/13 101.885m).

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	**2013/14 £000**
Blaengwrach	36
Blaenhonddan	220
Briton Ferry	109
Cilybebyll	84
Clyne and Melincourt	16
Coedffranc	313
Crynant	39
Cwmllynfell	24
Dyffryn Clydach	44
Glynneath	122
Gwaencaegurwen	61
Neath	330
Onllwyn	20
Pelenna	19
Pontardawe	158
Resolven	38
Seven Sisters	38
Tonna	25
Ystalyfera	52
	1,748
Other Levies and Demands	
South Wales Police Authority	8,287
Fire Authority	6,803
	15,090

NOTES TO THE ACCOUNTS

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
208	(180)	28

This Authority's share of the net equity within the crematorium balance sheet is £16,678.

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 2013/14 was £106,000 (2012/13 £101,000).

This Authority's share of the reserves held by the City and Council of Swansea is £50,000 (2012/13 £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 contribution for 2013/14 was £75,000 (2012/13 £75,000) although it is due to receive a refund of £18,000 from the City and County of Swansea.

NOTES TO THE ACCOUNTS

Education through Regional Working (ERW) (formerly SWAMWAC)

The Authority is part of a joint committee with five other neighbouring authorities to deliver Education through Regional Working. This is managed by Pembrokeshire County Council, though the City and County of Swansea managed the joint service until 31st March 2013. The total annual contribution of all participating authorities for 2013/14 was £156,000 (2012/13 £197,000) of which this Authority's share was £25,000 (2012/13 £18,000).

There are specific reserves held for constituent authorities of £361,000 with this Council's share being £58,000. Any other assets belonging to the Committee are held by the host authority in trust for each of the constituent members in equal share.

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. This is managed by Pembrokeshire County Council. There were no new contributions from the participating authorities in 2013/14 (2012/13 Total £300,000 with this Authority's share being £60,000). At 31st March, reserves of £13,028 were held (2012/13 £191,366) and this is allocated in equal shares, giving Neath Port Talbot Council a holding of £2,606 (2012/13 £38,273).

Welsh Purchasing Consortium

The Welsh Purchasing Consortium is a collaborative procurement organisation which is made up of 19 Unitary Authorities across Wales and run operationally by a central management team. 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 2013/14 was £244,125 (2012/13 £249,272), with this Authority's share being £13,500 (2012/13 £14,892). At 31st March, there were reserves of £409,443 with Neath Port Talbot Council share being £25,369 (2012/13 £347,373 and £21,711).

49. GROUP ACCOUNTS

NPT Home Inspection Services

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

However, the Authority 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. This was a one off contract and the 2013/14 turnover has dropped back to the more usual level of £0.637m.

NOTES TO THE ACCOUNTS

The accounts for 2013/14 NPT Home Inspection Services (Registration Number 0686245) are not yet available.

Final 2012/13 £000		**Draft 2013/14 £000**
182	Net Assets/(Liabilities)	not available
115	Net Profit/(Loss)	not available

Neath Port Talbot Waste Management Company Limited

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

Included within the balance sheet of the Authority at 31st March 2014 are the land of NPT WM (at nil value) and the fair value of land, buildings, equipment and plant of Neath Port Talbot (Recycling) Ltd of £2.8m (2012/13 £3m).

The accounts for NPTWM (Registration Number 2633569) for 2013/14 are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

Final 2012/13 £000		**Draft 2013/14 £000**
645	Net Assets/(Liabilities)	not available
616	Net Profit/(Loss)	not available

Neath Port Talbot (Recycling) Limited

The accounts for Neath Port Talbot (Recycling) Ltd. (Registration Number 3595980) for 2013/14 are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

Final 2012/13 £000		**Draft 2013/14 £000**
(1,083)	Net Assets/(Liabilities)	not available
(343)	Net Profit/(Loss)	not available

The accounts for both companies in 2013/14 reflect a management fee of £175,000 (2012/13 £375,000) 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.

Baglan Bay Company Limited

The Authority holds a 50% share in Baglan Bay Company Limited with other shares being held by St Modwen Developments Limited (25%) and The Prince's Foundation (25%).

The principal activity of the company is that of monitoring the remediation of former BP sites in the Swansea area.

The accounts for Baglan Bay Company Limited are prepared to the 30th November each year and are considered to be immaterial for Group Account purposes.

The accounts for this company, registration number 06383208, are available from Companies House, Cardiff.

Year to 30th Nov 2012 £000		Year to 30th Nov 2013 £000
(9)	Net Assets/(Liabilities)	not available
(60)	Net Profit/(Loss)	not available

Coed Darcy Limited

The Authority holds a 46% share in Coed Darcy Limited with other shares being held by St Modwen Developments Limited (49%) and The Prince's Foundation (5%).

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

The accounts for Coed Darcy Limited are prepared to the 30th November each year and are considered to be immaterial for Group Account purposes.

The accounts for this company, registration number 00577934, are available from Companies House, Cardiff.

Year to 30th Nov 2012 £000		Year to 30th Nov 2013 £000
5,796	Net Assets/(Liabilities)	not available
183	Net Profit/(Loss)	not available

Green Energy (South Wales) Limited

The Authority has a 50% interest in this company, due to it being part owned by the Authority's NPT Waste Management Company Limited. The other shares are owned by Maesgwyn Energy Limited.

NOTES TO THE ACCOUNTS

The principal activity of the company is the treatment and disposal of non-hazardous waste. The accounts are considered to be immaterial for Group Account purposes and the accounts for the company, registration number 07141378, are available from Companies House, Cardiff.

Final 2012/13 £000		Draft 2013/14 £000
(2)	Net Assets/(Liabilities)	not available
(2)	Net Profit/(Loss)	not available

50. LANDFILL SITES

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

The Authority is required to recognise a provision when:

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

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

The site is now in aftercare phase and the Company is in receipt of the closure report and aftercare plan which has been agreed by Natural Resources Wales. The Company has a provision within its audited accounts as at 31st March 2013 of £1.021m to deal with any unforeseen residual restoration work. The Council also holds a reserve of £0.989m to meet any future landfill obligations.

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

51. EXCEPTIONAL ITEMS

The item included for 2013/14, within the exceptional items line of the Comprehensive Income and Expenditure Statement, is £0.223m 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 Authority's housing stock to Neath Port Talbot Homes.

This £0.223m 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.

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 2013/14 relates to IAS19 adjustments in relation to the Pension Fund of £1.233m (2012/13 £280,000, with the remaining balance of £143,000 (2012/13 £125,000) relating to depreciation on Assets Held for Sale.

HOUSING REVENUE ACCOUNT

1st Apr 2010 to 3rd Mar 2011		Income and Expenditure Account
£000	**£000**	
		Expenditure
362,740		Management and maintenance
74		Rents, rates, taxes and other charges
4,230		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**
	5,500	2012/13 - Transfer to General Fund
	8,499	2013/14 - Transfer to General Fund
	0	**Closing Balances 31st March 2014**

Notes:

HOUSING REVENUE ACCOUNT

The Authority's housing stock transferred to NPT Homes during March 2011. However, the Housing Revenue Account could not be closed until final approval was received from the Welsh Government and whilst this approval was not received, the Authority had to continue to present the HRA, as at the date of transfer, within its Statement of Accounts.

During 2012/13, the Authority received approval to release £5.5m of the balance brought forward to its General Fund. The consent to close the HRA was received on 11th November 2013 and is to be effective from the end of the 31st March 2014. This consent meant that the Authority could transfer the remaining balance of £8.499m to its General Fund, although it is not permitted to use these funds for Council services until 2014/15.

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

The Council 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.

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 2012-2013, 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.

ANNUAL GOVERNANCE STATEMENT

2. The Purpose of the Governance Framework

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.

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

Section 3 onwards summarises the governance framework and the system of internal control which has been in place within the Council for the year ending 31st March 2014. The framework is described to reflect the arrangements in place to meet the core principles of effective governance. The Council is developing the way in which it reports on its governance framework to provide clear details on the assurances taken during the year on the effectiveness of governance arrangements and the improvement work that arises from taking such assurances. Consequently, the format of the Annual Governance Statement differs from that adopted in previous years.

The governance arrangements and how they link to improvement planning were examined recently as part of an all-Wales study. The review, concluded in July 2013 that:

- The Council's review of its governance arrangements had been sufficiently wide-ranging:
    - The Council's review reflects all the elements of the CIPFA/SOLACE framework;
    - The review also included a range of governance issues which require improvement and which form a major part of the work of the Governance Group;

  - The Council is also seeking ways to improve the range and quality of controls to ensure they cover all key constituent elements of governance.

- The Council's review of its governance arrangements had been thorough and robust for the most part:
  - The Council established a Governance Group in 2010-2011 to monitor governance arrangements to ensure that they are robust and fit for purpose;
  - The Group includes senior corporate officers responsible for internal audit, finance, change management human resources and legal services;
  - There is a clear and formal process in place to sign off the Annual Governance Statement;
  - Internal Audit will examine the application of specific governance issues when alerted to do so; for example, through the Council's whistle-blowing policy.

  However:
  - The Governance Group relies predominantly on corporate based officers. We found little evidence of routine support and contact with services, a factor which may impede Council-wide development and ownership of governance;
  - It is unclear how issues regarding governance arrangements are identified and reported across the organisation and whether staff and members understand this process;
  - It is unclear whether the Council's work on improving specific governance arrangements included in the Statement, such as staff performance appraisals, learning and development and construction of scrutiny work programmes have been delivered satisfactorily.

- In producing the AGS the Council has for the most part identified areas in need of improvement in its governance arrangements and made plans to address them:
  - The Council has identified areas in need of improvement in its governance arrangements;
  - The Council has taken reasonable steps to evaluate these arrangements and include these areas in an action register which is regularly monitored and updated by the Governance Group.

ANNUAL GOVERNANCE STATEMENT

In preparing the AGS for 2013-2014, the Group has strengthened the Statement to ensure that assurances taken during the year and conclusions reached are clearly recorded. Where assurance work has identified the need for improvement the actions proposed to be taken are summarised at the end of the document.

The Governance Group has taken on board the feedback from the Wales Audit Office (WAO). For instance the Group intends that its work is reported more regularly to officers and Members. It proposes to do this by making twice yearly reports to the Corporate Management Group and to the Policy and Resources Committee. Further consideration will also be given to any learning and development activity that is needed to promote greater understanding and ownership of governance across the Council. To ensure the Council's work on improving governance arrangements is satisfactory these areas have been included in the AGS Action Plan.

The main areas in the forward work programme for the Governance Group are listed below; progress for each is contained within the table which follows for each of the core principles:

ANNUAL GOVERNANCE STATEMENT

3. The Governance Framework

The Council's governance environment embraces the six core principles of the CIPFA/SOLACE framework as detailed in the table below:

Core Principle	Description of Governance Mechanisms	Assurances received
1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	➢ Full Council approves the Single Integrated Plan (SIP); the Corporate Improvement Plan; and associated Annual Reports	➢ The key plans describe the Council's short term and long term priorities to ensure citizens receive high quality services whether directly, or in partnership. The Corporate Improvement Plan is subject of external audit by the Wales Audit Office and was deemed compliant with the Local Government Measure 2009 when audited in 2013-2014. The Single Integrated Plan was prepared under new statutory guidance by the Local Service Board in 2013-2014 and has yet to be audited. The governance arrangements for the Local Service Board were reviewed and revised in 2013-2014 together with the partnership arrangements for children and young people matters. Reviews of governance arrangements for the Community Safety and Health/Wellbeing Partnerships are scheduled in 2014-2015 and these will action a recommendation made by the Wales Audit Office to clarify governance arrangements in relation to community safety matters. Annual reports on both plans are produced and published and describe the extent to which plans have been implemented. The annual reports inform annual reviews of the priorities.

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 1 continued)	➢ Corporate Performance Management Framework	➢ The corporate performance management framework was reviewed and revised in 2013-2014 with the assistance of an independent critical friend, funded by WLGA. Policy and Resources Cabinet Board formally approved the revised framework in April 2014. A post-implementation review of the revised framework will be carried out in 2014-2015. ➢ Quarterly performance monitoring reports are submitted to cabinet boards and scrutiny committees. A review of democratic arrangements within the Council was carried out at the request of the Leader in 2013-2014 and a set of proposals to further strengthen Member scrutiny of performance has been agreed.
	➢ Forward Financial Plan (FFP)	➢ The FFP was reviewed and updated in 2013-2014 producing a revised forecast funding gap of £38.3 million over the period 2014-2018 in order to meet the Council's legal duty to set a balanced budget. Council formally approved the revised FFP in January 2014. The strategies contained within the revised FFP were subject to Member scrutiny prior to the final FFP being considered and approved. Extensive consultation with stakeholders was also carried out on a range of proposals that have significant impacts on local people. The Council also took steps to ensure the equality impact of proposals was

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 1 continued)		explicitly considered when developing and agreeing the proposals within the revised FFP.
	➢ Revenue and Capital Budgets	➢ The Council's Annual Budget and Capital Programme were set in the context of the revised Forward Financial Plan and Corporate Improvement Plan. Quarterly reports are produced for senior officers and elected Members to monitor expenditure forecasts against the agreed cash limits for the revenue budget. A Capital Programme Steering Group meets monthly to review expenditure against budget on the capital programme and to update the capital programme as funding decisions are made on relevant specific grants with reports to senior officers and elected Members as appropriate. Capital and revenue expenditure and related activities are subject of annual audit by the Wales Audit Office and no significant improvement actions have been identified during 2013-2014
	➢ Asset Management Plans	➢ Asset Management Plans are key documents that ensure we get value for money from our assets. These include Property, Vehicles, IT and Highways. These plans are regularly reviewed and monitored.
	➢ NPT People Strategy	➢ The NPT People Strategy sets out how the Council will lead, manage and develop everyone within its workforce -

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 1 continued)		in social partnership with the trade unions - with the overall aim of ensuring that the workforce capacity and capability required to deliver its priorities is in place.
	➢ Workforce Strategy	➢ This Strategy sets out how and when a package of workforce-related cost reduction measures will be achieved by the Council - in social partnership with the trade unions - as a significant contribution to the delivery of the Council's Forward Financial Plan 2013-2018. A key element of the Strategy is a commitment by the Council to minimise compulsory redundancies to the greatest extent possible. Employees, in turn, have agreed to make significant personal financial contributions as a means of safeguarding their employment to the greatest extent possible. This social partnership is unparalleled in local government in Wales and provides a sound platform for the Council to plan future workforce-related changes. ➢ The actions required to implement this Workforce Strategy are included within the Council's HR work programme 2014-2015; this has been agreed by Chief Officers and Members and will be the subject of periodic periods to Corporate Directors Group and Personnel Committee. ➢ Additionally, all significant workforce-related savings requirements are identified in "business as usual" financial monitoring reports.

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 1 continued)	➢ Internal Audit Section	➢ Internal Audit Section – an independent and objective assurance service to the management of the Council. ➢ An example of important assurance work completed during the year was a study of safe recruitment practice across the Council which was initiated by the Director of Social Services Health and Housing. ➢ 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.
	➢ Audit Committee	➢ No significant governance issues were identified during 2013-2014. This assurance is given to the Audit Committee in the annual Audit Report, which is presented in June. ➢ The Audit Committee monitors the work plan of the Internal Audit Section, and the work of external audit, throughout the year.
	➢ Chief Internal Auditor (Audit Manager) annual report	➢ Chief Internal Auditor (Audit Manager) provides an annual report to Audit Committee highlighting any concerns and to give assurance to elected Members regarding the

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 1 continued)	➢ Auditor General for Wales (Wales Audit Office)	Councils' internal systems. ➢ Auditor General for Wales reports annually on his audit and assessment work in relation to whether the Council has discharged its duties and met the requirements under the Local Government (Wales) Measure 2009. The annual improvement report for 2013-2014 was not available at the time of producing this AGS but once received any findings will be incorporated into the Action Plan.
2 - Members and officers working together to achieve a common purpose with clearly defined functions.	➢ The Council's Constitution based on operating a model based on a Council Leader and Cabinet ➢ The Chief Executive (as Paid Head of Service) leads the Council Officers and	➢ The Constitution clearly sets out the different, but complementary, responsibilities of Members and Officers. ➢ The Constitution provides for full Council to approve or adopt the policy framework and budget. ➢ Committees of the Council are confirmed at annual meetings of the Council and have clear terms of reference and membership. Amendments to committee arrangements are taken back to full Council for consideration and agreement during the civic year. ➢ A review of democratic arrangements was carried out at the request of the Leader of Council in 2013-2014 and proposals for strengthening arrangements have been developed and will be taken forward in 2014-2015. ➢ All staff have clear job descriptions which highlight their roles and responsibilities.

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 2 continued)	chairs the Corporate Directors and Corporate Management Groups (includes all Heads of Service)	
	➢ The Director of Finance and Corporate Services is the Section 151 officer under the Local Government Act 1972	➢ The Director of Finance and Corporate Services is the responsible officer for the proper administration of the financial affairs of the Authority. ➢ This finance function provides support to directorates and determines the budget preparation and financial monitoring processes. ➢ This function also provides the annual statement of accounts for the Authority.
	➢ Designated monitoring Officer	➢ The Head of Legal Services carries overall responsibility for legal compliance.
	➢ Head of Democratic Services	➢ A statutory head of democratic services has to be appointed in order to comply with the requirements of the Local Government Measure 2011. The Council has agreed that this comes within the remit of the Head of Corporate Strategy and Democratic Services. As part of the requirement a Democratic Services Committee has also been established.

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 2 continued)	➢ Head of ICT	➢ The Head of Information and Communications Technology is the Authority's designated Senior Information Risk Owner (SIRO), a role recommended in the Local Government Data Handling guidance and which is reinforced by the Public Services Network (PSN) Information Assurance requirements. ➢ It has been agreed that the SIRO will report directly to the Corporate Directors' Group on data protection matters and will chair the Information Security Group as recommended by a recent audit carried out by the Information Commissioner's Office (ICO). ➢ The SIRO is accountable for information risk throughout the Authority.
3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	➢ Anti-fraud, corruption and malpractice policy which incorporates a whistle blowing policy ➢ Council's Standards Committee ➢ Public Services Ombudsman for Wales ➢ Council's Employee Code of Conduct ➢ The Audit Committee	➢ Conduct of Members is monitored by the Public Services Ombudsman for Wales and the Council's Standards Committee. ➢ Council's Standards Committee also investigates allegations of misconduct by Members of Community and Town Councils. ➢ Informal Audit checks annually standing declarations by Members. ➢ The Internal Audit Service makes periodic checks on officer compliance with the Employee Code of Conduct. ➢ An annual audit is undertaken of Member and Officer

ANNUAL GOVERNANCE STATEMENT

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 3 continued)		declarations of interests and no material considerations were identified during 2013-2014. The information for Members is provided on the Council website. ➢ The Audit Committee (which meets on a quarterly basis throughout the year) is responsible for examining, approving and keeping under review the adequacy and effectiveness of risk assessment, risk management and internal controls/compliance. ➢ The Committee is also responsible for reviewing the work and performance of both internal and external audit and receives reports from both. ➢ The terms of reference of the Committee are consistent with those recommended by CIPFA and will be updated to take into account the requirements of the Local Government (Wales) Measure 2011 and were updated following the enactment of the Local Government (Wales) Measure 2011. ➢ Work is underway to strengthen the role of the Audit Committee to allow more time at meetings, for the consideration of risk management issues. ➢ These processes are considered to be sound in terms of creating a suitable procedural framework. Addressing any issues arising is not considered to be a problem. What is most difficult is creating an organisational culture which prioritises the promotion of these arrangements sufficiently well, alongside all other priorities, leading to a very low or

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 3 continued)		nil level of offences, i.e. prevention is better than cure.
	➢ The Corporate Comments, Compliments and Complaints Policy (which takes account of the Complaints Wales Group's 'Model Concerns and Complaints Policy' and accompanying guidance on implementation)	➢ The operation of the corporate complaints policy was examined during the year and the requirement for reports to be made on a regular basis to elected Members on complaints received and their resolution has been re-emphasised. ➢ A task and finish group of the Environment and Highways Scrutiny Committee examined how environmental complaints were being defined and recorded. The group has made a number of recommendations which will be formally considered by the Environment and Highways Cabinet Board in 2014-2015. ➢ The Director of Social Services, Health and Housing commissioned a review of social services complaints handling as part of the children's improvement programme and that review will report in 2014-2015 ➢ Directorate complaints officers now meet regularly with the Corporate Complaints Officer (Customer Services Manager).
	➢ The Authority has a Senior Information Risk Owner (SIRO)	➢ The SIRO complies with the Local Government Association guidance and key responsibilities include the assurance of information security and owning the corporate information security policy. ➢ The Council undertakes annual IT Health Checks which

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 3 continued)		incorporate internal and external penetration testing as part of our yearly PSN (Public Services Network) accreditation. The accreditation takes the form of an annual submission detailing how the Authority performs against a host of controls based upon ISO27001. The last Health Check reported no significant risks to the Authority and the next reaccreditation is to take place in November.
4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	➢ The Council's Constitution ➢ Scrutiny Committees	➢ The Constitution sets out how the Council operates and the process for policy and decision making. Within this framework all the decisions are taken by Council, Cabinet or Cabinet Boards. ➢ The decisions are presented in a comprehensive written format and have any relevant implications highlighted via a compliance statement. The Cabinet Scrutiny Committee considers any decisions directly before the Cabinet meets. ➢ The Leader of Council initiated a review of democratic arrangements in 2013-2014 and a set of proposals for improvement have been developed to strengthen decision making arrangements and associated administrative practice. ➢ 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. ➢ The role of scrutiny committees is clearly set out in the

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 4 continued)		Council's Constitution ➢ The Council Committees undertake a monitoring role of 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 as set out in the Constitution. ➢ The Council participated in a peer review of scrutiny arrangements in Wales, facilitated by the Wales Audit Office and a number of areas for development have been identified from that exercise. ➢ The Leader of Council initiated a review of democratic arrangements in the Council in 2013-2014 and proposals for strengthening scrutiny have been developed which incorporate the output from the peer review referred to above.
	➢ Corporate Risk Policy, Corporate Risk Register and procedures for Risk management	➢ The Director of Finance is responsible for overseeing the implementation and continuous development of corporate risk. ➢ This Policy provides for improvements in the way the Council measures risk and integrates risk management into the wider planning and resource management activities. ➢ IT system has been developed to support the implementation of the policy and to ensure the effective

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 4 continued)		and consistent recognition and management of strategic risks in order to allocate clear roles, responsibilities and accountabilities. ➢ A review of the operation of the Policy was undertaken by the Council's Internal Audit Section in 2013-2014 and 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 Council.
	➢ The Council's financial management arrangements (including a range of policies and procedures such as financial regulations, financial procedures, contract standing orders, accounting instructions and officer delegations)	➢ These arrangements conform to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2010), all relevant legislation and within the terms of its Constitution. These arrangements are also audited on an annual basis and no significant findings were identified during 2013-2014. ➢ The Director of Finance and Corporate Services is responsible for ensuring there are proper arrangements in place for the administration of the financial affairs of the Council. Corporate Directors are responsible for the financial management of their respective services and are supported by regular financial management information, which includes monthly financial monitoring reports. ➢ In addition, quarterly budget and FFP monitoring reports are submitted to the Council, Chief Officers and Scrutiny

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 4 continued)		Committees, culminating in the production of the statutory Annual Statement of Accounts. ➢ The budget setting process for 2014-2015 was one of the toughest to date and difficult decisions on cuts were unavoidable as a consequence. The savings identified came from a prolonged and intense professional and Cabinet Member input and where appropriate subject to consultation with service users, staff and trade unions, and scrutinised by the relevant committee.
	➢ CSSiW, Serious Concerns Protocol applied to Children and Young People Services	➢ Key findings from the CSSiW inspection of the Council's Children and Young People Service in early 2014 were: ➢ i) significant progress has been made to strengthen the management team; ➢ ii) there is strong political and corporate support for the improvement agenda and plan; and ➢ iii) despite the significant amount of work carried out this has not resulted in consistent improvements in performance and quality across the planning and delivery of children's services.
5 - Developing the capacity and capability of members and officers to be effective.	➢ Members induction programme	➢ 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. ➢ A review of Member Induction arrangements will be carried out in advance of the next local government

ANNUAL GOVERNANCE STATEMENT

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 5 continued)		elections, unless local government reorganisation has been determined.
	➢ Member Support and Development, including Annual Member Development Scheme	➢ The Council has developed an Annual Development Review Scheme for elected members to respond to the requirement in the Local Government Measure 2011. The operation of the Scheme was evaluated by the Democratic Services Committee in 2013-2014 and the outcome of that evaluation will inform development activity in 2014-2015. ➢ Member support and development will be further examined in 2014-2015 as part of a set of proposals to strengthen democratic arrangements across the Council in response to a request from the Leader of Council. ➢ The Council appointed the Head of Corporate Strategy and Democratic Services as the statutory head of democratic services in 2013-2014 and has established a Democratic Services Committee as required under the Local Government Measure 2011. These mechanisms are exploring existing support and development for elected Members and the adequacy of resources within democratic services to provide the support and development needed.
	➢ Officer Development (Performance Appraisal System and Employment Development Review)	➢ The Council's corporate training and development capacity has been reduced significantly over several years. Learning, training and development opportunities are now primarily service-initiated, with staff within adult and

ANNUAL GOVERNANCE STATEMENT

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 5 continued)		children's services being best supported as a result of Welsh Government SCWDP and NPT Council match funding being safeguarded. This weakness is to be addressed in part during 2014-2015 through the introduction of phase 1 of an e-learning programme. ➢ Training opportunities are identified during employee development reviews and staff are encouraged to undertake any identified training. ➢ During 2013-2014 a revised Council-wide corporate performance management framework was agreed, which included a revised performance appraisal framework for Chief Officers and Heads of Service, plus stronger emphasis on completing employee development reviews under the existing scheme for all other employees.
6 - Engaging with local people and other stakeholders to ensure robust public accountability.	➢ Local Service Board has endorsed the National Principles for Public Engagement in Wales, and reflected these in 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. ➢ An LSB support officers' group was established in 2013-2014 as part of work to prepare the Single Integrated Plan.

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 6 continued)		The LSB support officers' group is reviewing the effectiveness and use of the Joint Citizen Engagement Strategy
	➢ Corporate Communications and Engagement Strategy	➢ To support the review of the Forward Financial Plan and the setting of improvement objectives, a draft corporate communications and engagement strategy has been developed. The strategy will be finalised and presented to Members for adoption in 2014-2015. ➢ A number of public consultations were conducted in 2013/14 on specific proposals that were eventually incorporated into the FFP and Corporate Improvement Plan. There is evidence of policy proposals being amended as a consequence of consultation responses. Specific emphasis was placed on understanding the equality impact of proposals. ➢ The Black Minority Ethnic Forum was refreshed during the year to ensure there is a clear focus on issues of concern to local people. There is evidence of issues being raised and addressed within the new arrangements. These will be built upon in 2014-2015. ➢ The Youth Forum was formally constituted in the year and the Forum has identified a number of specific issues that it wishes to concentrate upon and progress with the support of the Cabinet. ➢ Work to develop a Charter with Town and Community

Core Principle	Description of Governance Mechanisms	Assurances received
(Principle 6 continued)		Councils was significantly advanced during the year. It is intended that the Charter will be formally signed off by all town and community councils and the Neath Port Talbot County Borough Council in early 2014-2015. ➢ The Council led work to establish a Community Covenant with HM armed forces in 2014-2015 and a Covenant Forum has been set up to ensure the aims and commitments expressed in the Covenant are being met. ➢ The LSB contributes to these arrangements.

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. A Corporate Governance Group, reporting to the Corporate Directors' Group ensures that improvement work is scheduled, resourced and monitored.

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. The Head of Legal services has reported to Council on a number of occasions during the year with amendments to the Constitution.

- 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. In 2013-2014, following receipt of a report from the Information Commissioner, the Policy and Resources Cabinet Board agreed that the Corporate Governance Group should include information management within the scope of its work.

- The Standards Committee met during the year to consider reports of the Adjudication Panel for Wales and the Ombudsman, the grant of dispensations to Councillors and the adoption of a local resolution policy. It received a referral from the Ombudsman which has now been dealt with.

- 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 Wales Audit Office is considered by the Corporate Management Team, Cabinet and full Council. During 2012/13 there were no significant breaches of internal control and at the time of writing this statement the Annual Improvement Report for 2013/14 was not available.

Governance Issues – progress

The table below describes the governance issues identified during 2012-2013 and the progress made against these during 2013-2014.

Key Improvement area	Lead Officer	Progress	Carry forward for 2014-2015
Review of the Council's performance management framework.	Head of Corporate Strategy and Democratic Services.	A post-implementation review is to be scheduled in 2014-2015.	Carry forward to 2014-2015.
Strengthening of the Council's performance appraisal framework.	Head of Human Resources.	A revised Council-wide corporate performance management framework was agreed and is now being implemented. This includes a revised business planning framework at head of service level, the development of performance scorecards at operational management level and a revised appraisal framework for chief officers and heads of service, plus stronger emphasis on completing employee development reviews under the existing scheme for all other employees.	
Strengthening Democratic Services.	Head of Corporate Strategy and Democratic Services.	Review of democratic arrangements completed at request of Leader of Council. Report with proposals for improvement considered by Modernisation Group April 2014.	Carry forward to 2014-2015.

Key Improvement area	Lead Officer	Progress	Carry forward for 2014-2015
Future Generations Bill (formerly known as Sustainable Development Bill) - assessment of the proposed impact of the Bill to be undertaken.	Head of Corporate Strategy and Democratic Services.	Draft sustainable development policy produced. Policy to be finalised and presented for approval in September.	Carry forward to 2014-2015.
Implementation of the revised Corporate Complaints, Compliments and Comments Policy.	Head of Corporate Strategy and Democratic Services.	Complaints monitoring and reporting arrangements strengthened.	No further improvement planned. Corporate Governance Group to consider any issues that emerge from the end of year complaints report.
Corporate Risk Management Policy - address the deficits identified in the monitoring work carried out in 2012/13.	Head of Financial Services.	Need for policy review identified.	Carry forward to 2014-2015.
Regional and Local Collaboration Arrangements – review of the Council's involvement in these joint arrangements to ensure effective governance is in place.	Head of Corporate Strategy and Democratic Services.	Survey instrument developed and piloted. Work commenced to test the robustness of regional collaborative governance arrangements.	Carry forward to 2014-2015.

Key Improvement area	Lead Officer	Progress	Carry forward for 2014-2015
Support for Children and Young People Services - keep under continuous review the impact of the improvement work being undertaken under the framework of the Strategic Improvement Plan.	Head of Childrens and Young People Services.	A Children's Improvement Board has been established to provide enhanced democratic oversight.	No further need for monitoring by Governance group.

5. Governance Issues for 2014-2015 (including those carried forward from last year and new ones identified)

Key Improvement Area		Carried Over from 2013/14	New 2014/15
1.	Complete scheduled governance reviews of Local Service Board arrangements for community safety/health and wellbeing.	✓	
2.	Conduct post-implementation review of revised performance management arrangements.	✓	
3.	Implement recommendations arising from the review of democratic arrangements.	✓	
4.	Strengthen financial monitoring arrangements to ensure emerging service pressures are identified and acted upon at the earliest opportunity.		✓
5.	Take forward necessary work to update and then embed the Corporate Risk Management Policy.	✓	

ANNUAL GOVERNANCE STATEMENT

Key Improvement Area		Carried Over from 2013/14	New 2014/15
6.	Formalise and implement the Corporate Communication and Engagement Strategy.		✓
7.	Formally agree and implement the Local Charter with Town and Community Councils.		✓
8.	Complete the review of regional collaborative arrangements.	✓	
9.	Implement the action plan drawn up to respond to the Information Commissioner's Audit of data protection arrangements.		✓

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

Signed:

Chief Executive: Steven Phillips
Date: 18th June 2014

Signed:

Leader of the Council: Councillor Ali Thomas
Date: 18th June 2014

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

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.