



PWYLLGOR ARCHWILIO

10.00 AM - DYDD MAWRTH, 9 MEHEFIN 2020

O bell trwy Teams

RHAN 1

1. Datganiadau o fuddiannau
2. Rhaglen Waith Archwilio Cymru (*Tudalennau 3 - 8*)
Amgaeir Adroddiad Archwilio Cymru
3. Cynllun Archwilio 2020 (*Tudalennau 9 - 18*)
Amgaeir Adroddiad Archwilio Cymru
4. Cynllun Archwilio Blynyddol CNPT ar gyfer Effaith COVID-19
(*Tudalennau 19 - 28*)
Amgaeir Adroddiad Archwilio Cymru
5. Cau Cyfrifon 2019/2020 (*Tudalennau 29 - 144*)
Amgaeir Adroddiad y Cyfarwyddwr Cyllid a Gwasanaethau
Corfforaethol
6. Eitemau brys
Unrhyw eitemau brys yn ôl disgrisiwn y Cadeirydd yn unol ag
Adran 100B(4)(b) Deddf Llywodraeth Leol 1972.

S.Phillips
Prif Weithredwr

Canolfan Ddinesig
Port Talbot

Dydd Mercher, 3 Mehefin 2020

Aelodaeth y Pwyllgor:

Cadeirydd: J.D.Morgan

Is-gadeirydd: L.M.Purcell

Aelodau: Councillors S.apDafydd, S.E.Freeguard, J.Miller,
R.W.Wood, O.S.Davies, A.N.Woolcock,
A.J.Richards, H.C.Clarke, S.Renkes a/ac
R.Mizen

**Mae pleidleisio
aelod lleyg:** J.Jenkins

Reference: AC/190/caf

Date issued: 30 April 2020

Dear Colleague

Audit Wales work programme

I am writing to update you on some important aspects of the work that my office will be undertaking over the coming weeks and months. Firstly though, I would like to pay tribute to all the public servants who are working so hard to see our country through this crisis. As the organisation responsible for scrutinising so many of these public bodies, we have a privileged insight into how vital they are to everyone's lives, every day – and even more so at a time like this. As Auditor General, on behalf of everyone at Audit Wales, and simply as a member of the public - thank you.

As you know, last month I decided to pull back from all on-site audit work as the public service focused on the pandemic. We have continued to make progress on other activity whilst working and engaging with you remotely. I remain committed to ensuring that our audit work does not have a detrimental impact on the efforts of severely stretched public bodies to deal with the national emergency. That is not to say, however, that I want us to be entirely passive. Well targeted and well delivered public audit has a vital part to play at this time in ensuring value for money, good governance and accountability. This letter explains how we will be approaching our work over the coming months.

Well-being of Future Generations report

In line with statutory requirements, we have published our Annual Plan for 2020-21, recognising that much of the performance audit work programme described in it will now need to be re-shaped or deferred.

One important exception to this is my national report under the Well-Being of Future Generations (Wales) Act 2015, which I am required by statute to lay by 5 May 2020. I have decided to lay my report 'without fanfare' before the Senedd on 5 May, and to defer any significant engagement with public service leaders and others regarding the key report messages until later in the year. I consider this to be a pragmatic way of discharging my statutory duty under the 2015 Act, whilst minimising any unnecessary distractions for the wider public sector at this difficult time. I hope the delay in engagement will also help to ensure that the impact of this important report in supporting constructive change is not significantly diminished.

Real-time audit work in respect of COVID-19

It is already apparent to my audit teams that people and organisations right across the Welsh public services are developing novel and innovative ways of working in response to COVID-19. The crisis is forcing us all to innovate and address long-standing issues with urgency. Both opportunities and risks will doubtless emerge during this period which, if acted upon sooner rather than later, can generate real-time benefits and help to mitigate other risks.

To that end, I want to deploy the capability and capacity of Audit Wales for the good of the wider public sector. Specifically, I propose to undertake work providing real-time capture and sharing of learning and experience across our audited bodies. This will involve our staff in gathering novel and other practice as it emerges and analysing it rapidly to draw out relevant points of learning. We are developing a software tool to assist us in gathering and processing this information. We will share the resulting insights swiftly to our key contacts across the Welsh public service.

I am acutely conscious that we will need to conduct any activity in a manner that doesn't impede the very important work that is happening across Wales, and which can add substantial value in informing that work. My intention is therefore to work closely with audited bodies to support them to improve their evolving responses to COVID-19, whilst preserving my objectivity and independence as Auditor General.

I am pleased to say that we have received support for this proposal from the Permanent Secretary and other senior officials at Welsh Government, the WLGA and the NHS Wales Confederation. As soon as we are able, my staff will be in touch to discuss practicalities which, as I say, will be designed to be as least intrusive as possible.

I attach a short summary of the project for your information. If you have any queries or concerns with this approach, or if you can suggest particular areas where it could be usefully directed, please let me or a member of my team know.

Other audit work in respect of Wales' response to COVID-19

Given the impact of COVID-19, I will be re-shaping my previously planned programmes of audit work. You won't be surprised, for example, that I am tracking the various COVID-19 funding flows from both UK and Welsh Governments and considering how best I can assure the people of Wales that those funds are well managed and that there is appropriate governance and accountability for the use of public money. Looking a little further ahead, I envisage a focus on what the impact of the current crisis means both in terms of the resilience and the future shape of public services in Wales. Of course, timing is everything, and I will ensure that our work does not prejudice the efforts of the public sector to tackle the crisis, whilst still reporting sufficiently thoroughly and promptly to support both scrutiny and learning.

Audit of accounts

My Engagement Directors have written to each of you about the impact of the COVID-19 emergency on your audit plan. This includes specific audit risks, as well as

revisions to the audit timetable and accounting requirements (where relevant). My staff will continue our close engagement with you and your senior team over the coming weeks and months to ensure that we deliver a high quality audit of your accounts in these changed circumstances.

Other matters

As well as considering how best to deploy Audit Wales resources to support the COVID-19 effort through our audit work, I am very aware that staff resources across public services are being stretched as never before. I want to let you know that, subject to availability and provided that the future independence of our work is not compromised, I am very willing to consider how my staff can assist wherever their skills and expertise may be required. Please let me (or a member of my team) know if there is anything specific that we can do to assist.

And finally, you will have noticed the identity and name change in this letter. Such a secondary issue in the current climate, I know, but in response to feedback on how we communicate and engage, we took the decision last year to bring together the various strands of our work under a new, clearer umbrella identity – Audit Wales. While not affecting our formal legal status, we will operate as Audit Wales henceforth in the vast majority of our public facing work. It is just one part of a wider programme of change for our audit reports; our website; our communications style and the way we engage more generally, that I hope you will recognise and value.

In closing, I would like to pay tribute once again to my colleagues across the Welsh public service and the phenomenal work they are doing for the people of Wales.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales

Title

Project Briefing note:

The Auditor General for Wales plans to support the rapid collection, analysis and sharing of knowledge and insights during COVID-19

Novel Practice Emerges During a Crisis.

During any emergency or crisis people will develop solutions and work in ways that are novel. Practices will emerge that are outside the range of what could be described as business as usual.

The prolonged duration of COVID-19 provides the opportunity to capture and consider this novel practice from three perspectives:

1. The identification of opportunities to improve the current response to the situation, in as close to real time as possible;
2. The identification of emerging risks (for example widespread fraud attempts) that can then be mitigated before they develop to a large scale; and
3. The recording and consolidation of novel practice, that could be shared more widely in real time and also incorporated as good practice into 'business as usual' once COVID-19 has subsided.

Collecting and Recording Novel Practice

Organisations that are experienced in emergency and crisis situations often deploy observers / information gatherers alongside their recovery teams, to identify the novel practice as it emerges. This role is recognised as a vital part of learning from what has happened and facilitates being better prepared to face the future.

The collection of information can be achieved through a range of approaches that include impartial observation, conversations and document review. It is supported by rapid analysis to draw out key insights and feedback learning. This 'closes the loop' and supports a process of real time learning and improvement.

The role of Audit Wales in supporting the Welsh Public Services response to COVID-19

The Auditor General's statutory remit places Audit Wales in a unique position to observe activity wherever public resources are being used. Our staff have strong networks and trusted relationships with people across the Welsh public services. Consistent with preserving his independence, the Auditor General plans to deploy Audit Wales staff in the three areas identified above, in support of the 'team Wales' efforts to respond to COVID-19.

Importantly, the approach taken will not impose an additional burden upon public bodies and will be predicated upon sharing useful information and analysis in real time alongside collecting what might be useful insights and learning for others.

Specifically, this will involve:

- Audit Wales staff collecting information through methods including reviews of documents and published materials, discussions with individuals and groups and observations of meetings (generally via remote working);
- The collation of this material within and across our audit teams, using our SenseMaker data tool, to provide rapid analysis; and
- The rapid dissemination of insights, additional knowledge and potential shared learning points to their original data sources, and more widely across Welsh public services where appropriate.

We anticipate that this will be an ongoing process of 'collect, analyse, share and repeat'. Greater value will potentially be generated over time as more information is gathered and shared with the people who can use it to support their response to COVID-19. We will also keep the process itself under close review and adjust it as needed in response to feedback and changing circumstances.

The overall approach taken will be consistent with how our Good Practice work has been developed over the last decade - working with public services to support them to improve, whilst maintaining the objectivity and independence that is required of the Auditor General.

Mae'r dudalen hon yn fwriadol wag



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2020 Audit Plan – Neath Port Talbot Council

Date issued: March 2020

Document reference: 1791A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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2020 Audit Plan

Our duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 Each year we audit Neath Port Talbot Council (the Council)'s financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

Audit of financial statements

- 6 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
 - we plan to give an opinion on the Council's financial statements by 31 July 2020.
 - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 7 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
 - certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
 - the audit of Margam Joint Crematorium Committee by 31 July 2020;

- the independent examination of the Welsh Church Act Trust Fund by 31 January 2021;
 - the certification of a number of grant claims and returns by various dates agreed with the funding bodies.
- 8 There have been no limitations imposed on me in planning the scope of this audit.
- 9 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

- 10 The following table sets out the significant risks I have identified for the audit of the Council.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; • evaluate the rationale for any significant transactions outside the normal course of business.
Other areas of audit attention	
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pension scheme.</p>

Audit risk	Proposed audit response
The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.	
The Council is aiming to produce the 2019-20 financial statements by 30 May 2020, which is two weeks before the statutory deadline of 15 June 2020. This timetable is demanding and the retirement of the Chief Accountant in April 2020 presents a risk to the production of high quality financial statements and supporting working papers. Management will need to ensure that appropriate alternative arrangements are in place for the preparation and oversight of the financial statements.	<p>My audit team will:</p> <ul style="list-style-type: none"> continue to work closely with the finance team to ensure potential accounts and audit issues are considered and resolved as early as possible; review closedown plans and assess whether arrangements are in place to produce robust financial statements within the prescribed timetable.

Performance audit

- 11 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on [page 4](#) in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Local performance audit work	Review of workforce planning.

Certification of grant claims and returns

- 12 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Exhibit 3](#).

Exhibit 3: summary of grant claim certification work

This table summarises my 2019-20 programme of grant claim certification work

Name of scheme	Total/annual expenditure	Significant issues identified
Housing Benefit Subsidy	£48,771,000	Misclassification of expenditure between cells
NDR Non domestic rates return	£41,724,000	None
Teachers pensions return	£12,020,000	None

Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 14 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 15 Your estimated fee for 2020 is set out in [Exhibit 4](#). There have been some small changes to my fees rates for 2020 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a decrease compared to your actual 2019 fee.

Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	175,398	175,698
Performance audit work ³	99,310	99,449
Grant certification work ⁴	26,000	47,600
Other financial audit work ⁵	2,800	2,800
Total fee	303,508	325,547

- 16 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
- 17 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 18 The main members of my team, together with their contact details, are summarised in [Exhibit 5](#).

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

² Payable November 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken, reduced number of claims in 2019-20

⁵ Margam Crematorium Joint Committee £1,500, Welsh Church Act Trust Fund £1,300

Exhibit 5: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	07909 882609	derwyn.owen@audit.wales
Huw Rees	Director with responsibility for performance audit work	07799 581886	huw.rees@audit.wales
Gillian Gillett	Audit Manager (Financial Audit)	07966 866242	gillian.gillett@audit.wales
Kate Havard	Audit Lead (Financial Audit)	07813 449396	kate.havard@audit.wales
Colin Davies	Audit Manager (Performance Audit)	07786 800258	colin.davies@audit.wales
Alison Lewis	Audit Lead (Performance Audit)	07773 193217	alison.lewis@audit.wales

Timetable

- 19 Financial accounts work will be undertaken over the period February to September 2020. The timing and exact scope of individual performance audit projects will be confirmed by the Audit Manager with responsibility for performance audit work in due course.
- 20 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Steve Phillips
Chief Executive
Neath Port Talbot County Borough
Council

By e-mail

Reference: 202004AAPUpdate

Date issued: 17 April 2020

Dear Steve

Annual Audit Plan 2020 – Impact of COVID-19

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices have closed. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on dealing with the COVID-19 national emergency.

Amendments to the audit plan issued March 2020

In light of the above, the audit plan issued to you in March 2020 will need to be amended.

Audit of accounts

CIPFA/LASAAC Code of Accounting Practice

You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disapplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year. We understand that the Authority is working towards preparing accounts in accordance with the full Code.

Audit risks

As a result of the COVID-19 national emergency, we need to update our assessment of audit risks. The schedule at [Annex A](#) replaces Exhibit 1 in the 2020 audit plan.

Potential audit issues

We are aware of concerns expressed by a number of local authorities about various aspects of the accounts.

Specific areas of concern raised with us include:

- Increased use of estimates. Due to the UK lockdown, authorities may be required to use more estimations for their accounts than in previous years. Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage.
- Asset valuations. Authorities have raised concerns about professional valuers applying disclaimers to their valuations and the potential impact on audit opinions. We will discuss these valuations and any necessary disclosures related to the valuations with you to ensure that the financial statements as a whole present a true and fair view.
- Pensions valuations. Due to the significant movements in investment markets, there are concerns over whether valuations provided by actuaries will be acceptable. Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS19 disclosures. We will review your actuary's IAS19 reports and our consulting actuary's assessment and discuss any concerns with you at an early stage.

- Removal of disclosure notes to simplify the accounts preparation process. We have been asked for our views on the potential for excluding disclosure notes where it is felt that the notes add limited value to the user of the accounts. Examples quoted include the remuneration notes and related party disclosures. The remuneration notes are required by statute and therefore cannot be removed from the accounts. For the other notes, we draw your attention to the Code's provisions related to materiality. The Code sets out that omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor. The Authority should consider the Code's provisions related to materiality when reviewing the disclosure notes and discuss any concerns with the audit team. Further detail on materiality can be found in the following paragraphs in the Code: 1.7.1, 2.1.2.14, 3.3.2.4, 3.4.2.7 and 3.9.2.17.

If you have any further areas of concern, please raise these with your audit team as soon as possible. Our auditors will seek to be pragmatic about the timely provision of information and evidence and sympathetic in our verbal and written communication and reporting on issues brought about by current events.

However, we must continue to undertake our audit work in accordance with auditing standards. We will seek to obtain sufficient audit evidence required to form unqualified audit opinions on the financial statements.

Audit timetable

In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.

The Regulations require the publication of a notice where the authority does not expect to achieve the dates specified by the Regulations. I have included further detail in [Annex B](#) and example notices in [Annex C](#) that the Authority may wish to consider using.

The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply e.g. public access to the authority's accounting records.

Therefore, the audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.

Therefore, the audit notice required for the exercise of electors' rights under the Public Audit (Wales) Act 2004 and issued to Neath Port Talbot Council on 22 January 2020 should not be published. The audit team will issue an audit notice in

due course setting out the appointed date. This may mean that there is a delay before we can issue our audit opinion.

We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can. It will be vital that this engagement continues over the next few months, against what will doubtless be a fast-changing backdrop. My assessment is that our ability to meet revised audit completion dates will mainly depend on:

- the extent to which remote working and auditing is possible if the current lockdown restrictions are not lifted;
- the quality of the draft accounts and supporting working papers made available to us (driven in part by the extent of any pre-audit management reviews of that material);
- the continued availability of audited body staff to respond promptly to audit queries (given the potential pressures of sickness absences, carer and back-filling responsibilities etc);
- the continued availability of Audit Wales staff to conduct the audit work; and
- the ability of those charged with governance to convene (potentially on a virtual basis) to approve accounts.

We will of course be keeping a very close eye on all of these factors in the coming weeks and exploring options to overcome potential barriers to timely completion wherever possible and will keep you and your team fully up to speed with any developments in this area.

Programme of performance work

Our annual audit plan also set out a programme of performance audit work at Neath Port Talbot Council. On 18 March 2020, the Auditor General wrote to the Chief Executive explaining that, following Government guidance, he had decided to suspend all on-site performance audit work with immediate effect. We will make as much progress as possible with these activities by working remotely, if appropriate. However, the COVID-19 outbreak will have an inevitable impact on the delivery of our programme of performance audit work. We are keeping this under on-going review and will communicate further information on any revisions to our programme, timings and performance audit outputs when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the local government sector.

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact one of our audit team.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Derwyn Owen'.

Derwyn Owen
Engagement Director

cc: Hywel Jenkins, Director of Finance and Corporate Services

Annex A: Amended financial statement audit risks

The following exhibit replaces Exhibit 1 in the audit plan issued in March 2020.

Financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; • evaluate the rationale for any significant transactions outside the normal course of business.
<p>The COVID-19 national emergency is likely to have a significant impact on the Authority and its accounts production process. Potential risks include:</p> <ul style="list-style-type: none"> • Subsequent events. The Authority is at present, unlikely to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor's report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed. • Use of estimates. The uncertainties and delays caused by the UK wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts 	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <ul style="list-style-type: none"> • We will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework. • We will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue. • We will ensure that appropriate changes been made to recognise any enhanced uncertainty in the calculation of accounting estimates (including impairment calculations). We will also consider whether assumptions are appropriate in the circumstances and • We will adopt a greater focus on the following areas:

Audit risk	Proposed audit response
	<ul style="list-style-type: none"> • The financial statement closing process (in particular journal entries and other adjustments made). • The auditor's evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.
Other areas of audit attention	
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on pension liabilities disclosed by the Authority.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government Pensions Scheme.</p>
<p>The retirement of the Chief Accountant in April 2020 presents a risk to the production of high quality financial statements and supporting working papers.</p> <p>Management will need to ensure that appropriate alternative arrangements are in place for the preparation and oversight of the financial statements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • continue to work closely with the finance team to ensure potential accounts and audit issues are considered and resolved as early as possible; • review closedown plans and assess whether arrangements are in place to produce robust financial statements within the prescribed timetable.

Annex B: Requirements of the Accounts and Audit (Wales) Regulations 2014

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].”

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in Annex C.

Annex C: Accounts and Audit (Wales) Regulations 2014 – suggested notice

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of Neath Port Talbot Council to sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the Authority has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of Neath Port Talbot Council sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, Neath Port Talbot Council approve and publish the audited statement of accounts. The Regulations required that this be completed by 15 September 2020.

Due to the COVID-19 outbreak, the Police and Crime Commissioner for North Wales / the Chief Constable of North Wales Police has not met to approve the statement of accounts.

OR

Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.

Mae'r dudalen hon yn fwriadol wag



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

9TH JUNE 2020

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

MATTER FOR INFORMATION

WARDS AFFECTED

ALL

CLOSURE OF ACCOUNTS 2019/20

Purpose of the report

1. This report introduces the information in relation to the Council's Draft (unaudited) Statement of Accounts for 2019/20.

Background

2. The Council's financial year ends on 31st March and following this date, the exercise starts to complete the annual accounts.
3. The Council prepares its revenue and capital position which provides financial information reflecting the structure and operations of the Council. A draft Statement of Accounts is also produced to comply with the current Accounting Code of Practice which is issued by the Chartered Institute of Public Finance and Accountancy.
4. The Accounts and Audit (Wales) (Amendment) Regulations 2018, updated the Statutory timescales for the Section 151 officer/the Director of Finance and Corporate Services to sign and date the accounts to certify that they present a true and fair view. The revised requirements are:

Year	Draft Statement of Accounts	Final audited Statement of Accounts
2019/20	15 th June 2020	15 th September 2020
2020/21	31 st May 2021	31 st July 2021

5. However due to the Covid-19 pandemic Welsh Government have relaxed these requirements and will allow Welsh authorities to adopt a timetable for completion of the annual accounts in line with the revised English requirements. Draft accounts are now required to be prepared and certified by 31st August 2020 with publication of final audited accounts by 30th November 2020.

Closure of Accounts 2019/20

6. The Revenue Outturn and Reserves Position Statement 2019/20 and the Capital Programme Outturn 2019/20 reflect the Council's management budget and are included as Addendum 1, for information only. This addendum reflects the information approved by Cabinet on 21st May 2020.
7. The draft Statement of Accounts 2019/20 is included as Addendum 1 and members should note that these accounts were forwarded to the Auditors on 1st June 2020 to enable them to commence their audit work.

Next Steps

8. The Statement of Accounts is now subject to audit by Audit Wales, formerly known as the Wales Audit Office, culminating in the Statement being signed by the Chair of this Committee once the audit has been completed. It is anticipated that will be in September 2020, later than in previous years due to working restrictions and implications from responding to the Covid 19 pandemic.

Summary

9. The draft Statement of Accounts for 2019/20 are forwarded to Audit Committee for information and review.

List of Background Papers

10. Closing working papers 2019/20

Appendices

Addendum 1 – Cabinet Reports 21 May 2020 - Revenue Outturn and Reserves Position Statement 2019/20 and Capital Programme Outturn 2019/20

Addendum 2 – Draft Statement of Accounts 2019/20

Officer Contact

For further information on this report item, please contact:

Mr Huw Jones, Head of Finance

☎ 01639 763575

E-mail: h.jones@npt.gov.uk

Mrs Diane Mulligan, Group Accountant, Technical

☎ 01639 763603

E-mail: d.mulligan@npt.gov.uk

Mrs Kathryn Usher, Senior Accountant, Technical

☎ 01639 763612

E-mail: k.usher@npt.gov.uk



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

CABINET

21st May 2020

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

Matter for Decision

Wards Affected – All Wards

REVENUE OUTTURN AND RESERVES POSITION STATEMENT 2019/20

1. Purpose of the Report

- 1.1. The purpose of this report is to inform members and seek their approval of the Council's General Fund Revenue Outturn and Reserves position for the 2019/20 financial year.
- 1.2. Members should note that the information set out in this report has been incorporated into the Council's Statement of Accounts for 2019/20 and will be forwarded to the external Auditor for review. It is expected that the Auditor's work will be completed by the middle of September 2020. Any changes required that impact on the accounts and reserves will be reported separately to members in due course.

1.3. Executive Summary

The Council's Net Budget for 2019/20 was £288.168m. The Actual Net Expenditure, or Outturn position for the Council, shows a net under spend of £169k, and therefore the planned transfer from the General Reserve can be reduced from £2.255m to £2.086m.

The opening balance on the General Reserve was £20.968m. Following the net underspend and other reserve movements

set out in this report, the closing balance at 31st March 2020 will reduce by £1.047m to £19.921m.

The opening balance on Specific Reserves was £39.515m and following the reserve movements set out in this report, the balance at 31st March 2020 will reduce by £1.254m to £38.261m.

2. Service Outturn Position 2019/20

- 2.1. On the 14th February 2019, Council approved the Budget for 2019/20. The Net Budget Requirement was confirmed as £288.168m of which £244.383m was provided for Directorate Managed Services with the remaining £43.785m made available for other budgets including Precepts (the main one being the Fire Authority), Capital Financing, Council Tax Support and a Budget Contingency.
- 2.2. Every quarter Cabinet received a Budget Monitoring Report setting out the latest projected outturn position against the Budget. The most recent report, for the quarter ended 31 December 2019, was presented to and approved by Cabinet on 4th February 2020, which showed a projected underspend of £60k.
- 2.3. The initial outturn position, incorporating amendments to the budgeted reserve transfers, shows an under spend of £903k against Directorate Services, but taking account of other central budgets resulted in an overall Council underspend of £1.161m - (see also Appendix 1), and summarised below.

	Original Budget £'000	Revised Budget £'000	Outturn Position £'000	Variance £'000
Education, Leisure & Lifelong Learning	109,091	109,091	108,808	-283
Social Services Health & Housing	79,681	79,681	78,932	-749
Environment	37,535	37,891	38,285	394
Corporate Services	18,076	18,076	17,811	-265
Net Directorate Services	244,383	244,739	243,836	-903
Other	43,785	43,429	43,171	-258
Net Position	288,168	288,168	287,007	-1,161

The amendments to the budgeted reserve movements are outlined in Appendix 3.

Explanations of the main budget variances contributing to this position are included in Appendix 2.

3. Specific Reserves 2019/20

- 3.1. As in previous years the outturn position has been prepared based on a range of contributions to/from reserves which have been made in accordance with the following principles.
- The schedule of interim specific reserve balances projected as at 31st March 2020 was agreed by Council on 5th March 2020 as part of the 2019/20 Revised Budget deliberations.
 - Where Neath Port Talbot is the lead authority for managing Joint Services the appropriate movement in reserves have been actioned as such funds are managed by the wider partnership.
 - The final reserve balances will be further reviewed following audit and as part of the annual budget process during 2020/21.
- 3.2. Outlined below is a summary of the additional amounts transferred to/from (-) reserves to meet identified future cost pressures. Full details of these reserve movements are included at Appendix 4.

Directorate	£'000
Education, Leisure and Lifelong Learning	453
Social Services Health and Housing	200
Environment	325
Corporate Services	14
Sub-total to Specific Reserves	992
Net underspend to General Reserves	169
Total additional reserve transfers	1,161

3.3. The Total Specific Reserves position is summarised as follows:

	£'000
Opening Balance 1 st April 2019	Cr 39,515
Net reserve movements (Appendix 3)	2,586
	<hr/> Cr 36,929
Additional Reserve Transfers (Appendix 4)	Cr 1,332
Closing Balance as at 31st March 2020	<hr/> Cr 38,261 <hr/>

Full details of Specific Reserve balances are given in Appendix 5.

3.4. The following provides an explanation as to some of the specific Reserves:

- School Reserves (deficit balance of £465k) – Delegated School Budget Reserves (net deficit balance of £634k) must be carried forward in accordance with current legislative requirements. Reserve balances have reduced by £1.756m during the year and several Schools are in a deficit position. All schools in a deficit reserve position are required to develop a recovery plan that balances the budget over three years. The recovery plans are signed off by the Director of Education and Lifelong Learning, the Head Teacher and Chair of Governors and reviewed on an annual basis. Schools are required to provide the Authority with details on how they intend to utilise their reserves.
- ERVR Reserve – The costs of staff leaving during 2019/20 was £782k of which £500k was funded from the base budget and the balance of £282k being funded from the ERVR Reserve. The closing balance on the ERVR reserve is £4.537m.
- Insurance Reserve – The reserve has reduced by £2.392 of which £2m was set aside to create the Corporate Contingency Reserve. The closing balance on the reserve is £6.651m.
- Treasury Management Reserve – This reserve has increased by £813k to £7.639m to assist with funding City Deal project expenditure.
- Member Community Development Fund – As outlined in the 2020/21 budget reported presented to Cabinet on the 5th March £340k has been transferred to the reserve for use in 20/21. The closing balance on the reserve is £391k.

4. General Reserve 2019/20

4.1. The General Reserve position is as follows:-

	£'000
Opening Balance 1 st April 2019	Cr 20,968
Budgeted Movements	1,840
Additional transfers to /from reserve	Cr 624
2019/20 Net underspend	Cr 169
Closing Balance 31st March 2020	Cr 19,921

Full details of the movement in the General Reserve are shown in Appendix 6. Members should note that the above balance at 31 March 2020 is some £800k more than predicted and that the 2020/21 Budget includes a projected use of £1.65m of this reserve by March 2021.

The above-mentioned General Reserve and Specific Reserves balances are provisional as they are subject to confirmation following external audit of the Statement of Accounts due to be finalised at the middle of September 2020.

5. Integrated Impact Assessment

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No 1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016). See Appendix 7.

The first stage assessment has indicated that a more in depth assessment is not required.

6. Valleys Communities Impacts

No implications.

7. Workforce Impacts

The report identifies that several staff have chosen to leave the authority under the ERVR scheme.

8. Legal Impacts

There are no specific legal implications arising from this report. There is a statutory accounting requirement for balances and reserves to be processed in line with Accounting Code of Practice. The Authority's Statement of Accounts are subject to external audit by the Wales Audit Office.

9. Risk Management Impact

The transfers to reserves are proposed to meet anticipated future cost pressures.

10. Consultation

There is no requirement for external consultation on this item

11. Recommendation

It is recommended that members:

- 11.1 Note the 2019/20 financial outturn position as set out in this report
- 11.2 Approve the additional reserve transfers of £1.161m as summarised in paragraph 3.2 and detailed in Appendix 4.

12. Reason for Proposed Decision

To finalise the Council's General Fund Revenue Outturn and Reserves position for the 2019/20 financial year.

13. Implementation of Decision

The decision is proposed for implementation after the three day call in period.

14. Appendices

- Appendix 1 – Revenue Outturn Summary 2019/20
- Appendix 2 – Variances
- Appendix 3 – Adjustment to budgeted reserves
- Appendix 4 - Additional Reserve Movements
- Appendix 5 – Specific Reserves Schedule
- Appendix 6 – General Reserve Statement
- Appendix 7 – Integrated Impact Assessment (stage 1)

15. List of Background Papers
Outturn Working Papers 2019/20

16. Officer Contact

For further information on this report item, please contact:

Mr Hywel Jenkins – Director of Finance & Corporate Services
Tel no 01639 763251
Email: h.jenkins@npt.gov.uk

Mr Huw Jones – Head of Finance
Tel no 01639 763575
E-mail: h.jones@npt.gov.uk

Mrs Sue Gorman, Chief Accountant - Financial Services
Tel. No. 01639 763937
E-mail: s.gorman@npt.gov.uk

REVENUE OUTTURN SUMMARY 2019/20

	Original Budget	Revised Budget	Adj Actual Expend	Variance	Reserve Requests	Final Actual Expend	Final Variance
	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ELLL - Schools	84,424	84,424	84,424	0		84,424	0
ELLL - Other	24,667	24,667	24,384	-283	453	24,837	170
Social Services Health & Housing	79,681	79,681	78,932	-749	200	79,132	-549
Environment	37,535	37,891	38,285	394	325	38,610	719
Corporate Services	18,076	18,076	17,811	-265	14	17,825	-251
Directly Controlled Expenditure	244,383	244,739	243,836	-903	992	244,828	89
Swansea Bay Port	47	47	46	-1		46	-1
Fire Authority	7,470	7,470	7,466	-4		7,466	-4
Margam Crematorium	1	1	1	0		1	0
Archives	94	94	94	0		94	0
Magistrates Court	12	12	12	0		12	0
Capital Financing	19,274	19,274	19,274	0		19,274	0
Housing Benefits	0	0	-107	-107		-107	-107
Council Tax Support	18,108	18,108	17,737	-371		17,737	-371
Management of change	500	500	500	0		500	0
Contingency	555	187	394	207		394	207
Pay & Pensions Provision	0	0		0		0	0
Cont from Fire Authority Reserve	-21	-9	-9	0		-9	0
Cont to General Reserve	-2,255	-2,255	-2,255	0	169	-2,086	169
Net Budget Requirement	288,168	288,168	286,989	-1,179	1,161	288,150	-18
RSG	-168,695	-168,695	-168,695	0		-168,695	0
NNDR	-46,100	-46,100	-46,100	0		-46,100	0
Discretionary Rate Relief	330	330	348	18		348	18
Council Tax	-73,703	-73,703	-73,703	0		-73,703	0
Total Funding	-288,168	-288,168	-288,150	18	0	-288,150	18

NB all figures are rounded to nearest £1,000.

Variances

Service Area	Value	Reason/Action
School specific contingencies	Un 485	Net surplus from grants. Request to carry forward £400k to fund 2020/21 Budget pressures.
Post 16 transport	Un 73	Additional income from shared transport arrangements with Social Services together with savings from route changes.
Strategic Schools Investment Programme	Ov 59	Consultant fees for school business cases in order to secure funding for 21st century schools
Support services SEN	Un 105	ALN new structure for 2019-20. All posts now filled but achieved later than initially projected.
Out of county placements	Ov 230	4 children placed in independent sector placements during later period of 2019/20 and increase cost of provision for some children.
Behaviour support strategies	Un 285	Delay in opening of the new ASD provision in year (£150k) and decreased expenditure to offset pressure within out of county budget.
Skills and Training unit	Ov 76	Shortfall in the work based learning contract
Margam Park	Ov 97	Loss of income less reduced costs due to COVID19
Management and Administration	Ov 66	Contribution to ERW not originally budgeted for.
Children's Social Work	Un 644	The underspend is due to savings on staff costs and additional income, of which £270k relates to staff being funded from the Intermediate Care Fund "Working Together" project.
Children's Residential Care	Ov 276	The budget was based on 7 children and the average number of placements for the year was 9.14

Variances

Service Area	Value	Reason/Action
Hillside - Secure Accommodation	Ov 556	The overspend is due to a loss of income, partly from the contract with Youth Custody Service (YCS), but also from lower occupancy of welfare beds (placements from other Local Authorities). Negotiations with YCS are ongoing to seek to claw back some of the lost income for the first half of the year.
Day Care	Un 99	The underspend is due to savings on staff costs.
Adoption Service	Un 239	The budget was based on payment of allowances for 48 children and an underspend is projected as payments are currently being made for 45 children. Also NPT received a refund of its contribution to the Western Bay Adoption Service of £214k
External Foster Placements	Un 60	The underspend is due to savings on staff costs for the Placement Support Team.
Youth Offending Service	Ov 107	The overspend is due to the cost of 3 remand placements that commenced in January 2020
Child & Family Management	Un 177	The underspend is due to savings on external legal fees.
Community Care Social Work	Un 190	The underspend is due to savings on staff costs.
Social Services Business Support Services	Un 246	The underspend is due to savings on staff costs.

Variances

Service Area	Value	Reason/Action
Elderly Residential Care	Ov 84	The overspend is due to an increase in the number of service users in residential care
Domiciliary Care	Un 794	The underspend is due to staff vacancies in the in-house homecare service, savings on placements costs in the external domiciliary care services and additional winter pressures funding (£197k).
Community Resource Team	Un 179	The underspend is due to savings on staff costs and car allowances (£91k), a reduction in premises costs (£34k) and a reduction in Telecare service level agreement costs
Other Community Care - Direct Payments	Un 139	The underspend is due to a reduction in the number of direct payment recipients (budget 107, average 92), and recovery of £115k unused funding from client accounts.
Physical Disabilities - External Placements	Un 97	The underspend is due to a reduction in the number of placements.
Aids & Equipment	Un 58	The underspend is largely due to a saving on the NPT contribution to the Joint Equipment Service of £49k.
Learning Disabilities - External Placements	Ov 874	The overspend is because the budget includes savings targets of £350k (SSHH903/913) which were not achieved in year, and there has also been an increase in the number of service users being supported (budget 423, average 450). These pressures have been built into the 2020/21 budget.

Variances

Service Area	Value	Reason/Action
Community Independence Service	Un 120	The underspend is due to savings on staff costs
Day Opportunities - Care & Support	Un 57	The underspend is due to savings on staff costs
Social Services Transport	Ov 158	The budget includes a savings target (SSHH905 £115k) which was not achieved in year. An updated transport policy was approved by members on 17th October 2019 and the full year impact will become available in 2020/21.
Mental Health - External Placements	Ov 198	The overspend is due to an increase in the number of service users being supported (budget 71, average 77).
Highways Reactive	Ov 233	This includes £226K emergency costs for Storm Denis. Funding from the Welsh Government is only available for spend above the Emergency Funding Assistance Scheme i.e. £580k for NPT, hence the funding outcome of this is uncertain. Also extra stand-by costs of £22k were paid to staff in line with Council renegotiated agreement for the period December 2019 to March 2020.
Waste Management	Un 53	The overspend is mainly due to staff vacancies (now filled), and partially offsets the overspend in waste collection - below.

Variances

Service Area	Value	Reason/Action
Refuse Collection	Ov 170	An anticipated overspend has been reported in year due to a £47k reduction in the Sustainable Waste Grant being, and additional activity and costs. The underspend increased in March due to staff transferring into waste collection from elsewhere in streetcare as a result of COVID19. The overspend is partly offset by additional grant received from WG in March.
Household Waste Recycling Centres	Ov 107	The overspend is due to the additional costs from transporting wood to a recycling centre in Devon to meet recycling targets, partly offset by savings in other running costs.
Parks and Open Spaces	Un 144	The underspend is mainly due to the transfer of staff from Parks to Refuse Collection due to COVID-19 see above.
Building Maintenance	Ov 80	The overspend is due to an increase in emergency callout work due to the bad weather in January and February.
Catering	Ov 63	The overspend is due to a shortfall in income and sickness costs.
Gypsy Sites	Ov 68	The overspend is mainly due to an additional utility costs
Workways	Un 94	The service is funded from ring-fenced WEFO FR15 and FR40 grants and the underspend will be transferred to reserve to fund future costs.
Industrial Workshops	Ov 107	The overspend has arisen as it has been necessary to increase the provision to meet cost at the Lonlas workshop by £150k. The overspend is partly offset by underspends in other properties such as Baglan Bay Innovation Centre £43K.

Variances

Service Area	Value	Reason/Action
ICT	Un 81	Salary underspends and reduced call to fund ICT apprentice roles of £45,600 from reserve.
Financial Services – Various	Un 67	Staffing vacancies
Directorate Management	Un 41	Budget provision of £54k given for specific corporate projects. Only £13k spent in 19/20 on APSE fees for work on income generation
Housing Benefits	Un 107	DWP housing benefit grant received
Council Tax support	Un 371	Reduction in expenditure incurred
Contingency	Ov 206	Expenditure relating to Godrer'grraig landslip

Cudalen45

Adjustment to Budgeted Reserves Movements

Service Area	Requested Reserve Movement	Reason
Housing Benefits	In 25	Contribution towards funding of the new HR/Payroll system to go live by 1 April 2021 in line with contract.
Information Governance	In 29	Planned contribution from the Corporate Contingency Reserve not required in full as 2 GDPR officer posts were appointed rather than 3.
Communications & Marketing	In 13	Contribution towards the funding of a Digital Communications post in 2020/21
Substance Misuse	In 4	This is a Regional Reserve and the planned reserve request is no longer required.
ICT	In 200	Adjustment to IT reserve to manage annual budget fluctuations
School specific contingencies	Out 15	Additional school tribunal costs funded from reserve
Parent/pupil and governor support unit-feminine hygiene grant	In 106	Delay in tender process, no spend incurred in 2019/20
Outdoor education	Out 2	Contract for new lease started after April 1st, therefore Field Study Council paid reduced amount of £47,774 into the renewal fund rather than the £50k due in a full year. Hence reduction in contribution to be carried forward in reserve to meet future years' costs.
Margam Park	Out 23	Transfer from reserve required to fund work carried out on train earlier than anticipated

Adjustment to Budgeted Reserves Movements

Service Area	Requested Reserve Movement	Reason
Child & Family Management	Out 17	Transfer from the Regional Western Bay Safeguarding Reserve to fund the overspend in the regional safeguarding
Community Resource Team	Out 15	Transfer from the Regional Intermediate Care Reserve to fund expenditure incurred by Swansea Bay Health Board as part of the s33 agreement
Vehicle renewals	In 315	Expenditure on vehicle renewals was less than budget, therefore the planned transfer from the vehicle renewals reserve is not required in full.
Metal Box	In 69	Reduction in amount required from Reserve to fund Metal Box. Transfer back into reserve to fund costs in 2020/21.
Planning Policy	In 6	The planned contribution from the LDP reserve is not required in full
Economic Development Fund	Out 19	An additional transfer from reserve is required as expenditure was greater than anticipated.
Cemeteries	In 20	The budget included a planned transfer of £40k from reserve to fund work at cemeteries but the work has not been completed therefore £20K needs to be transferred back into reserve for completion in 2020/21

Adjustment to Budgeted Reserves Movements

Service Area	Requested Reserve Movement	Reason
HR/Unions	In 11	Contribution from Corporate Equalisation Reserve not required in 2019/20 to fund DBS Checks, but needs to be transferred back to the reserve to fund future costs, as there is no base budget provision to fund future expenditure
HR Training	In 40	Digital Leadership Funding to be utilised over 2 financial years. £40k to be carried forward for use in 2020/21.
Grants to Community Councils	In 8	Planned transfer from General Reserve not required in full
Members Community Development Fund	In 51	Planned transfer from Member Community Development Reserve not required in full
Management of Change	In 500	Transfer to ERVR Reserve to partly offset costs incurred in-year.
Total	In 1,306	

Additional Reserve Movement Requests

Service Area	Requested Reserve Movement	Reason
School specific contingencies	In 400	Transfer underspend to reserve to fund 2020/21 pressures.
Schools mutual fund	Out 6	To transfer funding for net cost of LLAN scheme from Primary Schools ERVR Reserve
Inclusion	In 59	Transfer part of the underspend in Inclusion service to fund commitments in 20/21
Domiciliary care	In 200	Transfer £200k to Social Services Equalisation Reserve to fund additional expenditure in 2020/21
Refuse	In 113	Grant awarded from Welsh Government in March 2020 to be transferred to reserve to fund expenditure in 2020/21
Parks and Open Spaces	In 40	Transfer underspend to reserve to fund tree works delayed due to COVID-19, to be undertaken in 20/21
Coastal Protection	In 12	Contract delayed due to Covid 19 with funding needed in 2020/21
Energy Management	In 4	Transfer of feeding tariff savings into Renewable Energy Reserve for future investment
Workways - Matched funding	In 34	The underspend is due to changes in the profile of expenditure, which need to be carried forward as they will need to be available towards the end of the scheme period.

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Additional Reserve Movement Requests

Service Area	Requested Reserve Movement	Reason
Workways – Regional	In 26	The Workways project is due continue to 2023. The in-year surplus relating to European Funded Projects expenditure need to be carried forward into later years to fund expenditure as total income in those years reduce.
Workways – NPT	In 34	The Workways project is due continue to 2023. The in-year surplus relating to European Funded Projects expenditure need to be carried forward into later years to fund expenditure as total income in those years reduce.
City Deal	In 38	Transfer the underspend in 2019/20 to reserve to fund expenditure in 2020/21
Gnoll	In 25	A donation of £25k was received from a private Will to carry out works at the park, but work was delayed due to COVID-19 and will be incurred in 2020/21
HR/Unions	In 5	Transfer to reserve cost of staff training committed but subsequently delayed due to CORV19 - to be paid in 20/21
HR/Unions	In 9	Transfer to reserve cost of furniture orders placed but delivery delayed due to CORV19 - to be paid in 20/21
Other	In 169	Transfer Council underspend to General Reserve
Grand Total	In 1,161	

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Specific Reserves

Description	Reserve at 1st April 2019	Updated Budgeted movements	Interim Balance at 31st March 2020	Additional Requests	Final Balance at 31st March 2019
EDUCATION, LEISURE & LIFELONG LEARNING					
<i>Delegated Schools Cash Reserves</i>					
ERVR Primary	Cr13,006	Cr1,289	Cr14,295	6,332	Cr7,963
Primary Schools Reserve A/C	Cr1,493,245	857,257	Cr635,988	0	Cr635,988
Secondary Schools Reserve A/C	376,617	Cr485,814	Cr109,197	0	Cr109,197
Special Schools Reserve A/c	157	305,226	305,383	0	305,383
Middle School Reserve A/c	0	1,074,154	1,074,154	0	1,074,154
Repair & Maintenance reserve	Cr161,160	0	Cr161,160	0	Cr161,160
	Cr1,290,637	1,749,533	458,896	6,332	465,228
<i>Education, Leisure and Lifelong Learning</i>					
Margam Discovery Centre - Building Maintenance Reserve	0	Cr47,774	Cr47,774	0	Cr47,774
Equalisation Account-Education	Cr870,120	Cr43,500	Cr913,620	Cr459,000	Cr1,372,620
Home to School Transport	Cr36,070	Cr75,000	Cr111,070	0	Cr111,070
	Cr906,190	Cr166,274	Cr1,072,464	Cr459,000	Cr1,531,464
Total Education Leisure & Lifelong Learning	Cr2,196,827	1,583,259	Cr613,568	Cr452,668	Cr1,066,236
SOCIAL SERVICES, HEALTH & HOUSING					
Homecare ECM Equipment reserve	Cr62,835	Cr10,000	Cr72,835	0	Cr72,835
Community Care Transformation Reserve	Cr107,771	0	Cr107,771	0	Cr107,771
Social Services Equalisation	Cr739,904	0	Cr739,904	Cr200,000	Cr939,904
Hillside General Reserve	Cr1,091,673	818,010	Cr273,663	0	Cr273,663
Youth Offending Team Reserve	Cr153,397	0	Cr153,397	0	Cr153,397

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Specific Reserves

Description	Reserve at 1st April 2019	Updated Budgeted movements	Interim Balance at 31st March 2020	Additional Requests	Final Balance at 31st March 2019
Adoption Service	Cr100,000	0	Cr100,000	0	Cr100,000
Total Social Services, Health and Housing	Cr2,255,580	808,010	Cr1,447,570	Cr200,000	Cr1,647,570
ENVIRONMENT					
Transport Reserve	Cr151,541	0	Cr151,541	0	Cr151,541
Asset Recovery Incentive Scheme	Cr125,894	0	Cr125,894	0	Cr125,894
Local Development Plan	Cr157,072	Cr24,000	Cr181,072	0	Cr181,072
Economic Development	Cr848	848	0	0	0
Winter Maintenance Reserve	Cr764,162	10,000	Cr754,162	0	Cr754,162
Baglan Bay Innovation Centre Reserve	Cr77,517	0	Cr77,517	0	Cr77,517
Renewable Energy Reserve	Cr7,160	0	Cr7,160	Cr3,824	Cr10,984
Environmental Health - Housing Equalisation	Cr20,000	Cr117,000	Cr137,000	0	Cr137,000
Workways – NPT	Cr124,781	0	Cr124,781	Cr34,483	Cr159,264
Environment Equalization Reserve	Cr604,246	111,796	Cr492,450	Cr222,650	Cr715,100
Operating Account -Equalisation	Cr36,043	0	Cr36,043	0	Cr36,043
Vehicle Tracking	Cr92,186	0	Cr92,186	0	Cr92,186
Vehicle Renewals	Cr1,727,753	Cr178,099	Cr1,905,852	0	Cr1,905,852
Total Environment	Cr3,889,203	Cr196,455	Cr4,085,658	Cr260,957	Cr4,346,615
CORPORATE SERVICES					
Elections Equalisation Fund	Cr240,139	0	Cr240,139	0	Cr240,139
Health & Safety/Occupational Health	Cr40,501	0	Cr40,501	0	Cr40,501
Development Fund for Modernisation	Cr115,032	0	Cr115,032	0	Cr115,032
IT Renewals Fund	Cr1,298,394	455,000	Cr843,394	0	Cr843,394
Corporate Equalisation Reserve	Cr531,836	10,600	Cr521,236	Cr14,000	Cr535,236

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Specific Reserves

Description	Reserve at 1st April 2019	Updated Budgeted movements	Interim Balance at 31st March 2020	Additional Requests	Final Balance at 31st March 2019
Building Capacity	Cr184,122	Cr13,173	Cr197,295	0	Cr197,295
Voluntary Organisation Reserve	Cr17,067	4,267	Cr12,800	0	Cr12,800
Total Finance and Corporate Services	Cr2,427,091	456,694	Cr1,970,397	Cr14,000	Cr1,984,397
CORPORATE					
Insurance Reserve	Cr9,043,185	2,391,980	Cr6,651,205	0	Cr6,651,205
Swansea Bay City Deal	Cr75,000	0	Cr75,000	Cr37,786	Cr112,786
Income Generation Reserve	Cr715,895	62,105	Cr653,790	0	Cr653,790
Members Community Fund Reserve	Cr546,712	496,088	Cr50,624	Cr340,000	Cr390,624
Community Resilience Fund	Cr2,000,000	0	Cr2,000,000	0	Cr2,000,000
Housing Warranties Reserve	Cr220,000	0	Cr220,000	0	Cr220,000
Fire Authority Reserve	Cr9,548	9,548	0	0	0
Pantteg Landslip Reserve	Cr500,000	0	Cr500,000	0	Cr500,000
Waste Reserve	Cr393,152	0	Cr393,152	0	Cr393,152
LAWDC Contingency Reserve	Cr1,005,214	Cr7,217	Cr1,012,431	0	Cr1,012,431
Schools IT Equalisation (HWB)	0	Cr250,000	Cr250,000	0	Cr250,000
Corporate Contingency	0	Cr2,269,000	Cr2,269,000	0	Cr2,269,000
Treasury Management Equalisation Reserve	Cr6,826,155	Cr812,920	Cr7,639,075	0	Cr7,639,075
ERVR Transitional Reserve	Cr4,818,306	281,813	Cr4,536,494	0	Cr4,536,494
Accommodation Strategy	Cr2,273,580	0	Cr2,273,580	0	Cr2,273,580
CORPORATE OTHER	Cr28,426,748	Cr97,603	Cr28,524,351	Cr377,786	Cr28,902,137
JOINT COMMITTEE/ OTHER					
Workways - Regional Reserve	Cr66,060	0	Cr66,060	Cr26,490	Cr92,550
Environment Legacy Reserve (SWTRA)	Cr59,728	0	Cr59,728	0	Cr59,728

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Specific Reserves

Description	Reserve at 1st April 2019	Updated Budgeted movements	Interim Balance at 31st March 2020	Additional Requests	Final Balance at 31st March 2019
Substance Misuse Area Planning Board	Cr40,775	0	Cr40,775	0	Cr40,775
WB Safeguarding Board Reserve	Cr109,146	16,949	Cr92,197	0	Cr92,197
Intermediate Care pooled fund	Cr43,429	15,000	Cr28,429	0	Cr28,429
JOINT COMMITTEE/ OTHER	Cr319,138	31,949	Cr287,189	Cr26,490	Cr313,679
TOTAL ALL REVENUE RESERVES	Cr39,514,587	2,585,854	Cr36,928,734	Cr1,331,901	Cr38,260,635

General Reserve

	Original Estimate 2019/209	Revised Estimate 2019/20	Actual 2019/20	Variance 2019/20
	£'000	£'000	£'000	£'000
Opening balance 1st April	Cr 19,714	Cr 20,968	Cr 20,968	0
Council Tax increased income	Cr 1,000	Cr 1,000	Cr 1,774	Cr 774
Capital - Phase II Accommodation financing costs	180	180	180	0
Doubtful Debt Provision	200	200	0	Cr 200
Contributions to the Economic Development Fund	200	180	198	18
Community Councils Grant Scheme	25	25	17	Cr 8
Member Community Development Fund	0	0	340	340
Contribution from /to revenue	2,255	2,255	2,086	Cr 169
Estimated / Actual Closing balance 31st March	Cr 17,854	Cr 19,128	Cr 19,921	Cr 793

Integrated Impact Assessment – Stage 1

1. Details of the initiative

Initiative description and summary: Revenue Outturn and Reserves Position Statement. This annual report is required to comply with the Statutory Accounting Code of Practice to ensure that the Council’s actual financial position for 2019/20 is completed with all Reserves and balances transferred into the relevant accounts, which will be subject to external audit by Wales Audit Office.

There are no policy implications that arise from this report which impact on service users, staff or the wider community, with all financial reserves and balances being carried forward into future years to support Council activities.

Service Area: Financial Services

Directorate: Finance & Corporate Services

2. Does the initiative affect:

	Yes	No
Service users		No
Staff		No
Wider community		No
Internal administrative process only	Yes	

3. Does the initiative impact on people because of their:

	Yes	No	None/ Negligible	Don't Know	Impact H/M/L	Reasons for your decision (including evidence)/How might it impact?
Age		N				
Disability		N				
Gender Reassignment		N				
Marriage/Civil Partnership		N				

Integrated Impact Assessment – Stage 1

Pregnancy/Maternity		N				
Race		N				
Religion/Belief		N				
Sex		N				
Sexual orientation		N				

4. Does the initiative impact on:

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	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence used) / How might it impact?
People's opportunities to use the Welsh language		N				
Treating the Welsh language no less favourably than English		N				

5. Does the initiative impact on biodiversity:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence) / How might it impact?
To maintain and enhance biodiversity		N				

Integrated Impact Assessment – Stage 1

To promote the resilience of ecosystems, i.e. supporting protection of the wider environment, such as air quality, flood alleviation, etc.		N				
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6. Does the initiative embrace the sustainable development principle (5 ways of working):

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	Yes	No	Details
Long term - how the initiative supports the long term well-being of people	Y		The Council reserves will be available to support specific initiatives (from specific reserves) or the general activities of the Council in future years, hence supporting the sustainable development principle.
Integration - how the initiative impacts upon our wellbeing objectives		N	
Involvement - how people have been involved in developing the initiative		N	
Collaboration - how we have worked with other services/organisations to find shared sustainable solutions		N	

Integrated Impact Assessment – Stage 1

Prevention - how the initiative will prevent problems occurring or getting worse		N	
---	--	---	--

7. Declaration - based on above assessment (tick as appropriate):

A full impact assessment (second stage) is not required	Y
Reasons for this conclusion	
A full impact assessment is not required as this is an annual report is required to comply with statutory accounting requirements that close off the 2019/20 financial year and provide the appropriate balances and reserves to be made available in future years to underpin Council activities.	

A full impact assessment (second stage) is required	N
Reasons for this conclusion	

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	Name	Position	Date
Completed by	SE Gorman	Chief Accountant	6/5/20
Signed off by	HJ Jenkins	Head of Service/Director	11/5/20



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

21st MAY 2020

REPORT OF HEAD OF FINANCE

SECTION A – MATTER FOR DECISION

WARDS AFFECTED – ALL

CAPITAL PROGRAMME OUTTURN 2019/20

Purpose of Report

1. This report sets out the financial outturn position for the Capital Programme for 2019/20.

Budget Outturn

2. For 2019/20 the approved revised Capital Programme totalled £39.078m, actual expenditure for the year was £38.019m which represents in financial terms 97% delivery of the Programme.

This £38m expenditure represents significant investment within the County Borough which has led to community and service improvements. The Council places great emphasis on the importance of capital investment as a means of regenerating our Communities and providing modern, safe buildings and infrastructure. Capital investment does not only lead to improved facilities and services but creates jobs and economic benefits for the citizens of Neath Port Talbot.

ADDENDUM 1

The following points note some of the significant achievements during the year:

- Progression of the Council's Band B 21st Century Schools programme;
 - Cefn Saeson - a new replacement 11-16 School in the Cimla area of the County Borough.
 - Abbey Primary – a new primary school to replace the current Abbey Primary which is based across three sites in Neath Abbey, Skewen and Longford.
- Investment of £1.996m in a flood and coastal risk prevention project at Aberavon Seafront.
- Progression of County Borough regeneration projects;
 - Commencement of the next phase of the Neath Town Centre redevelopment.
 - Development works of £3.2m on the former Crown building.
 - Redevelopment works of £0.8m the former Plaza cinema in Port Talbot.
 - Completion of works at the Former Port Talbot Magistrates Court.
- Further investment of over £3m into Disabled Facility Grants to assist people to live at home and investment of £2.8m in Schools Capital Maintenance and Highways and Engineering Maintenance improvements.

A summary of the outturn position can be found in Appendix 1 of this report with the main variations between budget and actual being:

- 21st Century Schools projects
The total overspend of £1.2m is due to the variances in the profile of the delivery of these projects. The majority relates to work on the Cefn Saeson site progressing ahead of schedule, the overspend will be funded from resources earmarked in 2020/21.

- Regeneration – Former Crown Building Redevelopment
The overspend of £1.54m is due to works progressing on site ahead of schedule. Additional grant funding has been received to fund part of the overspend with the balance being funded from the 2020/21 budget.
- Schools IT
Welsh Government grant funding (HWB) has resulted in the Authority spending £447k less of its own finances on Schools IT during 2019/20.
- Street Lighting
The total underspend of £462k is due mainly to the variance in the profile of the delivery of the Salix Street Lighting project. This project was anticipated to start in 2019/20 but now will commence in 2020/21.
- Highways and Engineering Maintenance
The underspend of £747k is due to the Authority receiving additional grant funding in 2019/20 which was used to fund Highways and Engineering Maintenance works. The underspend will be carried forward into 2020/21.
- Other
The overspend of £496k is mainly due to works on the Margam Park tourism project commencing earlier than anticipated and works at Hillside Secure Unit also starting ahead of schedule. These works are on-going and further expenditure will be incurred in 2020/21.

2020/21 Capital Programme

3. Work is ongoing to deliver the 2020/21 Capital Programme totalling £87.920m which was approved by Members as part of the Council's budget setting process in March 2020. This Programme will be continually updated and revised as changes to profiles and funding are identified. Updated information will be reported to Members as part of the 2020/21 budget monitoring cycle.

Financial Impact

4. All relevant details are set out in the body of the report.

Integrated Impact Assessment

5. No requirement for this as information set out in the report summarises the Council's financial commitment to fund capital projects in year.

Valleys Communities Impact

6. No implications.

Workforce Impacts

7. There are no workforce impacts arising from this report.

Legal Impacts

8. There are no legal impacts arising from this report.

Risk Management

9. The capital programme is actively managed by managers and the Capital Programme Steering Group to comply with all relevant planning conditions, legislation, regulations and health and safety.

Consultation

10. There is no requirement under the Constitution for external consultation on this item.

Recommendation

11. It is recommended that the 2019/20 Capital Programme outturn position be approved.

Reason for Proposed Decision

12. To agree the capital outturn position for 2019/20.

Implementation of Decision

13. The decision is proposed for implementation after the three day call in period.

Appendices

14. Appendix 1 – Details of 2019/20 Capital Expenditure.

List of Background Papers

Capital Programme working files

Officer Contact

Mr Huw Jones
Head of Finance
Tel. No. 01639 763575
h.jones@npt.gov.uk

Mr Ross Livingstone
Group Accountant Corporate, Capital & VAT
Tel. No. 01639 763624
r.livingstone@npt.gov.uk

Details of 2019/20 Capital Expenditure

	Revised Budget £'000	Actual £'000	Variance £'000
Ysgol Cwm Brombil	1,973	1,994	21
Cefn Saeson School	5,524	7,117	1,593
Abbey Primary School	627	515	-112
Capital Maintenance – ELLL	1,125	1,111	-14
Welsh Medium School Grant - YGG Pontardawe & YGG Tyle'r Ynn	425	401	-24
Infant Class Sizes Grant - YGG Rhosafan, YGG Castell Nedd, Gnoll Primary	546	523	-23
Childcare Offer Grant - Small Grants Pot, Baglan Primary, Blaenbaglan Primary & Rhos Primary	417	307	-110
Cymmer Afan Site Clearance & Land Reclamation	800	892	92
Leisure Investment	156	64	-92
Margam Orangery Improvement Works	250	142	-108
Highways and Engineering Maintenance	2,451	1,703	-748
Additional Highway Works (Highways Refurbishment Grant)	1,496	1,497	1
Local Transport Fund (multiple locations)	525	323	-202
Road Safety Grant (multiple locations)	407	408	1
Safe Routes In Communities (multiple locations)	157	163	6
Active Travel Fund - Neath To Port Talbot; Fabian Way and Ffordd Amazon	739	521	-218
Flood & Coastal Risk Projects - Aberavon & Brunel Dock (Feasibility)	2,330	1,996	-334
Major Bridge Strengthening - A474 Neath	910	613	-297
Cymmer Viaduct Design	220	128	-92
Health & Safety	893	693	-200
Street Lighting	663	201	-462
Vehicle Replacement Programme	1,119	1,305	186
Absorbent Hygiene Product Waste Grant	110	113	3
NPT Recycling Ltd Equipment Purchase	750	750	0

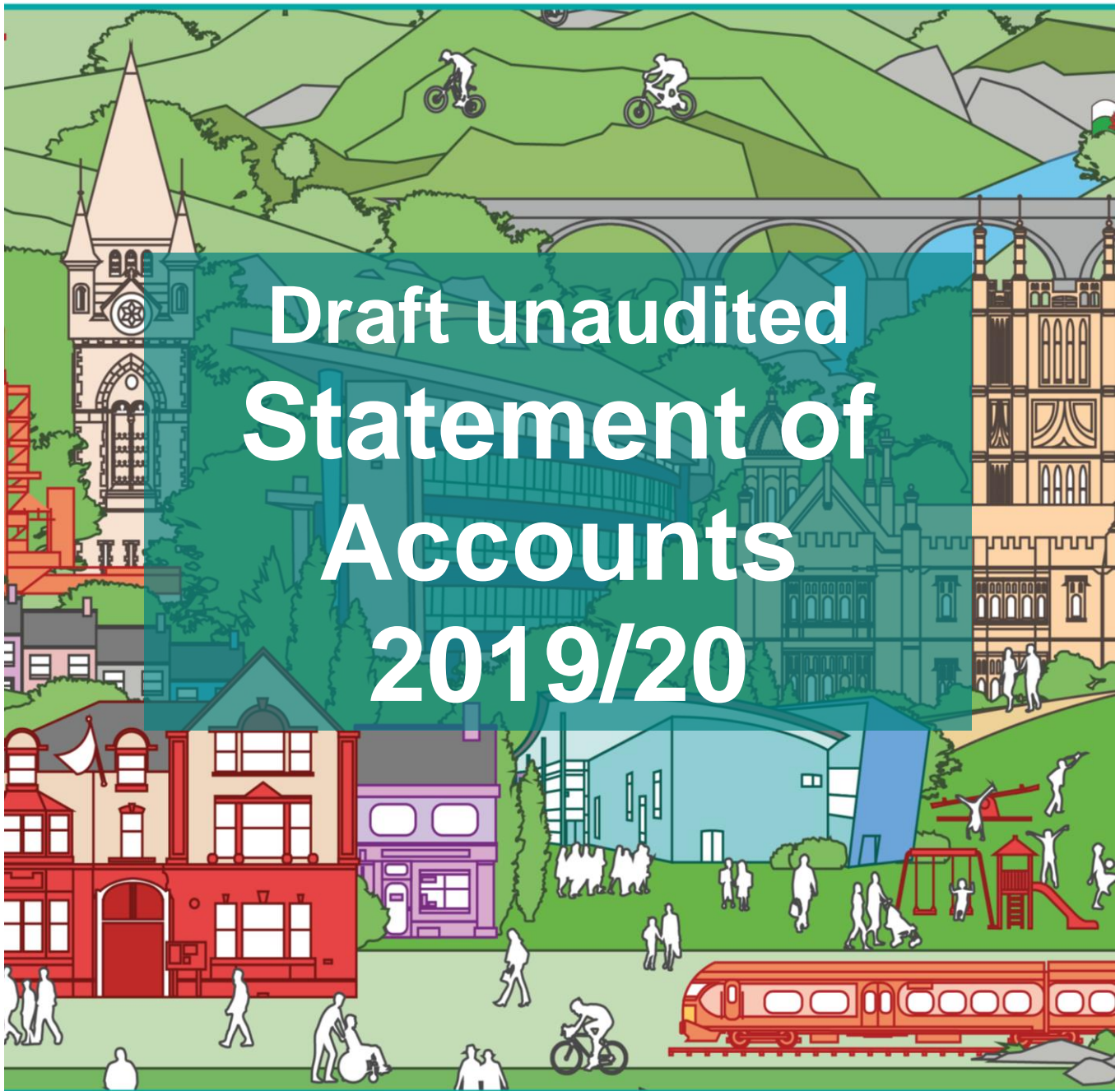
ADDENDUM 1

	Revised Budget £'000	Actual £'000	Variance £'000
Regeneration: Harbourside Infrastructure	275	155	-120
Regeneration: Former Plaza Redevelopment	1,000	799	-201
Regeneration: Former Magistrates Court	732	797	65
Regeneration: 6 Station Road	100	29	-71
Regeneration: Turbine House - Margam Park	275	332	57
Regeneration: Neath Town Centre Redevelopment	250	152	-98
Regeneration 8 Wind Street	177	53	-124
Regeneration: Former Crown Buildings Redevelopment	1,707	3,251	1,544
Regeneration: Commercial Property Grants	10	27	17
Regeneration: Property Enhancement Development Grant	250	11	-239
Regeneration: Swansea Bay Technology Centre	400	240	-160
Regeneration: Other	599	244	-355
School IT/Vehicle Financing	640	193	-447
Social Services Capital Maintenance	216	164	-52
Warm Homes – Boiler Scheme	395	362	-33
Disabled Facilities Grants	3,000	3,084	84
Additional £5m Allocation:			
Schools & Leisure Maintenance	400	406	6
Environment Projects	265	241	-24
Agile Working	250	233	-17
Additional Schools Capital Maintenance Grant:			
Capital Maintenance for Schools	303	270	-33
Contingency	222	0	-222
Other	2,999	3,496	497
Total	39,078	38,019	-1,059



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

Draft unaudited Statement of Accounts 2019/20



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NARRATIVE REPORT

1. INTRODUCTION

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

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

A glossary is provided at the end of the statement of accounts, which provides a description of some of the specialist terms used in the document.

2. ACCOUNTING STATEMENTS

The statement of accounts is made up of a number of statements that 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 is included at the front of the statement of accounts and sets out the respective responsibilities of the Authority and the Section 151 officer.

Expenditure and funding analysis

The expenditure and funding analysis starts by showing how annual expenditure is used and funded from resources, such as government grants, council tax and business rates. It then updates this position to show those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between directorates, which reflect the Council's management structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

Comprehensive income and expenditure statement

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

Movement in reserves statement

This shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves, that is, those that can be applied to fund expenditure or reduce local taxation and other unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance.

NARRATIVE REPORT

Balance sheet

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

Cash flow statement

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

NARRATIVE REPORT

3. REVENUE SPENDING IN 2019/20

The Authority's budget requirement for 2019/20 was set at £288.168m. Actual spending compared to the budget was as follows:

Neath Port Talbot management accounts	Revised budget £000	Actual £000
Expenditure		
Directly controlled expenditure	244,739	244,828
Capital financing	19,274	19,274
Levies, contributions and miscellaneous funds	7,624	7,619
Council tax support	18,108	17,737
Contingencies and reserves	(1,577)	(261)
Net expenditure	288,168	289,197
Income		
Revenue Support Grant / NNDR	(214,795)	(214,795)
Council tax	(73,703)	(73,703)
Less discretionary rate relief	330	348
Total income/budget requirement	(288,168)	(288,150)
NET BUDGET (SURPLUS)/DEFICIT TO BALANCES	0	1,047
General fund working balance		
Opening working balance 1st April		(20,968)
Movement in balance		1,047
Closing working balance 31st March		(19,921)

NARRATIVE REPORT

4. CAPITAL SPENDING IN 2019/20

	Actual £000
Capital investment	39,131
The expenditure was financed by:	
Government grants and other contributions	(24,684)
Loans	(14,265)
Direct revenue contributions and reserves	(182)
	(39,131)

The capital investment figure of £39.131m includes £38.019m incurred directly by the Council and £1.112m incurred on behalf of the Council by Caerphilly CBC. Caerphilly CBC are acting on behalf of all Welsh Authorities in purchasing schools ICT infrastructure as part of the Welsh Governments Hwb Programme. Whilst the expenditure is being incurred by Caerphilly, for accounting purposes each Authority is required to reflect their element within their Statement of Accounts.

5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £307.872m, which excludes accrued interest of £2.923m that is included within debt in the balance sheet. Sources of borrowing include the Public Works Loan Board and banks for long term borrowing and other financial institutions for short term borrowing.

6. RESERVES AND BALANCES AT 31ST MARCH 2020

	Actual £000
Earmarked reserves to support revenue expenditure	38,261
Revenue reserve to support capital expenditure	911
General reserve working balances	19,921
Total general reserve balance	59,093

NARRATIVE REPORT

7. REVALUATION OF ASSETS

The net book value of assets increased during 2019/20 by £4.150m. There was a £7.402m gain relating to the revaluation of assets undertaken by the Director of Environment / Strategic Property and Valuation Manager.

The Authority's property, plant and equipment are valued on a five year rolling programme by the Director of Environment / Strategic Property and Valuation Manager in accordance with the Royal Institute of Chartered Surveyors Statements of Asset Valuation Practice.

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

During 2019/20, the following categories of assets were revalued:

- Community was valued as at 31st January 2020 and as at 1st February 2020 on a Current Value and Historic Cost basis;
- Property Plant and Equipment was valued as at 1st November 2019 on a Current Value Existing Use Valuation basis;
- Civic Amenities and Landfill Sites was valued as at 1st February 2020 on a Current Value Existing Use Valuation and Current Value Depreciated Replacement Cost

Assets held for sale are valued annually and nine assets with a value of £5.368m were valued at 31st March 2020.

8. INTERNATIONAL ACCOUNTING STANDARD 19 - PENSIONS

The accounts comply with the requirements of the above standard with the revenue accounts reflecting the current year cost of pension provision to employees as advised by the pension fund actuary. The balance sheet contains the actuary's assessment of the Authority's share of the pension fund liability at 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.

NARRATIVE REPORT

9. SIGNIFICANT PROVISIONS

There are three significant provisions:

- An insurance provision of £3.6m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £2.4m and a short term provision of £1.2m.
- A provision of £0.9m for housing warranties following the transfer of the Housing stock to Tai Tarian in March 2011.
- A provision of £0.325m to provide the costs of early retirements and redundancies which have been agreed by 31st March 2020, with leaving dates during 2020/21.

10. GROUP ACCOUNTS

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

11. IMPACT OF CURRENT ECONOMIC CLIMATE ON THE AUTHORITY

The Council continues to operate in an environment where further savings, cuts and income generation proposals are required to set its annual budget. It involves stakeholders as part of its consultation process to help to identify the savings required.

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

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

The Welsh Government's headline figures for the funding settlement for 2020/21 are 4.5% for the Council, with the All Wales position at 4.3%. The Welsh Government has only published budget plans for 2020/21, as they await the outcome of the UK Government Spending Review.

NARRATIVE REPORT

The UK Government has stated that austerity has come to an end, but the continued uncertainty around the financial impact of Brexit and the outcome of the spending review means that we do not have clarity on future years funding. This year's extreme weather has seen flooding in the area and uncertainty remains around the financial impact of these events. Also, the international impact of the virus Covid 19 may change funding availability and costs for local authorities.

This Council will prepare further work to update its Medium Term Financial Plan when more information is available, but identified in March 2020 that further savings will be required to address a predicted shortfall of £28m over the next three years.

On the 23rd March 2020 the UK Government's lockdown of services and business operations commenced due to the coronavirus pandemic (Covid 19). This resulted in the Council complying with Government legislation and responding initially through the provision of emergency response services only:

- some continued more or less as usual i.e. residential care, refuse collection;
- others were amended such as schools were closed but re-opened to provide services to key worker and vulnerable children;
- whilst some were new services such as providing food and medical support to shielded and vulnerable families, cash to families entitled to Free School Meals, building a Field Hospital and paying grants to businesses.

The UK and Welsh Government announced unprecedented levels of additional funding to pay for extra costs to keep adult care services, FSM and businesses afloat, they have also provided some assistance for loss of Council income. Further reports will be presented to Members in 2020/21 on the implications of the response to Covid 19 on Council Services and the overall Budget. As Government lockdown will be released the Council will then move to amend and deliver service provision to the public in line with National / Welsh Government announcements. The aim will be to recover / re-provide services and the local economy in a safe and effective way in line with announcements and legislation.

12. LOCAL GOVERNMENT PENSION FUND COVID-19 UPDATE

As the Covid 19 pandemic started its global spread early in 2020, global financial markets reflected the impending risks, with resultant material falls in valuations of most asset classes in February and March of 2020.

LGPS defined benefit pensions are not linked to stock market performance and are set out in statute. Although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer term impacts.

LGPS Scheme members can therefore be assured that both their contributions and their pension, whether in payment or built up to date, will be unaffected.

NARRATIVE REPORT

The lockdown imposed by HM Government on 23rd March 2020, presented operational hurdles for LGPS Administration Authorities, however with the implementation of contingency planning, leveraging the use of technology, flexible working and the professionalism and goodwill of staff, normal business has been maintained. The payment of members' pensions and the processing of pensioners/joiners has been prioritised and maintained throughout this period.

Employer/employee contributions have not been affected during this period, and the Administration Authority continues to liaise with employers to manage any cash flow issues which may arise.

13. 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.

14. FURTHER INFORMATION

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

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Corporate Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

DIRECTOR OF FINANCE & CORPORATE SERVICES RESPONSIBILITIES

The Director of Finance and Corporate Services is responsible for the preparation of the Authority's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The Director of Finance and Corporate Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that the accounts show a true and fair view of the financial position of the Authority as at the date of preparation and of its expenditure and income for the year ended 31st March 2020.



Director of Finance and Corporate Services

Date: 29th May 2020

EXPENDITURE AND FUNDING ANALYSIS

2018/19			2019/20			
Net expenditure chargeable to the general fund	Adjustments	Net expenditure in the comprehensive income and expenditure statement		Net expenditure chargeable to the general fund	Adjustments	Net expenditure in the comprehensive income and expenditure statement
£000	£000	£000		£000	£000	£000
108,632	17,211	125,843	Education, Leisure & Lifelong Learning	111,471	22,579	134,050
79,981	8,609	88,590	Social Services, Health & Housing	79,704	4,556	84,260
35,564	28,217	63,781	Environment	37,461	28,192	65,653
17,768	3,333	21,101	Corporate Services	18,382	1,751	20,133
(286)	99	(187)	Other Housing Services	(107)	(65)	(172)
23,281	(9,212)	14,069	Other Central Services	27,534	(9,925)	17,609
264,940	48,257	313,197	Net cost of services	274,445	47,088	321,533
(266,865)	(5,980)	(272,845)	Other income & expenditure	(272,144)	(8,774)	(280,918)
(1,925)	42,277	40,352	Surplus or deficit	2,301	38,314	40,615
59,469			Opening general fund balance	61,394		
1,925			In year movement surplus / (deficit)	(2,301)		
61,394			Closing general fund balance	59,093		

Further information in relation to the adjustments column in the expenditure and funding analysis can be found in note 4.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19				2019/20		
Gross expenditure	Gross income	Net expenditure	Note	Gross expenditure	Gross income	Net expenditure
£000	£000	£000		£000	£000	£000
163,199	(37,356)	125,843		174,559	(40,509)	134,050
121,958	(33,368)	88,590		121,904	(37,644)	84,260
87,553	(23,772)	63,781		89,798	(24,145)	65,653
28,724	(7,623)	21,101		26,595	(6,462)	20,133
49,688	(49,875)	(187)		45,673	(45,845)	(172)
14,446	(377)	14,069		18,011	(402)	17,609
465,568	(152,371)	313,197		476,540	(155,007)	321,533
20,394	-	20,394	8	21,803	-	21,803
22,488	(509)	21,979	9	23,103	(497)	22,606
-	(315,218)	(315,218)	10	-	(325,327)	(325,327)
508,450	(468,098)	40,352		521,446	(480,831)	40,615
		5,567	22			(18,335)
		-	22			-
		30,450	22			(32,420)
		36,017				(50,755)
		76,369				(10,140)

MOVEMENTS IN RESERVES STATEMENT

	General fund balance	Capital receipts reserves	Capital grants unapplied	Total usable reserves	Unusable reserves	Total Authority reserves
	£000	£000	£000	£000	£000	£000
Balance at 31st March 2018	59,469	6,800	10,108	76,377	(69,892)	6,485
2018/19						
Movement in reserves during 2018/19						
Total comprehensive income and expenditure	(40,352)	-	-	(40,352)	(36,017)	(76,369)
Adjustments between accounting basis and funding basis under regulations (note 6)	42,277	171	369	42,817	(42,817)	-
Increase/(decrease) in Year	1,925	171	369	2,465	(78,834)	(76,369)
Balance at 31st March 2019	61,394	6,971	10,477	78,842	(148,726)	(69,884)
Movement in reserves during 2019/20						
Total comprehensive income and expenditure	(40,615)	-	-	(40,615)	50,755	10,140
Adjustments between accounting basis and funding basis under regulations (note 6)	38,314	1,105	1,152	40,571	(40,571)	-
Increase/(decrease) in Year	(2,301)	1,105	1,152	(44)	10,184	10,140
Balance at 31st March 2020	59,093	8,076	11,629	78,798	(138,542)	(59,744)

BALANCE SHEET

31st Mar 2019		Note	31st Mar 2020
£000			£000
704,992	Property, plant and equipment	11	709,142
1,183	Heritage assets	12	1,183
86	Long term investments	13	86
1,353	Long term debtors	13	1,262
<u>707,614</u>	Long term assets		<u>711,673</u>
55,135	Short term investments	13	56,541
3,536	Assets held for sale	18	5,368
589	Inventories	14	651
32,454	Short term debtors	15	37,737
3,507	Cash and cash equivalents	17	3,303
<u>95,221</u>	Current assets		<u>103,600</u>
(10,638)	Short term borrowing	13	(13,697)
(48,831)	Short term creditors	19	(38,296)
0	Grants Receipts in Advance - Capital		(153)
(2,022)	Short term provisions	20	(1,543)
<u>(61,491)</u>	Current liabilities		<u>(53,689)</u>
(18,601)	Long term creditors	13	(16,264)
(275,803)	Long term borrowing	13	(297,098)
(513,753)	Other long term liabilities	37	(504,673)
(3,071)	Long term provisions	20	(3,293)
<u>(811,228)</u>	Long term liabilities		<u>(821,328)</u>
<u>(69,884)</u>	Net assets		<u>(59,744)</u>
(78,842)	Usable reserves	21	(78,798)
148,726	Unusable reserves	22	138,542
<u>69,884</u>	Total reserves		<u>59,744</u>

CASH FLOW STATEMENT

2018/19 £000		Note	2019/20 £000
(40,352)	Net surplus or (deficit) on the provision of services		(40,615)
55,809	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23a	51,824
(17,599)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23b	(22,580)
<u>(2,142)</u>	Net cash flows from operating activities	*	<u>(11,371)</u>
(14,612)	Investing activities	24	(13,381)
16,127	Financing activities	25	24,548
<u>(627)</u>	Net increase or decrease in cash and cash equivalents		<u>(204)</u>
4,134	Cash and cash equivalents at the beginning of the reporting period		3,507
<u>3,507</u>	Cash and cash equivalents at the end of the reporting period	17	<u>3,303</u>

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

2018/19 £000		2019/20 £000
(651)	Interest received	(495)
9,919	Interest paid	10,810

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General principles

The statement of accounts summarises the Council's financial transactions for 2019/20 and its position at 31st March 2020. The Council is required to prepare an annual statement of accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended by The Accounts and Audit (Wales) (Amendment) Regulations 2018), in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounts are prepared on a going concern basis.

ii. Recognition of income and expenditure

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

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- services received (including employees services) 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.
- Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the balance sheet as creditors (receipts in advance) until the conditions have been satisfied.
- 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 are not considered collectable, the balance is reduced by a provision for doubtful debts.

iii. Changes in accounting policies and prior period adjustments

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 Council'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.

iv. 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.

NOTES TO THE ACCOUNTS

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis subject to a de-minimus limit of £10,000, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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.

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to an operational condition. The Council 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, that is estimated at highest and best use from a market participant's perspective. Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are carried in the balance sheet using the following measurement basis:

Asset type	Measurement basis	Revaluation year	Depreciation basis (straight line unless not finite usable life)
Other operational land and buildings	Existing use value or depreciated replacement cost if no market based evidence.	Rolling programme across five years	Land n/a Buildings 3 to 40 years
Vehicles, Plant, Furniture and Equipment	Existing use value or depreciated historical cost if of low value or short life.	n/a	5 to 20 years
Infrastructure assets	Depreciated historical cost	n/a	40 years
Community assets	Depreciated historical cost	2019/20	5 to 40 years
Surplus assets	Fair value	2020/21	5 to 40 years
Assets under construction	Depreciated historical cost	n/a	n/a
Assets held for sale	Revalued immediately before reclassification	Every year	n/a
School assets	Depreciated replacement cost (modern equivalent asset)	2021/22	Land n/a Buildings usually 50 years, though varied for agreed closures
Service Concession	Existing use value or depreciated replacement cost if no market based evidence.	2022/23	Land n/a Buildings 3 to 40 years

NOTES TO THE ACCOUNTS

Revaluations

The Council's internal valuers undertake this exercise in accordance with the professional standards of the Royal Institution of Chartered Surveyors. Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. The Council must balance the requirement to include asset values at their fair or current value each year end with the costs involved in providing valuations. To ensure the information is materially correct, the Council valuers undertake an annual review to identify any significant impairments or change in the usage of assets.

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 and downward revaluation

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired in value because of a change in service potential or significant and permanent changes to the market value.

- 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, the carrying amount of the asset is written down against the relevant service lines in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the other operating expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal. If more than £10,000 is received at disposal, this is treated as a capital receipt and kept in a reserve that can only be used for capital purposes.

Componentisation

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. These factors are:

- materiality with regards to the Council's financial statements. Componentisation will only be considered for individual non land assets that have a net book value of more than £2.5m or 0.5% of total net book value.
- significance of component. For individual assets meeting the above threshold, where services within a building, such as boilers, heating, lighting, ventilation, etc., are a material component of the cost of that asset, i.e. 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

NOTES TO THE ACCOUNTS

non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that do not meet the test above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material misstatements in the accounts.

v. **Charges to revenue for non-current assets**

Services are charged the following amounts to record the cost of holding non-current assets during the year:

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

vi. **Financial instruments**

These are recognised in the balance sheet when the Council becomes a party to the contractual provisions and are initially measured at fair value.

Financial liabilities are carried at their amortised cost. For most of the Council's borrowing, it means that the amount presented in the balance sheet is the outstanding principal repayable, plus accrued interest. Annual interest, which is the amount payable for the year according to the loan agreement, is charged to the financing and investment income and expenditure line within the comprehensive income and expenditure statement. The Council has spread the cost of historical premiums and discounts arising from debt rescheduling 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 are classified to reflect the business model for holding the financial assets and their cash flow characteristics and are held at fair value.

The Council's investments at 31st March 2020 had a historic rate of default of 0.02% and there is no impairment allowance included for these financial assets, as the risk is immaterial. The Council's debtors position, excluding council tax, is included within the financial assets statement. These debts have been reviewed and although there is no significant financing component, funds are set aside for any potential impairment based on a collective assessment of the value and age of the outstanding debt.

vii. **Heritage assets**

Heritage assets are defined as assets that have historical, artistic, scientific, technological, geographical or environmental qualities, which are held and maintained principally for their contribution to knowledge and culture.

The Council holds heritage assets on the balance sheet in relation to works of art. Assets are included when an insurance valuation has been undertaken and the valuation for the individual asset is £5,000 or more. In the absence of historic cost, the insurable sum is deemed as an appropriate and relevant method of valuation, with the last valuation undertaken by Sotheby's in 2003. These items are considered to have indeterminate lives and a high residual value, consequently the Council does not consider it appropriate to charge depreciation.

NOTES TO THE ACCOUNTS

viii. 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.

The Council holds one finance lease, as a lessee, for other land and buildings, which is recognised on the balance sheet. This is matched by a liability for the obligation to pay the lessor.

Where the Council grants an operating lease as a lessor for property or land, the asset is retained in the balance sheet and rental income is credited to the comprehensive income and expenditure statement.

ix. Service concessions

These are agreements for services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council is deemed to control the services provided under the contract and as ownership of the assets will pass to them at the end of the contract period, the Council carries the assets on its balance sheet as part of property, plant and equipment.

Further details of service concession costs and liabilities can be found in note 32.

x. Revenue expenditure funded from capital under statute

Legislation requires defined items of revenue expenditure charged to services within the comprehensive income and expenditure statement to be treated as capital expenditure. This is transferred from the general fund balance via the movement in reserves statement to the capital adjustment account and is included in the capital expenditure and financing disclosure at note 31.

xi. Cash and cash equivalents

Cash includes cash in hand, overnight deposits and bank overdrafts. Cash equivalents can be quickly converted to known amounts of cash with low risk of change in value. Cash equivalents held as part of treasury management operations are included as short term investments.

xii. Employee Benefits

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the comprehensive income and expenditure statement.

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the comprehensive income and expenditure statement.

NOTES TO THE ACCOUNTS

xiii. Retirement Benefits

The Council participates in two formal pension schemes, the Local Government Pensions Scheme, which is administered by the City and County of Swansea Pension Fund and the Teachers' Pension Scheme, administered by the Teachers Pension Agency. Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

The nature of the teachers' scheme prevents the Council's individual share of the pension liability from being separately identified. The scheme is therefore accounted for as if it were a defined contribution scheme.

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

- i. The assets attributable to the Council are measured at fair value at the balance sheet date, after deducting accrued expenses. The attributable liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. Net pension assets are recognised only to the extent that the Council is able to recover a surplus, either through reduced contributions in the future or through refunds from the scheme. Unpaid contributions to the schemes are recorded as creditors due within one year.
- ii. For pension charges, the change in defined benefit asset or liability is analysed and charged to the comprehensive income and expenditure statement as follows:
 - Current service cost, past service cost and gains / losses on curtailments and settlements are included within Cost of Services;
 - Net interest on the net defined benefit liability is included within financing and investment income and expenditure; and
 - Actuarial gains / losses are incorporated within other comprehensive income and expenditure.

Further details for pensions can be found in notes 34 and 35.

xiv. Interest in companies and other entities

The Council 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 Council's companies are included within the Council's own single entity accounts.

xv. Inventories

Inventories are included in the balance sheet at average purchase price or latest purchase price, which 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.

xvi. Overhead and support costs

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

xvii. Provisions, contingent liabilities and contingent assets

Provisions are based on the Council's obligations arising from a past event, the probability that a transfer of economic benefit will take place and when a reliable

NOTES TO THE ACCOUNTS

estimate can be made of the value of the obligation. They are charged to the appropriate service revenue account in the year the obligation becomes known and are reviewed at each balance sheet date.

Contingent liabilities and assets are included where an event has taken place that gives a possible obligation or asset arising from past events, which will only materialise if certain events not wholly within the control of the Council take place. They are not recognised in the balance sheet, but disclosed in a note to the accounts when material.

xviii. Reserves

Usable reserves are set aside for future policy purposes or contingencies.

Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Council.

xix. Schools

Schools assets, liabilities, reserves, transactions and cash flows are included in the Council's financial statements, which complies with the accounting Code.

xx. Value added tax (VAT)

VAT payable is excluded from spend except when it cannot be recovered from HMRC. VAT receivable is excluded from income.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

IFRS 16 Leases was due to be implemented during 2020/21 however CIPFA/LASAAC have agreed to defer the implementation for one year in line with the governments Financial Reporting Advisory Board proposals. This deferral has delayed the publication of the 2020/21 code.

The 2020/21 Code introduces changes arising from the accounting guidance in relation to:

- IAS19 Employee Benefits;
- IAS 28 Investments in Associates and Joint ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

These amendments should not materially affect this Council.

The Code requires implementation after 1st April 2020, there is therefore no impact on the 2019/20 statement of accounts.

NOTES TO THE ACCOUNTS

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

The statement of accounts contains estimated figures that are based on assumptions made by the Council 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 Council's balance sheet at 31st March 2020, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Provisions – insurance claims

The Council has a provision of £3.588m as at 31st March 2020 to meet the potential cost of insurance liabilities. The number and value of potential claims includes actuarial assumptions particularly in respect of the most recent financial years, as these are immature in terms of insurance experience. Any significant change in assumptions and/or number and value of claims could significantly alter the value of the provision. The Council holds insurance reserves to mitigate any risk.

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries was engaged to provide the Council 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 Council would increase or decrease as a result.

NOTES TO THE ACCOUNTS

4. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

	2019/20			
	Adjustments for capital purposes	Net charge for pensions	Other differences	Total adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	17,983	3,901	695	22,579
Social Services, Health & Housing	1,482	3,209	(135)	4,556
Environment	25,652	2,598	(58)	28,192
Corporate Services	82	1,652	17	1,751
Other Housing Services	-	-	(65)	(65)
Other Central Services	(9,957)	-	32	(9,925)
	35,242	11,360	486	47,088
Other income & expenditure	(21,064)	11,980	310	(8,774)
Difference between general fund and CIES surplus/deficit	14,178	23,340	796	38,314

	2018/19			
	Adjustments for capital purposes	Net charge for pensions	Other differences	Total adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	10,190	7,450	(429)	17,211
Social Services, Health & Housing	2,696	6,244	(331)	8,609
Environment	23,442	4,789	(14)	28,217
Corporate Services	35	3,287	11	3,333
Other Housing Services	-	-	99	99
Other Central Services	(9,218)	-	6	(9,212)
	27,145	21,770	(658)	48,257
Other income & expenditure	(17,608)	11,350	278	(5,980)
Difference between general fund and CIES surplus/deficit	9,537	33,120	(380)	42,277

NOTES TO THE ACCOUNTS

5. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2018/19		2019/20
£000		£000
	Expenditure	
214,219	Employee benefits	213,849
226,190	Other service expenses	236,304
25,438	Depreciation, amortisation and impairment	26,697
22,209	Interest payable	22,793
20,321	Precepts and levies	21,703
73	Gain on the disposal of assets	100
<u>508,450</u>	Total expenditure	<u>521,446</u>
	Income	
(57,488)	Fees, charges and other service income	(56,975)
(509)	Interest and investment income	(497)
(130,803)	Income from Council Tax, National Non Domestic Rates	(135,466)
<u>(279,298)</u>	Government grants and contributions	<u>(287,893)</u>
<u>(468,098)</u>	Total income	<u>(480,831)</u>
<u>40,352</u>	(Surplus) / deficit for year	<u>40,615</u>

The total income for fees, charges and other service income identified in the table above is collected from the following service segments, which reflect the Council's management structure:

2018/19		2019/20
£000		£000
	Income	
(11,964)	Education, Leisure & Lifelong Learning	(11,068)
(23,808)	Social Services, Health & Housing	(25,175)
(17,283)	Environment	(17,306)
(2,838)	Corporate Services	(2,132)
(1,595)	Other Central Services	(1,294)
<u>(57,488)</u>	Fees, charges and other service income	<u>(56,975)</u>

NOTES TO THE ACCOUNTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council 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 Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the general fund balance, which is not necessarily in accordance with proper accounting practice. The general fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital receipts reserve

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

Capital grants unapplied

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

NOTES TO THE ACCOUNTS

	Usable reserves			
	General fund balance	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves
2019/20	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the comprehensive income and expenditure statement:				
Charges for depreciation and impairment of non current assets	26,697	-	-	(26,697)
Revaluation losses on property, plant and equipment	9,351	-	-	(9,351)
Capital grants and contributions applied	(21,475)	-	-	21,475
Revenue expenditure funded from capital under statute	14,232	-	-	(14,232)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	1,205	-	-	(1,205)
Insertion of items not debited or credited to the comprehensive income and expenditure statement:				
Statutory provision for the financing of capital investment	(10,009)	-	-	10,009
Capital expenditure charged against the general fund	(182)	-	-	182
Adjustments primarily involving the capital grants unapplied account:				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(4,361)	-	4,361	0
Application of grants to capital financing transferred to the capital adjustment account	-	-	(3,209)	3,209
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	(1,105)	1,105	-	0
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	0
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	0
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	-	-	-	0
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	(175)	-	-	175
Adjustments primarily involving the pensions reserve:				
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure account	52,580	-	-	(52,580)
Employer's pension contributions and direct payments to pensioners payable in the year	(29,240)	-	-	29,240
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	796	-	-	(796)
Total adjustments	38,314	1,105	1,152	(40,571)

NOTES TO THE ACCOUNTS

	Usable reserves			
	General fund balance	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves
2018/19	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the comprehensive income and expenditure statement:				
Charges for depreciation and impairment of non current assets	25,438	-	-	(25,438)
Revaluation losses on property, plant and equipment	4,583	-	-	(4,583)
Capital grants and contributions applied	(17,428)	-	-	17,428
Revenue expenditure funded from capital under statute	10,004	-	-	(10,004)
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	244	-	-	(244)
Insertion of items not debited or credited to the comprehensive income and expenditure statement:				
Statutory provision for the financing of capital investment	(9,216)	-	-	9,216
Capital expenditure charged against the general fund	(606)	-	-	606
Adjustments primarily involving the capital grants unapplied account:				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(3,137)	-	3,137	0
Application of grants to capital financing transferred to the capital adjustment account	-	-	(2,768)	2,768
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	(171)	171	-	0
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	0
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	-	-	-	0
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	(175)	-	-	175
Adjustments primarily involving the pensions reserve:				
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure account	60,540	-	-	(60,540)
Employer's pension contributions and direct payments to pensioners payable in the year	(27,420)	-	-	27,420
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	(379)	-	-	379
Total adjustments	42,277	171	369	(42,817)

NOTES TO THE ACCOUNTS

7. MOVEMENT IN RESERVES

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

	Balance at 1st Apr 2018	Movement in 2018/19	Balance at 31st Mar 2019	Movement in 2019/20	Balance at 31st Mar 2020
	£000		£000		£000
Balances held by schools under a scheme of delegation	(2,868)	1,752	(1,116)	1,750	634
Other Education and Leisure	(335)	(745)	(1,080)	(620)	(1,700)
Hillside Secure Centre-equalisation	(1,687)	595	(1,092)	818	(274)
Other Social Services	(954)	(210)	(1,164)	(210)	(1,374)
Environment	(3,398)	(491)	(3,889)	(458)	(4,347)
Finance and Chief Executive	(2,666)	239	(2,427)	443	(1,984)
Accommodation	(2,485)	211	(2,274)	-	(2,274)
Treasury management	(5,755)	(1,071)	(6,826)	(813)	(7,639)
Housing warranties	(220)	-	(220)	-	(220)
Landfill site	(971)	(34)	(1,005)	(7)	(1,012)
Insurance	(6,619)	(2,424)	(9,043)	2,392	(6,651)
Fire Authority	(31)	21	(10)	10	0
Waste	(393)	-	(393)	-	(393)
ERVR transistional	(6,074)	1,256	(4,818)	282	(4,536)
Members community fund	(672)	125	(547)	156	(391)
Community resilience	(2,000)	-	(2,000)	-	(2,000)
Pantteg	(500)	-	(500)	-	(500)
Joint committees	(199)	(120)	(319)	5	(314)
Corporate other	(750)	(41)	(791)	(226)	(1,017)
Corporate contingency	-	-	0	(2,269)	(2,269)
Earmarked reserves	(38,577)	(937)	(39,514)	1,253	(38,261)
Capital	(912)	-	(912)	1	(911)
General fund	(19,980)	(988)	(20,968)	1,047	(19,921)
GRAND TOTAL	(59,469)	(1,925)	(61,394)	2,301	(59,093)

NOTES TO THE ACCOUNTS

Earmarked reserves		2019/20
		£000
Education, Leisure and Lifelong Learning		
Schools	Delegated schools reserve-These reserves are ring-fenced for each individual school.	634
Education equalisation	This account will be used to fund any unforeseen pressures arising within the Education Leisure and Lifelong Learning budget.	(1,373)
Other	This includes funding to meet the cost of repairs and maintenance in schools, to equalise school transport costs, to assist primary schools in funding ERVR, and to fund building maintenance at the Margam discovery centre.	(327)
Education, Leisure and Lifelong Learning		<u>(1,066)</u>
Social Services and Health		
Hillside general	The fund has been established to equalise the capital investment required over time for the Hillside Secure Unit.	(274)
Other Social Services	To fund development work required to transform services and deliver further savings in future, to fund expenditure on renewal of equipment over several years, to equalise expenditure on volatile services.	(1,374)
Social Services and Health		<u>(1,648)</u>
Environment		
Environment equalisation	This reserve will be used to fund one off pressures across the Directorate.	(752)
Local development Plan	To meet statutory obligation for LD Plan.	(181)
Winter maintenance	To equalise the cost incurred during harsh	(754)
Other	This includes a transport reserve, Asset recovery reserve, renewable energy projects, a fund for enforcement action to improve derelict buildings, and to equalise expenditure on volatile services	(662)
Vehicle	This reserve will be used to fund a cost effective transport and plant renewal programme to meet service requirements.	(1,906)
General	This reserve will be used to fund vehicle tracking maintenance.	(92)
Environment		<u>(4,347)</u>

NOTES TO THE ACCOUNTS

Earmarked reserves	2019/20 £000
Finance and Chief Executive's	
IT renewals fund	This reserve will be used to fund the costs of major IT projects. (844)
Corporate equalisation	This reserve will fund one off pressures arising across the directorate. (535)
Election equalisation	This reserve will be used to meet the cost of the five year cycle of elections. (240)
Building capacity and capability	This relates to developing capacity in relation to transformational projects across the Council. (197)
Other	This includes reserves for health and safety, member development and voluntary (168)
Finance and Chief Executive's Reserves	<u>(1,984)</u>
Corporate issues	
Accommodation	This reserve will be used to support the Council's accommodation strategy and other (2,274)
Treasury management	This reserve will be used to equalise the impact of fluctuations in Treasury Management returns and fund future borrowing decisions, including the financing of the Swansea Bay City Deal. (7,639)
Housing warranties	This reserve has been set aside in recognition of the warranties to potential liabilities following the transfer of housing services. (220)
Landfill site	This is held for aftercare obligations at the Giants Grave site, which might arise if the Council's wholly owned company (NPT Waste Management Ltd) has insufficient resources. (1,012)
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. (6,651)
Waste	This reserve will be used to fund future waste service projects. (393)
ER VR transitional reserve	This reserve will fund future ER/VR costs. (4,536)
Members community fund	The reserve is set up to enable members to invest in activities and projects that improve outcomes within their local wards. (391)
Communities resilience fund	To fund work with and by the community to deliver local services that support the Council's priorities and objectives. (2,000)
Pantteg	The reserve is set up to fund ongoing costs. (500)
Joint committees	This reserve is for Intermediate Care pooled fund, the Western Bay Safeguarding Board, Substance Misuse, SWTRA and Workways (314)

NOTES TO THE ACCOUNTS

Earmarked reserves		2019/20
		£000
Corporate issues (continued)		
Other	This reserve will be used to fund costs relating to the Swansea Bay City Deal, income generation project work, and schools IT costs.	(1,017)
Corporate Contingency	To fund unforeseen future pressures in delivering the forward financial plan.	(2,269)
Corporate issues		(29,216)
Total earmarked reserves		(38,261)
Capital reserves	Revenue reserves earmarked for capital purposes.	(911)
General reserve working balances	Revenue reserve to fund non-specific future expenditure.	(19,921)
Total reserves		(59,093)

8. OTHER OPERATING EXPENDITURE

2018/19 £000		2019/20 £000
1,997	Community council precepts	2,044
18,324	Precepts and levies (Police and Fire)	19,659
73	(Gains)/losses on the disposal of non current assets	100
20,394	Total	21,803

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000		2019/20 £000
10,859	Interest payable and similar charges	10,813
11,350	Pension interest cost and expected return on pension assets	11,980
279	Changes in impairment loss allowance	310
(509)	Interest receivable and similar income	(497)
21,979	Total	22,606

10. TAXATION AND NON SPECIFIC GRANT

2018/19 £000		2019/20 £000
(85,420)	Council tax income	(89,714)
(45,383)	Non domestic rates	(45,752)
(166,733)	Non ring fenced government grants	(168,695)
(17,682)	Capital grants and contributions	(21,166)
(315,218)	Total	(325,327)

NOTES TO THE ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT

2019/20	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total PPE	Service Concession in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1st April 2019	438,362	31,327	399,046	701	14,002	2,065	885,503	18,563
additions	8,310	3,766	9,297	42	-	13,146	34,561	-
revaluation increases/(decreases) recognised in the revaluation reserve	15,796	-	-	-	-	-	15,796	-
revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(11,491)	-	-	(53)	(1,767)	-	(13,311)	-
derecognition-disposals	(67)	(1,750)	-	-	-	-	(1,817)	-
derecognition-other	(12,561)	(4)	(1,320)	(43)	-	-	(13,928)	-
assets reclassified (to)/from held for sale	(1,411)	-	-	-	75	-	(1,336)	-
change in asset classification	419	-	-	-	1,605	(2,024)	0	-
At 31st March 2020	437,357	33,339	407,023	647	13,915	13,187	905,468	18,563
Accumulated depreciation and impairment								
At 1st April 2019	(45,979)	(19,149)	(115,314)	-	(65)	(4)	(180,511)	(890)
depreciation charge	(13,847)	(2,839)	(9,909)	-	(102)	-	(26,697)	-
depreciation written out to the revaluation reserve	734	-	-	-	244	-	978	-
depreciation written out to the surplus/deficit on the provision of services	2,180	-	-	-	1,760	-	3,940	-
impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-	-	0	-
impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	-	-	-	-	-	-	0	-
recognition of depreciation on finance leases	-	-	-	-	-	-	0	-
depreciation written out to revaluation reserve on revaluation of finance leases	-	-	-	-	-	-	0	-
derecognition-disposals	-	1,698	-	-	-	-	1,698	-
derecognition-other	4,266	-	-	-	-	-	4,266	-
change in asset classification	1,973	-	-	-	(1,973)	-	0	-
At 31st March 2020	(50,673)	(20,290)	(125,223)	0	(136)	(4)	(196,326)	(890)
Net book value								
At 31st March 2020	386,684	13,049	281,800	647	13,779	13,183	709,142	17,673
At 31st March 2019	392,383	12,178	283,732	701	13,937	2,061	704,992	17,673

NOTES TO THE ACCOUNTS

2018/19	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total PPE	Service Concession in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1st April 2018	390,683	30,650	392,394	695	10,691	45,692	870,805	18,563
additions	3,156	2,489	7,995	476	1,698	22,297	38,111	-
revaluation increases/(decreases) recognised in the revaluation reserve	(6,384)	-	-	(871)	(61)	-	(7,316)	-
revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(8,633)	-	-	-	(2,226)	-	(10,859)	-
derecognition-disposals	(154)	(1,781)	-	-	-	-	(1,935)	-
derecognition - charged to the revaluation reserve	-	-	-	-	-	-	0	-
derecognition-other	(2,791)	(31)	(1,128)	(476)	(294)	-	(4,720)	-
assets reclassified (to)/from held for sale	(188)	-	-	-	1,605	-	1,417	-
change in asset classification	62,673	-	(215)	877	2,589	(65,924)	0	-
other movements in cost of valuation	-	-	-	-	-	-	0	-
At 31st March 2019	438,362	31,327	399,046	701	14,002	2,065	885,503	18,563
Accumulated depreciation and impairment								
At 1st April 2018	(40,774)	(18,574)	(105,576)	-	(37)	(4)	(164,965)	-
depreciation charge	(13,322)	(2,345)	(9,743)	-	(28)	-	(25,438)	(890)
depreciation written out to the revaluation reserve	1,750	-	-	-	20	-	1,770	-
depreciation written out to the surplus/deficit on the provision of services	4,088	-	-	-	2,264	-	6,352	-
derecognition - disposals	-	1,770	-	-	-	-	1,770	-
derecognition - other	-	-	-	-	-	-	0	-
change in asset classification	2,279	-	5	-	(2,284)	-	0	-
other movements in depreciation and impairment	-	-	-	-	-	-	0	-
At 31st March 2019	(45,979)	(19,149)	(115,314)	0	(65)	(4)	(180,511)	(890)
Net book value								
At 31st March 2019	392,383	12,178	283,732	701	13,937	2,061	704,992	17,673
At 31st March 2018	349,909	12,076	286,818	695	10,654	45,688	705,840	18,563

NOTES TO THE ACCOUNTS

Depreciation

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

Land	Depreciation not applicable
Buildings	At least 20 years
Vehicles, plant, furniture and equipment	3 - 20 years
Infrastructure	40 years

Effects of changes in estimates

During 2019/20, there have been no material changes made to the accounting estimates for property, plant and equipment.

Revaluations

The Council 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 are carried out internally. Valuations of land and buildings is carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment is based on historic cost.

12. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following categories of financial instrument are carried in the balance sheet:

2019/20	Long term		Short term	
	Investments	Debtors	Investments	Debtors
	31st Mar 2020	31st Mar 2020	31st Mar 2020	31st Mar 2020
	£000	£000	£000	£000
Amortised cost	86	1,262	56,541	35,333
Total financial assets	86	1,262	56,541	35,333

	Long term		Short term	
	Borrowings	Creditors	Borrowings	Creditors
	31st Mar 2020	31st Mar 2020	31st Mar 2020	31st Mar 2020
	£000	£000	£000	£000
Amortised cost	(297,098)	(16,264)	(13,697)	(38,296)
Total financial liabilities	(297,098)	(16,264)	(13,697)	(38,296)

NOTES TO THE ACCOUNTS

2018/19 Financial Assets	Long term (Non-current)		Short term (Current)	
	Investments	Debtors	Investments	Debtors
	31st Mar 2019	31st Mar 2019	31st Mar 2019	31st Mar 2019
	£000	£000	£000	£000
Amortised cost	86	1,353	55,135	29,995
Total financial assets	86	1,353	55,135	29,995

Financial liabilities	Long term (Non-current)		Short term (Current)	
	Borrowings	Creditors	Borrowings	Creditors
	31st Mar 2019	31st Mar 2019	31st Mar 2019	31st Mar 2019
	£000	£000	£000	£000
Amortised cost	(275,803)	(18,601)	(10,638)	(48,831)
Total financial liabilities	(275,803)	(18,601)	(10,638)	(48,831)

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.

The debtors position differs from that reported in the balance sheet as the debts relating to council taxation do not meet the definition of a financial instrument.

Income, expenses, gains and losses

	Surplus or deficit on the provision of services	
	31st Mar 2020 £000	31st Mar 2019 £000
Net gains / losses on: Financial liabilities measured at amortised cost	10,813	10,859
Total net gains/losses	10,813	10,859
Interest expense	(497)	(509)

NOTES TO THE ACCOUNTS

Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. The fair value of the loans and receivables and financial liabilities is determined by calculating the net present value (NPV) of future cash flows, which provides an estimate of the value of payments in the future as at 31st March 2020, 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 2020, 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 2020		31st Mar 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	(241,804)	(272,659)	(217,771)	(262,007)
Non-PWLB debt	(64,500)	(92,833)	(64,000)	(96,780)
Non-PWLB debt temporary borrowing	(1,568)	(1,568)	(1,553)	(1,553)
Total debt	(307,872)	(367,060)	(283,324)	(360,340)
Long term creditors	(16,264)	(16,264)	(18,601)	(18,601)

NOTES TO THE ACCOUNTS

31st March 2020 – Debt

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates available for similar loans in the market at the balance sheet date. This shows a notional future loss, based on economic conditions at 31st March 2020, arising from a commitment to pay interest to lenders above market rates.

Fair value of assets:

	31st Mar 2020		31st Mar 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	56,500	56,500	55,100	55,100
Long term debtors	1,262	1,262	1,353	1,353

13. DEBTORS

31st Mar 2019 £000		31st Mar 2020 £000
16,180	Central government bodies	23,639
3,085	Other local authorities	1,813
4,383	NHS bodies	3,461
10,158	Other entities and individuals	9,253
3,259	Payments in advance	4,561
(4,611)	Less provision for impairment loss	(4,990)
32,454	Total	37,737

14. DEBTORS FOR LOCAL TAXATION

Included within the total debtors figure above are debts relating to the collection of local taxation, as adjusted for those that are unlikely to be collected.

31st Mar 2019 £000		31st Mar 2020 £000
1,432	Less than one year	1,408
2,158	More than one year	2,127
(1,131)	Less provision for impairment loss	(1,131)
2,459	Total	2,404

NOTES TO THE ACCOUNTS

15. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31st Mar 2019 £000		31st Mar 2020 £000
94	Cash held by the Authority	110
3,413	Bank current accounts	3,193
3,507	Total	3,303

16. ASSETS HELD FOR SALE

	Current	
	2018/19 £000	2019/20 £000
Balance outstanding at start of year	5,129	3,536
Assets newly classified as held for sale:		
Property, plant and equipment	188	3,100
Revaluation losses	(106)	(6)
Revaluation gains	10	1,589
Assets declassified as held for sale:		
Property, plant and equipment	(1,605)	(1,764)
Assets sold	(80)	(1,087)
Balance outstanding at year end	3,536	5,368

17. CREDITORS

31st Mar 2019 £000		31st Mar 2020 £000
(5,225)	Central government bodies	(7,923)
(6,904)	Other local authorities	(5,860)
(486)	NHS bodies	(82)
(33,914)	Other entities and individuals	(22,325)
(2,302)	Receipts in advance	(2,106)
(48,831)	Total	(38,296)

NOTES TO THE ACCOUNTS

18. PROVISIONS

Long term provisions

	Injury and damage compensation claims £000	Other provisions- housing warranty £000	Total £000
Balance at 1st April 2018	(3,441)	(923)	(4,364)
Net transfer from	1,293	-	1,293
Balance at 31st March 2019	(2,148)	(923)	(3,071)
Net transfer from	(222)	-	(222)
Balance at 31st March 2020	(2,370)	(923)	(3,293)

Short term provisions

	Injury and Damage Compensation Claims £000	Other provisions- redundancy £000	Total £000
Balance at 1st April 2018	(1,387)	(594)	(1,981)
Net transfer from	132	594	726
Net transfer (to)	(1)	(766)	(767)
Balance at 31st March 2019	(1,256)	(766)	(2,022)
Net transfer from	38	766	804
Net transfer (to)	-	(325)	(325)
Balance at 31st March 2020	(1,218)	(325)	(1,543)

Long and short term - injury and damage compensation claims

This provision covers the estimated cost of settling all the outstanding insurance claims of the Council that existed at 31st March 2020.

Long term - other provisions – housing warranties

This long term provision has been set aside in recognition of the warranties and commitments relating to potential liabilities following the transfer of housing services in 2010/11. The provision reflects the costs likely to be incurred in future years.

Short term - other provisions – redundancy

The Council undertook an exercise to seek volunteers for voluntary redundancy as part of the Council's savings strategy and in line with the Council's desire to avoid compulsory redundancy as far as is possible. Many of those who finished left the Council before the 31st March. However, there were some agreements to leave after this date and accounting regulations require the Council to account for the costs in the year that the agreement was made. A charge has been made to this year's individual revenue accounts, for the cost of these leaving during next year, with this provision being set up to meet the costs when the individuals actually leave.

NOTES TO THE ACCOUNTS

19. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the movement in reserves statement and summarised below:

31st Mar 2019 £000		31st Mar 2020 £000
(61,394)	Earmarked and general reserve working balance	(59,093)
(10,477)	Unapplied grants	(11,629)
(6,971)	Usable capital receipts	(8,076)
(78,842)	Total	(78,798)

20. UNUSABLE RESERVES

31st Mar 2019 £000		31st Mar 2020 £000
(78,299)	Revaluation reserve	(91,441)
(292,429)	Capital adjustment account	(281,012)
1,840	Financial instruments adjustment account	1,665
513,753	Pensions reserve	504,673
(15)	Deferred capital receipts reserve	(15)
3,876	Accumulated absences account	4,672
148,726	Total	138,542

Revaluation reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

NOTES TO THE ACCOUNTS

2018/19		Revaluation reserve	2019/20	
£000	£000		£000	£000
	(85,625)	Balance at 1st April		(78,299)
(3,412)		Upward revaluation of assets	(18,953)	
8,979		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	618	
-		Impairment losses on non-current assets	-	
	5,567	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services		(18,335)
1,597		Difference between fair value depreciation and historical cost depreciation	5,154	
162		Accumulated gains on assets sold or scrapped	39	
	1,759	Amount written off to the capital adjustment account		5,193
	(78,299)	Balance at 31st March		(91,441)

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 Council as finance for the costs of acquisition, construction and enhancement.

The account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date that the revaluation reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

NOTES TO THE ACCOUNTS

2018/19		Capital adjustment account	2019/20	
£000	£000		£000	£000
	(300,921)	Balance at 1st April		(292,429)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
25,438		Charges for depreciation and impairment of non current assets	26,697	
4,583		Revaluation losses on property, plant and equipment	9,351	
10,004		Revenue expenditure funded from capital under statute	14,232	
244		Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	1,205	
	40,269			51,485
	(1,759)	Adjusting amounts written out of the revaluation reserve		(5,193)
	(262,411)	Net written out amount of the cost of non current assets consumed in the year		(246,137)
(20,196)		Capital financing applied in the year:		
		Application of grants to capital financing from the capital grants unapplied account	(24,684)	
(9,216)		Statutory provision for the financing of capital investment charged against the general fund	(10,009)	
(606)		Capital expenditure charged against the general fund	(182)	
	(30,018)			(34,875)
-		Use of capital receipts reserve to repay loans	-	
-		Deferred sale proceed to comprehensive income and expenditure account	-	
	0			0
	(292,429)	Balance at 31st March		(281,012)

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 Council 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 Council'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 2019 will be charged to the general fund until 2055.

2018/19		Financial instruments adjustment	2019/20	
£000	£000		£000	£000
(175)	2,015	Balance at 1st April	(175)	1,840
		Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements		
	(175)			(175)
	1,840	Balance at 31st March		1,665

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 Council 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 Council 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 Council 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

2018/19 £000	Pension reserve	2019/20 £000
450,183	Balance at 1st April	513,753
30,450	Actuarial (gains) or losses on pensions assets and liabilities	(32,420)
60,540	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	52,580
(27,420)	Employer's pensions contributions and direct payments to pensioners payable in the year	(29,240)
513,753	Balance at 31st March	504,673

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 Council 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.

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.

2018/19		Accumulated absences account	2019/20	
£000	£000		£000	£000
(4,255)	4,255	Balance at 1st April	(3,876)	3,876
3,876		Settlement or cancellation of accrual made at the end of the preceding year		
		Amounts accrued at the end of the current year	4,672	
	(379)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		796
	3,876	Balance at 31st March		4,672

NOTES TO THE ACCOUNTS

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2018/19 £000		2019/20 £000
25,438	Depreciation and impairment on non current assets	26,697
4,583	Revaluation losses on property, plant and equipment	9,351
135	(Increase)/decrease in long term debtors	91
7,469	(Increase)/decrease in short term debtors	(5,283)
(25)	(Increase)/decrease in inventories	(62)
(12,732)	Increase/(decrease) in short term creditors	(10,535)
(6,027)	Increase/(decrease) in long term creditors	(2,337)
41	Increase/(decrease) in short term provisions	(479)
(1,293)	Increase/(decrease) in long term provisions	222
244	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,205
33,120	Increase/ (decrease) in pension liability	23,340
4,856	Other non-cash items charged to net surplus/deficit on the provision of services	9,614
55,809		51,824

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

2018/19 £000		2019/20 £000
171	Proceeds from the sale of property, plant and equipment	1,105
17,428	Other receipts from investing activities	21,475
17,599		22,580

22. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £000		2019/20 £000
(38,111)	Purchase of property, plant and equipment	(34,561)
(2,009,880)	Purchase of short term and long term investments	(4,964,342)
171	Proceeds from the sale of property, plant and equipment	1,105
2,015,780	Proceeds from short term and long term investments	4,962,942
17,428	Other receipts from investing activities	21,475
(14,612)	Net cash flows from investing activities	(13,381)

NOTES TO THE ACCOUNTS

23. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
21,311	Cash receipts of short and long term borrowing	30,516
(5,184)	Repayments of short and long term borrowing	(5,968)
16,127	Net cash flows from financing activities	24,548

The financing activities relate to non-cash changes. The financing cash flows can be further split between short and long term borrowing as follows:

	Long term £000	Short term £000	Total £000
Cash receipts	(30,500)	(16)	(30,516)
Repayments	-	5,968	5,968
Net cash flows from financing activities	(30,500)	5,952	(24,548)

24. AGENCY SERVICES

South Wales Trunk Road Agency

The Council 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.

25. POOLED BUDGETS

Community equipment store – Health, Neath Port Talbot Council and the City and Country of Swansea

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

2018/19			2019/20	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
(354)		Grant	(526)	
(705)		City and County of Swansea	(624)	
(470)		Neath and Port Talbot Council	(351)	
(1,175)		The Health Board	(1,525)	
	(2,704)	In year contributions		(3,026)
	(2,704)	Total income		(3,026)
	2,333	Expenditure met from the pooled budget:		2,233
	(371)	Net (surplus)/deficit arising on the pooled budget during the year		(793)
	(74)	Authority share of the net (surplus)/deficit arising on the pooled budget		(111)

Intermediate Care – Neath Port Talbot Council and Health

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

The arrangement for this pool is that the partners shall be jointly responsible, in accordance with the funding agreement for any costs, claims, expenses or liabilities incurred in accordance with the terms of the pool agreement. Also, any underspend will be put into a ring-fenced reserve or distributed to partners as agreed by the partnership board.

2018/19			2019/20	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
(2,881)		Neath and Port Talbot Council	(2,728)	
(2,511)		The Health Board	(2,579)	
	(5,392)	Total contributions		(5,307)
	5,392	Expenditure met from the pooled budget:		5,280
	0	Net (surplus)/deficit arising on the pooled budget during the year		(27)
	0	Authority share of the net (surplus)/deficit arising on the pooled budget		(27)

NOTES TO THE ACCOUNTS

26. MEMBERS REMUNERATION

The Council paid the following amounts to members of the Council during the year, including on-costs for national insurance and pensions.

2018/19 £000		2019/20 £000
1,329	Basic and senior salaries	1,342
7	Expenses	6
1,336	Total	1,348

27. OFFICERS REMUNERATION

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

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

The Accounts and Audit Regulations (Wales) 2014 introduced the requirement for the statement of accounts to include a ratio showing the remuneration of the Council's highest paid officer, its Chief Executive, compared to the median remuneration of all employees, which is £23,369. The ratio is:

	Pay multiple
Median employee earnings : Chief Executive's earnings	1 : 6.10

NOTES TO THE ACCOUNTS

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

		Salary, fees and allowances £	Expenses allowances £	Employers pension contribution £	Total £
Chief Executive Mr Steven J Phillips	2019/20	142,485	-	25,647	168,132
	2018/19	136,952	-	24,651	161,603
Director of Education, Leisure & Lifelong Learning	2019/20	115,277	-	20,750	136,027
	2018/19	113,017	-	20,343	133,360
Director of Environment	2019/20	** 87,708	-	15,787	103,495
	2019/20	* 89,288	-	-	89,288
	2018/19	113,017	-	-	113,017
Director of Social Services, Health & Housing	2019/20	110,037	-	-	110,037
	2018/19	105,222	-	-	105,222
Director of Finance and Corporate Services	2019/20	115,277	-	-	115,277
	2018/19	113,017	-	-	113,017
Assistant Chief Executive & Digital Officer	2019/20	91,179	-	16,412	107,591
	2018/19	87,210	-	15,698	102,908

The Employers pension contribution of 18% (18% in 2018/19) excludes any deficit contribution to the Fund and represents the normal contribution required for the year. No contribution cost is included when an officer has left the employers pension scheme.

The figures do not include any remuneration for the Chief Executive in his role as returning officer. The amount paid to the Chief Executive in 2019/20 was £9,500 (2018/19 £165), which is based on rates defined by the respective election bodies.

The Director of Environment post was filled by appointment on 3rd January 2020 after the retirement of the former Director of Environment. There are two lines showing for the Director of Environment to show the pay of the **newly appointed Director which include those of their previous role within the Council, followed by the figures of the *retiring Director.

The number of other staff employed by the Council, including head teachers, receiving more than £60,000 remuneration for the year, excluding employer's pension contributions, is listed below, in bands of £5,000. The number of employees has increased in 2019/20 due to Head Teachers remuneration exceeding the threshold following their pay award.

NOTES TO THE ACCOUNTS

			Number of employees	
			2019/20	2018/19
£60,000	-	£64,999	43	24
£65,000	-	£69,999	20	15
£70,000	-	£74,999	7	10
£75,000	-	£79,999	7	8
£80,000	-	£84,999	10	4
£85,000	-	£89,999	2	1
£90,000	-	£94,999	-	4
£95,000	-	£99,999	3	1
£100,000	-	£104,999	-	1
£105,000	-	£109,999	1	-
			93	68

As a result of a voluntary redundancy scheme in 2019/20, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

			Number of employees	
			2019/20	2018/19
£60,000	-	£64,999	2	1
£65,000	-	£69,999	-	2
£70,000	-	£74,999	1	1
£80,000	-	£84,999	-	1
£90,000	-	£94,999	1	1
			4	6

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

Exit Package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
							£000	£000
£0 - £20,000	7	8	37	67	44	75	392	702
£20,001 - £40,000	-	2	14	35	14	37	369	965
£40,001 - £60,000	-	-	4	4	4	4	199	194
£60,001 - £100,000	-	-	2	3	2	3	166	240
Total	7	10	57	109	64	119	1,126	2,101

The Council continues to minimise compulsory redundancy as far as is possible by using alternatives such as voluntary redundancy and redeployment to alternative employment. Those who left under either voluntary or compulsory redundancy received redundancy payments in line with the Council's scheme and where eligible, accessed their pensions.

NOTES TO THE ACCOUNTS

28. EXTERNAL AUDIT COSTS

The Council 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 Council's external auditors:

2018/19 £000		2019/20 £000
176	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	177
100	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	100
46	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	45
322	Total	322

29. GRANT INCOME

The Council credited the following grants and contributions to the comprehensive income and expenditure statement:

Restated 2018/19 £000	Grant income	2019/20 £000
	Credited to taxation and non specific grant income	
166,733	Revenue Support Grant	168,695
50	Harbour Way peripheral development road (PDR)	-
-	Regeneration and town centre redevelopments	6,405
9,192	21st Century schools	5,852
700	Intermediate care fund	50
1,328	Local transport fund	320
652	Safe routes / Accident reduction measures	564
317	Port Talbot integrated transport hub	-
134	Coastal risk management projects	15
540	Active travel	521
-	Additional infrastructure funding	1,496
903	Collaborative change funding for waste	-
-	Flood prevention grants	9
2,495	Additional general capital grant	-
199	Flying start	7
510	Childcare offer capital grant	167
-	Additional Schools Funding	1,928
-	Hillside	2,000
-	HWB	1,113
662	Other capital grants	719
184,415	Total	189,861

NOTES TO THE ACCOUNTS

Restated 2018/19 £000	Grant income	2019/20 £000
	Credited to services	
1,428	Post 16	1,453
234	Youth	653
240	Active Young People	241
687	Childcare Offer	2,139
5,091	RCSIG	5,181
869	Teachers Pension	1,827
125	LA Education Grant	2,715
5,156	Pupil Deprivation Grant	5,132
253	PDG LAC	255
355	RDP	294
2,731	Other Education Grants	1,638
2,493	Concessionary Bus Fares	2,394
107	Bus Services Grant	114
393	Local Transport fund	-
154	Other Highways Grants	121
1,944	Families First	1,912
354	Social Care Workforce Development	354
218	Youth Justice Board	411
3,655	Substance Misuse	3,076
3,812	Flying Start	3,807
-	Safe & Resilient Communities	1,494
157	Syrian Vulnerable Person Resettlement	152
1,132	Other Social Services Grants	505
877	HB Admin	701
48,203	Mandatory Rent Allowances	44,447
454	Mandatory Rent Rebate	421
2,695	General Capital Grant for Housing Expenditure	4,245
188	Housing Energy Efficiency Grant	425
4,827	Supporting People	4,804
200	Recreation & Sport	177
1,663	Community Purposes	1,486
58	Single Environment Grant	-
2,206	Workways	2,483
767	Sustainable Waste	886
-	Enabling Natural Resources & Wellbeing	459
-	Schools ICT HWB grant	326
1,157	Other services grants	1,304
94,883	Total	98,032

NOTES TO THE ACCOUNTS

30. RELATED PARTIES

The Council 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 Council.

Central government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties, such as council tax bills and housing benefits. Grants and contributions received from government departments are set out in the note to the expenditure and funding analysis in note 5. Grant receipts are shown in note 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total paid to members in 2019/20, including on-costs, is shown in note 26.

Under the code of conduct incorporated in the Council's Constitution, members are required to record in the register of members interests any financial and other personal interests, together with any gift, hospitality, material interest or advantage. The register is open to inspection by the public and is available on an individual member basis on the Council Website.

Members of the Council serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. These payments are made with proper consideration of declarations of interest and relevant members do not take part in any discussion or decision relating to the grants.

Officers

The Chief Executive of the Council and the former Director of Environment both terminated their appointments as unpaid directors of Baglan Bay Company Ltd and Coed Darcy Ltd in February 2020 and December 2019 respectively. 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. 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.

NOTES TO THE ACCOUNTS

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

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

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

Entities significantly influenced by the Council

Swansea Bay City Deal

The Swansea Bay City Deal is a £1.3bn investment in 11 major projects across the Swansea Bay City Region, which is made up of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

The Swansea Bay City Deal is being led by the four regional local authorities through a Joint Committee Agreement, together with non-voting partners, Swansea Bay and Hywel Dda University Health boards, Swansea University and the University of Wales Trinity Saint David.

Within the Joint Committee Agreement there is acknowledgement that all partners will contribute £50,000 per annum to support the central administrative functions of the programme. Neath Port Talbot Council contribution is fully paid up to 31st March 2020.

The City Deal is being funded, subject to the approval of project business cases by the UK Government, the Welsh Government, the public sector and private sector.

On the successful approval of project business cases the Accountable Body, on behalf of the Joint Committee, will release Government grant funding to Project Lead Authorities up to the maximum of the agreed allocated value. Grant values are subject to change, however this will be supported by a full business case and approval by the Joint Committee and both UK and Welsh Governments, as outlined within the Joint Committee Agreement

To date no grant funding has been received by Neath Port Talbot Council from the Accountable Body of the Swansea Bay City Deal.

Waste

The Council owns a waste management company (Neath Port Talbot Waste Management Company Ltd) and relevant transactions and details are included in notes to the balance sheet.

The waste management company has a 100% shareholding in the operating company for the materials recycling plant (Neath Port Talbot Recycling Ltd), which stopped trading on 30th September 2020.

NOTES TO THE ACCOUNTS

The Council paid waste management charges to NPT Recycling Ltd in 2019/20 on behalf of Neath Port Talbot CBC and Bridgend CBC of £4.544M (£9.025m in 2018/19) and received income from Bridgend CBC. The waste services provided by NPTRL was TUPE transferred into Neath Port Talbot Council on 1st October 2019.

Celtic Leisure

The Council has contracted with Celtic Leisure to manage its indoor leisure activities and the Gwyn Hall. This body is a company limited by guarantee. The Council pays Celtic Leisure an annual management fee to run the service (excluding the structural maintenance of buildings) which for 2019/20 was £1.593m (£1.74m in 2018/19). There was £99,000 (£16,000 in 2018/19) outstanding balance owed by Celtic Leisure on 31st March 2019.

31. 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.

2018/19 £000		2019/20 £000
	Capital investment	
38,111	Property, plant and equipment	34,561
5,284	Revenue expenditure funded from capital under	4,570
43,395		39,131
	Sources of finance	
(20,196)	Government grants and other contributions:	(24,684)
	Sums set aside from revenue	
(606)	Direct revenue contributions and reserves	(182)
(22,593)	Loans	(14,265)
(43,395)		(39,131)

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

2018/19 £000		2019/20 £000
(325,241)	Opening capital financing requirement	(338,618)
(4,433)	Increase in underlying need to borrow (supported by government financial assistance)	(4,486)
(18,160)	Increase in underlying need to borrow (unsupported by government financial assistance)	(9,778)
9,216	Minimum revenue provision and prudential borrowing	10,009
(338,618)	Closing capital financing requirement	(342,873)

NOTES TO THE ACCOUNTS

32. SERVICE CONCESSION

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

The agreement included the construction of two residential care homes with a commitment that the Council will purchase a guaranteed number of beds for the duration of the contract. The contract includes a series of events which could trigger termination of the contract. At the end of the contract the assets transfer into the ownership of the Council for no additional charge. The Council carries the non-current assets used under the contract on the balance sheet as service concession assets.

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

	Payment for services £000	Reimburse capital expenditure £000	Interest £000	Total £000
Payable:				
Within 1 year	5,240	90	162	5,492
Within 2 to 5 years	18,140	420	589	19,149
Within 6 to 10 years	18,213	691	571	19,475
Within 11 to 15 years	16,022	935	327	17,284
Years 16 to 17	9,613	461	44	10,118
Total	67,228	2,597	1,693	71,518

The future service liability for reimbursing capital expenditure is:

2018/19 £000		2019/20 £000
2,762	Balance outstanding at 1st April	2,682
(80)	Payments during the year	(85)
2,682		2,597

NOTES TO THE ACCOUNTS

33. LEASES

Council as lessee

Finance leases

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

31st Mar 2019 £000		31st Mar 2020 £000
3,305	Other land and buildings - asset value	3,232

The Council 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 Council and finance costs that will be payable by the Council in future years, while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31st Mar 2019 £000		31st Mar 2020 £000
	Finance lease liabilities	
10	Current	11
865	Non current	855
875	Finance lease costs payable in future years	834
1,750	Minimum lease payments	1,700

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

	Minimum lease payments		Finance lease liabilities	
	31st Mar £000	31st Mar £000	31st Mar £000	31st Mar £000
Not later than one year	52	52	10	11
Between 1 and 5 years	206	206	46	49
Later than 5 years	1,492	1,442	819	806
	1,750	1,700	875	866

Council as lessor

Operating lease

The Council currently leases out property under operating lease agreements ranging from indoor market units to shops, clubs, land, etc.

The lease income received in 2019/20 was £1.295m and in 2018/19 was £1.244m. The leases are short term by nature and future income streams will be affected by external factors, most noticeably economic conditions and therefore cannot be estimated with certainty.

NOTES TO THE ACCOUNTS

34. 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 2019/20, the Council paid £9.699m to Teachers' Pensions in respect of teachers' retirement benefits, based on a new rate of 23.68% from 1st September 2019. The figures for 2018/19 were £7.608m and 16.48%, which was the effective rate to the 31st August 2019.

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 discretionary basis within the defined benefit detailed in note 35.

35. DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

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

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

NOTES TO THE ACCOUNTS

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

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

Discretionary post-retirement benefits

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

Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement. The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

NOTES TO THE ACCOUNTS

	Local Government Pension		Discretionary benefits arrangements	
	2019/20	2018/19	2019/20	2018/19
	£m	£m	£m	£m
Comprehensive income and expenditure statement (CIES)				
Cost of services:				
current service cost	40.36	31.41	-	-
past service costs	0.24	18.44	-	-
(gain)/loss from settlements	-	(0.66)	-	-
Financing and investment income and expenditure				
Net interest expense	11.17	10.45	0.81	0.90
Total post-employment benefit charged to the surplus or deficit on the provision of services	51.77	59.64	0.81	0.90
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)	72.31	(32.32)	-	-
Actuarial gains and losses arising on changes in financial assumptions	(21.94)	60.25	(0.26)	-
Actuarial gains and losses arising on changes in demographic assumptions	(40.44)	-	(1.27)	0.88
Actuarial gains and losses due to liability experience	(40.66)	1.54	(0.16)	0.10
Total amount recognised in other comprehensive income	(30.73)	29.47	(1.69)	0.98
Total post employment benefit charged to the CIES	21.04	89.11	(0.88)	1.88
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	(21.04)	(89.11)	0.88	(1.88)
Actual amount charged against the general fund balance for pensions in the year				
employers' contributions payable to scheme	26.68	24.90		
retirement benefit payable to pensioners			2.56	2.52

NOTES TO THE ACCOUNTS

Pensions assets and liabilities recognised in the balance sheet

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

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Present value of liabilities:					
Local Government Scheme	(839.99)	(992.12)	(1,031.05)	(1,148.35)	(1,090.77)
Discretionary benefits	(36.70)	(38.51)	(35.76)	(35.12)	(31.68)
Total	(876.69)	(1,030.63)	(1,066.81)	(1,183.47)	(1,122.45)
Less					
Fair value of assets in the Local Government Pension	509.40	594.44	616.63	669.72	617.78
Total	(367.29)	(436.19)	(450.18)	(513.75)	(504.67)
Equals					
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(330.59)	(397.68)	(414.42)	(478.63)	(472.99)
Discretionary benefits	(36.70)	(38.51)	(35.76)	(35.12)	(31.68)
Closing balance at 31st March	(367.29)	(436.19)	(450.18)	(513.75)	(504.67)

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

2018/19 £m		2019/20 £m
616.63	Opening fair value of scheme assets	669.72
16.10	Interest Income on assets	16.13
32.32	Remeasurement gains/(losses) on assets	(72.31)
24.90	Contributions by the employer	26.68
5.81	Contributions by participants	6.15
(25.13)	Net benefits paid out	(28.59)
(0.91)	Settlements	-
669.72	Closing fair value of assets	617.78

NOTES TO THE ACCOUNTS

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary benefits	
	2019/20 £m	2018/19 £m	2019/20 £m	2018/19 £m
Opening balance at 1st April	(1,148.35)	(1,031.05)	(35.12)	(35.76)
Current service cost	(40.36)	(31.41)	-	-
Interest cost	(27.30)	(26.55)	(0.81)	(0.90)
Contributions from scheme participants	(6.15)	(5.81)	-	-
Remeasurement gains and (losses)				
Actuarial gains/losses arising from changes in financial assumption	21.94	(60.25)	0.26	(0.88)
Actuarial gains/losses arising from changes in demographic assumptions	40.44	-	1.27	-
Actuarial gains and losses due to liability experience	40.66	(1.54)	0.16	(0.10)
Net benefits paid out	28.59	25.13	2.56	2.52
Past service cost (incl. curtailments)	(0.24)	(18.44)	-	-
Settlements	-	1.57	-	-
Closing balance at 31st March	(1,090.77)	(1,148.35)	(31.68)	(35.12)

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets for Neath Port Talbot

The following table shows an analysis of the scheme assets.

	Fair value of scheme assets			Fair value of scheme assets		
	2019/20			2018/19		
	UK £000	Overseas £000	Total £000	UK £000	Overseas £000	Total £000
Equities						
Quoted	-	-	-	-	-	-
Pooled investments vehicles						
Managed funds:						
Quoted						
Equity	-	3,135	3,135	-	4,764	4,764
Fixed interest	-	35,573	35,573	-	38,860	38,860
Unquoted						
Equity	-	428,185	428,185	53,248	433,530	486,778
Fixed interest	27,904	5,841	33,745	20,810	5,491	26,301
Index-linked	10,869	-	10,869	11,305	-	11,305
Property unit trust	6,237	-	6,237	6,420	-	6,420
Property fund	9,641	15,034	24,675	11,977	10,878	22,855
Hedge fund	-	15,470	15,470	-	17,809	17,809
Private equity	-	30,982	30,982	-	26,185	26,185
Private Debt	-	3,580	3,580	-	-	-
Derivatives	-	561	561	-	-	-
Infrastructure	-	10,412	10,412	-	6,083	6,083
Total pooled	54,651	548,773	603,424	103,760	543,600	647,360
Total equities and pooled investment	54,651	548,773	603,424	103,760	543,600	647,360
Cash funds			239			252
Cash			13,519			21,376
Other investment balances due			-			-
Total investments			617,182			668,988
Net current assets			598			732
Total assets			617,780			669,720

In January 2019, the three segregated equity funds were transitioned to the Wales Pension Partnership Global Opportunities Fund as a pooled Equity Investment Vehicle. The Scheme no longer has any segregated global equity mandates.

NOTES TO THE ACCOUNTS

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

	Neath Port Talbot share 2018/19		Neath Port Talbot share 2019/20	
	Value of net assets £000	Proportion of net assets %	Value of net assets £000	Proportion of net assets %
Blackrock ACS Low Carbon Tracker Fund	-	-	137,718	22.3
Blackrock UK Equity Index	53,248	8.0	-	-
Blackrock North America Equity Index	57,681	8.6	-	-
Goldman Sachs Global Libor Plus II	38,860	5.8	35,573	5.8
HarbourVest - Private Equity Fund	-	-	30,982	5.0
WPP Global Opportunities Fund	309,992	46.3	278,008	45.0

The total of the Funds' investments for 2019/20 was £2.7m (2018/19 £254,000), and transaction costs for managing the Fund that relate to Neath Port Talbot for 2019/20 were £832,000 (2018/19 £83,000).

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 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension		Discretionary benefits arrangements	
	2019/20	2018/19	2019/20	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2	23.0	22.2	23.0
Women	24.2	24.6	24.2	24.6
Longevity at 65 for future pensioners:				
Men	23.2	24.7	-	-
Women	25.7	26.4	-	-
Rate of inflation:				
RPI	-	3.3%	-	3.3%
CPI	2.0%	2.2%	2.0%	2.2%
Rate of increase in salaries	3.5%	3.7%	-	-
Rate of increase in pensions	2.0%	2.2%	2.0%	2.2%
Rate for discounting scheme liabilities	2.3%	2.4%	2.3%	2.4%

NOTES TO THE ACCOUNTS

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2020 and the projected service cost for the year ending 31st March 2021 is set out below:

Discount rate assumption

Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£m's)	1,068.65	1,113.35
% change in present value of total obligation	-2.0%	2.1%
Projected service cost (£m's)	37.13	39.85
Approximate % change in projected service cost	-3.5%	3.6%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	1,094.28	1,087.30
% change in present value of total obligation	0.3%	-0.3%
Projected service cost (£m's)	38.47	38.47
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)	1,110.75	1,071.22
% change in present value of total obligation	1.8%	-1.8%
Projected service cost (£m's)	39.85	37.13
Approximate % change in projected service cost	3.6%	-3.5%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year	+1 year
Present value of total obligation (£M's)	1,126.38	1,055.53
% change in present value of total obligation	3.3%	-3.2%
Projected service cost (£m's)	39.94	37.02
Approximate % change in projected service cost	3.8%	-3.8%

Asset liability matching strategy

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

NOTES TO THE ACCOUNTS

Impact on the Council'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 nineteen years from 1st April 2020, funding levels are monitored to achieve this. Cash flows used in the valuation were estimated based on the 2019 actuarial valuation data provided.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2021 is £26.97m. Expected payments to beneficiaries of the discretionary benefits schemes in the year to 31st March 2021 are £1.03m for the LGPS Scheme and £1.58m for Teachers.

36. 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
- 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. Risk management is carried out by a central treasury team, under policies approved by Council in the treasury management strategy, annual investment strategy, capital strategy and minimum revenue policy report. The full report can be accessed on the Council's web site.

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 is available on the Council website.

The key areas of the investment strategy in relation to minimum criteria for investment counterparties and investment limits are included within Appendix 2 of the annual investment strategy.

NOTES TO THE ACCOUNTS

The Council'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 minimal risk of irrecoverability applies to all of the Council's deposits and by adopting stringent investment criteria this risk continues to be minimised.

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

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

31st Mar 2019 £000		31st Mar 2020 £000
5,844	Current - up to one month	1,850
644	One to three months	555
440	Three to six months	609
436	Six months to one year	419
1,009	More than one year	1,094
8,373	Total	4,527

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money and the Public Works Loan Board. There is no significant risk that it will be unable to raise finances to meet its commitments under financial instruments.

Refinancing and maturity risk

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

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

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

NOTES TO THE ACCOUNTS

31st Mar 2019 £000		31st Mar 2020 £000
(7,521)	Less than 1 year	(10,774)
(10,207)	Between 1 and 2 years	(1,001)
(17,706)	Between 2 and 5 years	(37,706)
(1,232)	Between 5 and 10 years	(1,732)
(246,658)	More than 10 years	(256,659)
(283,324)	Total	(307,872)

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 surplus or deficit on the provision of services will rise;
- Borrowings at fixed rates – the fair value of the liabilities borrowing will fall ;
- Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall.

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:

NOTES TO THE ACCOUNTS

	31st Mar 2020 £000
Increase/decrease in interest received and credited to the CIES	515
Increase/decrease in external interest payable and debited to the CIES	3,043

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

37. 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 2019/20 was £1,857.29. This was calculated by dividing the amount of council tax required by Neath Port Talbot Council, each community council, and the South Wales Police Authority by the council tax base of 47,349 (which is the number of properties we collect council tax from, adjusted by discounts etc., and converted to the equivalent number of band d properties). The amounts for properties in other bands are calculated by multiplying the band d figure by the relevant multiplier in the table below:

Band	A	B	C	D	E	F	G	H	I	Total
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
No. of chargeable dwellings	13,096	26,262	11,255	7,079	4,251	1,355	499	86	17	63,900

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 2019/20 was 52.6p (2018/19 51.4p). The Council is responsible for collecting rates due from businesses in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

In 2019/20, the total non-domestic rateable value at the year-end was £100.980m (2018/19 £101.407m).

NOTES TO THE ACCOUNTS

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:

Town or community councils	2019/20 £000
Blaengwrach	36
Blaenhonddan	220
Briton Ferry	148
Cilybebyll	99
Clyne and Melincourt	21
Coedffranc	380
Crynant	48
Cwmllynfell	39
Dyffryn Clydach	49
Glynneath	148
Gwaencaegurwen	83
Neath	330
Onllwyn	23
Pelenna	39
Pontardawe	183
Resolven	52
Seven Sisters	49
Tonna	29
Ystalyfera	68
	2,044
Other levies and demands	
Police and Crime Commission for South Wales	12,193
Fire Authority	7,466
	19,659

38. ANNUAL GOVERNANCE STATEMENT

The Council is required by statute to provide an Annual Governance Statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is signed by the Council's Leader and Chief Executive and approved by Cabinet.

The independent auditor's report of the Auditor General for Wales to the members of 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 when the Accounts are signed off.

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

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GLOSSARY OF TERMS

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

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

GLOSSARY OF TERMS

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.
General fund balance	This represents the cumulative retained surpluses on the Council's revenue budget. It includes reserves the Council has earmarked to fund its plans as well as a cushion against unexpected events or emergencies. The level of the balance is considered as part of the annual budget process each year.
Impairment	This happens when fixed asset or investment values change significantly due to changes in circumstances. It can occur if there is a significant change in a fixed asset's market value or significant physical damage such as fire. The cost of impairment is charged to the revenue account in the year it occurs.
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 Council, 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 Council and paid to the Welsh Government for reallocation. The charge is based on the rateable value of the business premises.
Pension reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits (pensions) and for funding benefits in accordance with statutory provisions.
Pooled budgets	These are budgets which are joined up across differing organisations with similar objectives and used to ensure improvements through coordinating expenditure.
Precepts	Precepts are levied on the Council 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 Council and third parties who may materially affect or influence the way the Council or third parties are able to operate.
Reserves	These are sums set aside to meet future expenditure. This Council splits the total reserve to show those earmarked to fund specific expenditure and those held to fund non-specific future expenditure in the general reserve.
Revaluation reserve	This reserve is used to record gains in fixed asset values as a result of formal revaluations of the Council'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 Council.
Revenue Support Grant/NNDR	This is general government grant in support of local council services which is paid by the Welsh Government. The distribution of this grant tries to take account of the differing needs in each Council.
Service concession	A service concession arrangement arises when a Council grants a contract to a supplier who provides or maintains capital assets on the Council's behalf, which revert to the Council's ownership at the end of the contract. The grantor regulates the services the operator must provide using the assets and also controls any significant residual interest in the assets at the end of the term of the arrangement.
The Code of Practice	The Code of Practice incorporates guidance in line with IFRS, IPSAS and UK GAAP accounting standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council.

Note: values throughout these accounts are presented rounded to whole values as shown throughout the accounts. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.