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

Statement of Accounts 2014/15

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EXPLANATORY FOREWORD

1. INTRODUCTION

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

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

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

2. ACCOUNTING STATEMENTS

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

Statement of Responsibilities

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority, that is its assets less liabilities, are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves,

that is, those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, for example, the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations". Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Authority.

Cash Flow

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

3. REVENUE SPENDING IN 2014/15

The Authority's Budget Requirement for 2014/15 was set at £269.879m. Actual spending compared to the budget was as follows:

EXPLANATORY FOREWORD

Council Fund	Revised Budget £000	Actual £000
Expenditure		
Directly Controlled Expenditure	231,176	230,656
Capital Financing	16,631	16,631
Levies, Contributions and Miscellaneous Funds	6,843	6,799
Council Tax Support	17,002	16,386
Contingencies and Reserves	1,328	769
Outcome Agreement Grant	(1,461)	(1,469)
Net Expenditure	271,519	269,772
Income		
Revenue Support Grant / NNDR	(209,769)	(209,769)
Council Tax	(60,265)	(60,265)
Less Discretionary Rate Relief	155	161
Total Income/Budget Requirement	(269,879)	(269,873)
NET BUDGET (SURPLUS)/DEFICIT TO BALANCES	**1,640**	**(101)**
Council Fund Working Balance		
Opening Working Balance 1st April		(13,713)
Movement in Balance		(101)
Closing Working Balance 31st March		**(13,814)**

4. CAPITAL SPENDING IN 2014/15

	Actual £000
Capital investment	**57,902**
The expenditure was financed by:	
Government Grants and Other Contributions	(22,708)
Loans	(31,512)
Capital Receipts	(1,250)
Direct Revenue Contributions and Reserves	(2,432)
	(57,902)

EXPLANATORY FOREWORD

5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £194.224m. 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 2015

	Actual £000
To support revenue expenditure	28,386
To support capital expenditure	772
Revenue Working Balances	13,814

7. EXCEPTIONAL ITEMS

This note is used to explain any items included within the exceptional items line of the Comprehensive Income and Expenditure Statement.

There are no items of this nature in the Statement of Accounts for this year.

8. REVALUATION OF ASSETS

During 2014/15, the net book value of assets increased by £0.4m as a consequence of a revaluation performed by the Director of Environment.

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

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

During 2014/15, Property, Plant and Equipment was valued as at 1st November 2014, on an investment and market value basis as appropriate; Community Assets were valued as at 1st January 2015, on an historic cost basis; and Civic Amenities and Landfill Sites were valued as at 1st January 2015 on a depreciated replacement cost and fair value basis as appropriate.

Assets Held For Sale are valued annually and were valued as at 31st March 2015. These assets were valued on the basis of fair market value.

9. IMPAIRMENT DUE TO FAILED ICELANDIC BANKS

The Council has recognised an impairment loss of £25,000 in its accounts in 2014/15 in relation to the impairment of Icelandic Bank Investments. This is due to the fact the dividends anticipated from the former KSF bank are less than previously estimated.

10. INTERNATIONAL ACCOUNTING STANDARD 19

The Accounts comply with the requirements of the above standard with the revenue accounts reflecting the current year cost of pension provision to employees as advised by the Pension Fund Actuary. The Balance Sheet contains the Actuary's assessment of the Authority's share of the Pension Fund liability at 31st March.

The pension fund liability disclosed in the Balance Sheet is the total projected deficit that exists over the expected life of the Fund. This deficit changes on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

11. SIGNIFICANT PROVISIONS

There are two significant provisions:

- An insurance provision of £7.2m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £5.2m and a short term provision of £2m.
- A provision of £1m for Housing Warranties following the transfer of the Housing stock to Neath Port Talbot Homes in March 2011.

12. GROUP ACCOUNTS

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

13. IMPACT OF CURRENT ECONOMIC CLIMATE ON THE AUTHORITY

In June 2014, the former Local Government Minister advised councils to expect reductions of up to 4.5% in revenue budgets for 2015/16. During September/October 2014, the Welsh Government's Draft Budget and Provisional Local Government Announcements showed that whilst the Welsh Government's Budget had been cut by 0.4% it had prioritised funding for the Health Service and provided a cash reduction to Local Government of 3.4%, which was slightly better than previously expected. The Final Local Government Settlement of December 2014 showed some minor changes to the Provisional Settlement.

Since 2010, the UK Government has implemented cuts to public sector funding through various policy initiatives such as Welfare and Benefit Reforms and cuts to Departmental Budgets. The Chancellor of the Exchequer, in his Autumn Statement

at the beginning of December 2014, stated that further Public Sector spending reductions will be required to 2019 and beyond. For 2015/16, the Welsh Government's Budget has been cut by 0.4%; it gave a commitment to support Schools Expenditure by 1% better than the change in percentage to its budget and given the increased pressure on the Health Service has prioritised additional funding to Health thus reducing funding available to other Welsh Government budgets.

Neath Port Talbot Council's budget for 2015/16 totals £268.3m. This represents a cash reduction of £1.6m on the current year but in real terms, after allowing for inflation, pay awards and service demands is a reduction of £18m or 6.6%. This reduction is in addition to the £17m delivered to balance the current year's budget in 2014/15. At budget setting stage in February 2015, the Council envisaged that Welsh Government funding to Local Government would continue to reduce over the next two financial years by 3% per annum. However, following the May 2015 UK election, the Conservative Government stated that they will continue to require further savings in public sector spending. On the 4th June 2015, the Chancellor announced £3bn in year savings from Whitehall Departments, of which £50m relates to Wales. Further information also became available from a Special Budget in July 2015, together with a comprehensive spending review which is due to report back late autumn 2015. As neither the UK nor Welsh Government announced their budgets for 2016/17, further reductions to the anticipated 3% cut for Local Government in Wales are now being explored. This will continue to provide pressure on Council services and the service that can be delivered with fewer resources whilst demand continues to grow.

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

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

The UK and Welsh Government have not yet provided funding indications for 2016/17 and future years, but the current austerity measures and funding cuts are predicted by various groups to continue until 2020 or beyond. The Council has had to assume, as part of its Forward Financial Plan, that funding will be cut by 3% in each year from 2016/17 and will need to look for further savings to balance budgets from those financial years.

14. CHANGE IN ACCOUNTING POLICIES

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

EXPLANATORY FOREWORD

15. FURTHER INFORMATION

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

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

Section 151 Officer:

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Director of Finance and Corporate Services

Date: 24th September 2015

Approval of accounts for 2014/15 in accordance with Regulations 10(2) of the Accounts and Audit (Wales) Regulations 2014.

Chair of Audit Committee:

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Councillor Mrs L James

Date: 24th September 2015

MOVEMENTS IN RESERVES STATEMENT

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserve	Capital Receipts Reserves	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31st March 2013	5,933	39,497	8,499	109	8,045	11,412	**73,495**	17,775	**91,270**
Movement in reserves during 2013/14									
Surplus/(deficit) on the provision of services	(10,830)	-	-	-	-	-	**(10,830)**	-	**(10,830)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**0**	109,329	**109,329**
Total Comprehensive Income and Expenditure	(10,830)	0	0	0	0	0	**(10,830)**	109,329	**98,499**
Adjustments between accounting basis and funding basis under regulations (Note 6)	6,747	-	-	-	(414)	1,658	**7,991**	(7,991)	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	(4,083)	0	0	0	(414)	1,658	**(2,839)**	101,338	**98,499**
Transfers from/(to) Earmarked Reserves (Note 7)	3,364	(3,255)	-	(109)	-	-	**0**	-	**0**
Transfer from/(to) Unusable Reserve to Working Balance	8,499	-	(8,499)	-	-	-	**0**	-	**0**
Increase/(Decrease) in Year	7,780	(3,255)	(8,499)	(109)	(414)	1,658	**(2,839)**	101,338	**98,499**
Balance at 31st March 2014	13,713	36,242	0	0	7,631	13,070	**70,656**	119,113	**189,769**
Movement in reserves during 2014/15									
Surplus/(deficit) on the provision of services	(19,107)	-	-	-	-	-	**(19,107)**	-	**(19,107)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**0**	(41,123)	**(41,123)**
Total Comprehensive Income and Expenditure	(19,107)	0	0	0	0	0	**(19,107)**	(41,123)	**(60,230)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	12,124	-	-	-	(805)	(2,805)	**8,514**	(8,514)	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	(6,983)	0	0	0	(805)	(2,805)	**(10,593)**	(49,637)	**(60,230)**
Transfers from/(to) Earmarked Reserves (Note 7)	7,084	(7,084)	-	-	-	-	**0**	-	**0**
Increase/(Decrease) in Year	101	(7,084)	0	0	(805)	(2,805)	**(10,593)**	(49,637)	**(60,230)**
Balance at 31st March 2015	13,814	29,158	0	0	6,826	10,265	**60,063**	69,476	**129,539**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 Gross Expenditure	2013/14 Gross Income	2013/14 Net Expenditure		Note	2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure
£000	£000	£000			£000	£000	£000
20,188	(1,403)	18,785	Central services to the public		19,588	(1,021)	18,567
21,991	(5,319)	16,672	Cultural & related services		18,728	(4,685)	14,043
26,600	(9,274)	17,326	Environmental and regulatory services		29,223	(9,494)	19,729
10,994	(8,241)	2,753	Planning Services		9,301	(6,201)	3,100
180,857	(38,693)	142,164	Children's and education services		169,679	(35,134)	134,545
28,089	(7,471)	20,618	Highways and transport services		25,649	(7,141)	18,508
66,141	(61,607)	4,534	Other housing services		69,549	(64,970)	4,579
75,320	(17,784)	57,536	Adult social care		77,569	(17,855)	59,714
223	-	223	Exceptional item	51	-	-	-
5,566	-	5,566	Corporate and democratic core		6,581	(36)	6,545
1,233	-	1,233	Non distributed costs	52	1,881	-	1,881
437,202	**(149,792)**	**287,410**	**Cost of Services**		**427,748**	**(146,537)**	**281,211**
16,690	-	16,690	Other operating expenditure	8	18,361	-	18,361
25,800	(1,585)	24,215	Financing & investment income & expenditure	9	21,908	(808)	21,100
-	(317,485)	(317,485)	Taxation and non-specific grant income	10	-	(301,565)	(301,565)
479,692	(468,862)	**10,830**	**(Surplus) or Deficit on Provision of Services**		468,017	(448,910)	**19,107**
		(3,559)	Surplus or deficit on revaluation of Property, Plant and Equipment assets	22			(5,421)
		188	Surplus or deficit on revaluation of available for sale assets	22			1,858
		82	Impairment losses on non-current assets charged to the revaluation reserve	22			116
		(106,040)	Actuarial gains/losses on pension assets / liabilities	22			44,570
		(109,329)	**Other Comprehensive Income & Expenditure**				**41,123**
		(98,499)	**Total Comprehensive Income & Expenditure**				**60,230**

BALANCE SHEET

31st Mar 2014 £000		Note	31st Mar 2015 £000
656,314	Property, Plant and Equipment	11	679,299
1,303	Heritage Assets	12	1,183
10,146	Long Term Investments	13	10,089
598	Long Term Debtors	13	734
668,361	**Long Term Assets**		**691,305**
49,331	Short Term Investments	13	38,314
2,541	Assets Held for Sale	18	5,811
744	Inventories	14	597
48,013	Short Term Debtors	16	45,534
4,501	Cash and Cash Equivalents	17	5,563
105,130	**Current Assets**		**95,819**
(5,155)	Short Term Borrowing	13	(6,573)
(53,977)	Short Term Creditors	19	(47,343)
(3,332)	Short Term Provisions	20	(2,130)
(62,464)	**Current Liabilities**		**(56,046)**
(30,262)	Long Term Creditors	13	(36,221)
(170,650)	Long Term Borrowing	13	(191,587)
(314,293)	Other Long Term Liabilities	13	(367,623)
(6,053)	Long Term Provisions	20	(6,108)
(521,258)	**Long Term Liabilities**		**(601,539)**
189,769	**Net Assets**		**129,539**
(70,656)	Usable Reserves	21	(60,063)
(119,113)	Unusable Reserves	22	(69,476)
(189,769)	**Total Reserves**		**(129,539)**

CASH FLOW STATEMENT

Cash flow 2013/14 £000		Note	2014/15 £000
(10,830)	Net surplus or (deficit) on the provision of services		(19,107)
45,388	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23a	34,575
(24,644)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23b	(17,534)
9,914	Net cash flows from Operating Activities	*	(2,066)
(8,290)	Investing Activities	24	(21,848)
(980)	Financing Activities	25	24,976
644	Net increase or decrease in cash and cash equivalents		1,062
3,857	Cash and cash equivalents at the beginning of the reporting period		4,501
4,501	**Cash and cash equivalents at the end of the reporting period**	17	**5,563**

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

2013/14 £000		2014/15 £000
(995)	Interest Received	(731)
8,562	Interest Paid	8,813

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of expenditure and income

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

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

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

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

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

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

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

iii. Acquired and discontinued operation

There are no new acquired and discontinued operations during 2014/15.

iv. Cash and cash equivalents

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

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in

accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance for a Minimum Revenue Provision by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

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

- liabilities are discounted to their value at current prices.

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

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

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

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

benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

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

- contributions paid to the City and County of Swansea pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii. Events after the Reporting Period

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

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

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

Loans and Receivables

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

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

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

Available for Sale Assets

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

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

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

x. Foreign Currency Translation

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

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

xi. Government Grants and Contributions

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

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xii. Heritage Assets

The adoption of FRS30 requires the Authority to include Heritage Assets in its Statement of Accounts and to provide information in relation to other Heritage Assets not included in the Accounts. Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental

qualities that are held and maintained principally for their contribution to knowledge and culture. In the absence of historic cost the insurable sum is deemed as an appropriate and relevant method of valuation.

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

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

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

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

xiii. Intangible assets

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

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

The Authority does not currently have any intangible assets.

xiv. Interest in Companies and Other Entities

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

xv. Inventories and Long Term Contracts

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

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

xvi. Investment Property

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

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

xvii. Jointly controlled operations and Jointly Controlled Assets

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments, for example, where there is a rent free period at the commencement of the lease.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss

on disposal, that is, netted off against the carrying value of the asset at the time of disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments, for example, where there is a premium paid at the commencement of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix. Overhead and Support Costs

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used; the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xx. Property, Plant and Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance, that is, it will not lead to a variation in the cash flows of the Authority. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

The Authority's Accounting Policy for adopted roads is to recognise them as donated infrastructure assets. The measurement basis for adopted roads will be historic cost in line with other operational infrastructure assets. In the case of adopted roads the historic cost will be deemed to be zero.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

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

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

Deprecation is calculated on the following basis:

- other buildings – straight line allocation over the useful life of the property as estimated by the valuer.

- vehicles, plant, furniture and equipment – straight line allocation over the useful life of the assets.

- infrastructure – straight line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

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

Componentisation

Land and buildings are separate assets and will always be accounted for separately.

Where a single asset may have a number of different components each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation.

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

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

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

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

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

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

- Mechanical and electrical services
- Structure

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

The Authority does not undertake componentisation of Infrastructure assets.

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

xxi. Public Finance Initiative (PFI) and similar contracts

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

This Authority does not have any such agreements.

xxii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxiii. Reserves

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

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

xxiv. Revenue Expenditure Funded from Capital under statute

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

xxv. Value Added Tax (VAT)

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

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice requires that the Authority discloses information relating to the anticipated impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement
  This International Financial Reporting Standard is designed to provide a consistent definition of fair value and enhanced disclosure requirements. It is applicable for assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value, with some exceptions. The adoption of this standard will require surplus assets, that is, assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale, to be revalued to market value rather than the value in existing use, as at present. The Council's operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the comparatively low value of surplus assets held by the Council.

  The adoption of IFRS 13 in CIPFA's Code of Practice will not require the publication of a third Balance Sheet.

- IFRIC 21 Levies.
  This International Financial Reporting Interpretation Committee standard is an interpretation of International Accounting Standard 37 for Provisions, Contingent Liabilities and Contingent Assets, which sets out criteria for the recognition of a liability, one of which is the requirement for the Council to have a present obligation as a result of a past event, which is known as an obligating event.
  IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies accounted for in accordance with IAS37 and those where the timing and amount of the levy is certain. It specifies the obligating event as the activity that triggers the timing of the payment of the

levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. It is not anticipated that this Standard will have a material impact on the Statement of Accounts.

- Annual Improvements to IFRSs (2011 – 2013 Cycle).
  The International Accounting Standards Board has adopted the Annual Improvements process to deal efficiently with a collection of narrow scope amendments to IFRSs even though the amendments are unrelated. The IFRS Interpretations Committee reviews the proposed amendments within the annual improvements process and makes recommendations to the IASB before they are issued. Each year the IASB discusses and decides upon proposed improvements to IFRSs as they have arisen throughout the year and rather than separately publishing a series of piecemeal changes, the proposals are published together, in an attempt to streamline the standard setting process.
  The improvements included are minor and principally provide clarification. These changes will not have a material impact on the Statement of Accounts.

  The Code of Practice covering the issues identified above requires implementation from 1st April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- As at 31st March 2015, the Authority has £0.857m outstanding of the original £12m deposited with the UK subsidiaries of the former Icelandic banks of Heritable Ltd and Kaupthing Singer and Friedlander Ltd. In preparing the accounts, preferred creditor status has been assumed in line with the Icelandic Courts decision.

- The amount shown as outstanding in the Authority's balance sheet is £0.074m, this is due to the fact that the balances have been impaired down to reflect the likely future amounts receivable. Further information regarding Icelandic bank defaults can be found in Note 43 to the accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Provisions – Insurance Claims
The Authority has a provision of £7.2m as at 31st March 2015 to meet the potential cost of insurance liabilities. The number and value of potential claims includes actuarial assumptions particularly in respect of the most recent financial years as these are immature in terms of insurance experience. Any significant change in assumptions and/or number and value of claims could significantly alter the value of the provision. The Authority holds Insurance Reserves to mitigate any risk.

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

5. EVENTS AFTER THE REPORTING PERIOD

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

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

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

In June 2015, the Council entered into an agreement to sell its Icelandic Escrowed Kroner which had been held under Icelandic Government currency control arrangements. The Council expects to receive approximately £290,000 of the original £387,000 investment and will deal with the accounting implications of this sale in its 2015/16 Accounts.

There are no other known events that would materially affect these accounts.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

NOTES TO THE ACCOUNTS

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES TO THE ACCOUNTS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014/15	£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	19,180	-	-	(19,180)
Revaluation losses on Property Plant and Equipment	3,438	-	-	(3,438)
Capital grants and contributions applied	(17,100)	-	-	17,100
Revenue expenditure funded from capital under statute	11,023	-	-	(11,023)
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	1,574	-	-	(1,574)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(9,336)	-	-	9,336
Capital expenditure charged against the General Fund	(2,432)	-	-	2,432
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,803)	-	2,803	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(5,608)	5,608
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	(434)	434	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,250)	-	1,250
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	11	-	(11)
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	(162)	-	-	162
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	32,250	-	-	(32,250)
Employer's pension contributions and direct payments to pensioners payable in the year	(23,490)	-	-	23,490
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	416	-	-	(416)
Total Adjustments	**12,124**	**(805)**	**(2,805)**	**(8,514)**

NOTES TO THE ACCOUNTS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2013/14	£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	17,134	-	-	(17,134)
Revaluation losses on Property Plant and Equipment	(62)	-	-	62
Capital grants and contributions applied	(23,567)	-	(3,253)	26,820
Revenue expenditure funded from capital under statute	12,835	-	-	(12,835)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	929	-	-	(929)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(8,918)	-	-	8,918
Capital expenditure charged against the General Fund	(4,001)	-	-	4,001
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,911)	-	4,911	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,077)	1,077	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,530)	-	1,530
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	39	-	(39)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2	-	-	(2)
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(136)	-	-	136
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	40,093	-	-	(40,093)
Employer's pension contributions and direct payments to pensioners payable in the year	(21,460)	-	-	21,460
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(114)	-	-	114
Total Adjustments	**6,747**	**(414)**	**1,658**	**(7,991)**

NOTES TO THE ACCOUNTS

7. TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance at 1st Apr 2013	Transfers out 2013/14	Transfers in 2013/14	**Balance at 31st Mar 2014**	Transfers out 2014/15	Transfers in 2014/15	**Balance at 31st Mar 2015**
	£000	£000	£000	**£000**	£000	£000	**£000**
Balances held by schools under a scheme of delegation	**(3,389)**	1,993	(1,576)	**(2,972)**	1,248	(1,040)	**(2,764)**
Education Equalisation	**(761)**	859	(309)	**(211)**	210	-	**(1)**
Other Education and Leisure	**(2,574)**	975	(997)	**(2,596)**	2,701	(427)	**(322)**
Hillside Secure Centre-Equalisation	**(1,752)**	242	(603)	**(2,113)**	693	(250)	**(1,670)**
Other Social Services	**(273)**	-	(313)	**(586)**	33	(907)	**(1,460)**
Environment	**(2,133)**	1,694	(1,355)	**(1,794)**	1,273	(515)	**(1,036)**
Operating Account	**(1,808)**	560	(586)	**(1,834)**	656	(479)	**(1,657)**
Finance and Corporate Services	**(2,774)**	2,129	(2,139)	**(2,784)**	1,134	(731)	**(2,381)**
Chief Executive's	**(870)**	649	(410)	**(631)**	307	(250)	**(574)**
Job Evaluation	**(1,467)**	867	-	**(600)**	600	-	**0**
Accommodation	**(4,832)**	67	-	**(4,765)**	2,641	(795)	**(2,919)**
Treasury Management	**(1,294)**	500	(2,176)	**(2,970)**	700	(246)	**(2,516)**
Management of Change	**(71)**	625	(554)	**0**	-	-	**0**
Housing Warranties	**(220)**	-	-	**(220)**	-	-	**(220)**
LAWDC	**(1,081)**	92	-	**(989)**	1	-	**(988)**
Insurance	**(9,713)**	4,096	(567)	**(6,184)**	5,512	(1,550)	**(2,222)**
Welfare	**(130)**	130	-	**0**	-	-	**0**
Fire Authority	**(136)**	21	-	**(115)**	21	-	**(94)**
Waste	**(3,329)**	1,446	(177)	**(2,060)**	1,327	-	**(733)**
ERVR Transistional	**-**	3,292	(5,338)	**(2,046)**	7,525	(12,308)	**(6,829)**
Sub Total	**(38,607)**	**20,237**	**(17,100)**	**(35,470)**	**26,582**	**(19,498)**	**(28,386)**
Housing Closure	**(109)**	109	-	**0**	-	-	**0**
Total Revenue Reserves	**(38,716)**	**20,346**	**(17,100)**	**(35,470)**	**26,582**	**(19,498)**	**(28,386)**
Capital	**(890)**	136	(18)	**(772)**	-	-	**(772)**
GRAND TOTAL	**(39,606)**	**20,482**	**(17,118)**	**(36,242)**	**26,582**	**(19,498)**	**(29,158)**

NOTES TO THE ACCOUNTS

Earmarked Reserves		2014/15 £000
Education, Leisure and Lifelong Learning		
Primary Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	2,142
Secondary Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	501
Special Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school and will be used to fund future expenditure.	121
		2,764
Education Equalisation Account	This account will be used to fund any unforseen pressures arising within the Education Leisure and Lifelong Learning budget	1
Other	This includes the cost of repairs and maintenance in schools, assist primary schools in funding ERVR and to equalise SSIP costs over a number of years	322
Education, Leisure and Lifelong Learning		**3,087**
Social Services and Health		
Hillside General	The fund has been established to equalise the capital investment required over time for the Hillside Secure Unit.	1,670
Residential Care	Set aside to meet potential contingent liability.	751
Other Social Services	To fund development work required to transform services and deliver further savings in future, to fund unforseen pressures arising within SS&H, to fund future one off costs and established to fund phasing of expenditure over several years	709
Social Services and Health		**3,130**
Environment		
Provision Building Maintenance	This reserve will be used to equalise the effect of the annual building maintenance spend on the revenue account budget.	175
Environment Equalisation Account	This reserve will be used to fund one off pressures across the Directorate.	70
Local Development Fund	To meet statutory obligation for LD Plan.	266
Winter Maintenance	To equalise the cost incurred during harsh winters.	341

Earmarked Reserves		2014/15 £000
Environment (continued)		
Other	This includes reserves for Future Jobs fund, European fund, and Environment Legacy	184
Vehicle	This reserve will be used to fund a cost effective transport and plant programme to meet service requirements.	1,446
Trading Accounts Equalisation	This reserve is used to equalise annual costs for Streetcare and Building Services.	97
Other	This includes Vehicle Tracking reserve	114
Environment		**2,693**
Finance and Corporate Services		
IT Renewals Fund	This Reserve will be used to fund the costs of major IT projects.	1,648
Corporate Equalisation	This reserve will fund one off pressures arising across the directorate.	677
Other	This includes reserves for a number of IT developments, Transformation, management of change	56
		2,381
Chief Executive's Office		
Election Equalisation	This reserve will be used to meet the cost of the four year cycle of elections.	130
Management Capacity, Development, Advisors etc.	This relates to developing capacity in relation to transformational projects across the Council.	56
Other	This includes funds which will be utilised to match fund grants.	388
Corporate Services Reserves		**2,955**
Corporate issues		
Accommodation	This reserve will be used to support the Authority's Accommodation Strategy.	2,919
Treasury Management	This reserve will be used to equalise the impact of fluctuations in Treasury Management returns.	2,516
Housing Warranties	This reserve has been set aside in recognition of the warranties to potential liabilities following the transfer of Housing Services.	220

Earmarked Reserves		2014/15 £000
Corporate issues (continued)		
LAWDC	This reserve has been established to help set aside funds for future remedial costs.	988
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.	2,222
Fire Authority	This relates to a refund from the Fire Authority and will be used to mitigate cost increase in future years.	94
Waste	This reserve will be used to fund future Waste Service projects.	733
ER VR Transitional Reserve	This reserve will fund future ER/VR costs	6,829
Corporate issues		**16,521**
Total General Fund		**28,386**
Capital Reserves		772
Total Reserves		**29,158**

8. OTHER OPERATING ACCOUNTS

2013/14 £000		2014/15 £000
1,748	Community Council precepts	1,804
15,090	Levies	15,417
(148)	(Gains)/losses on the disposal of non current assets	1,140
16,690	**Total**	**18,361**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £000		2014/15 £000
8,700	Interest payable and similar charges	8,928
17,100	Pension interest cost and expected return on pension assets	12,980
(1,585)	Interest receivable and similar income	(808)
24,215	**Total**	**21,100**

NOTES TO THE ACCOUNTS

10. TAXATION AND NON SPECIFIC GRANT

2013/14 £000		2014/15 £000
(70,943)	Council Tax income	(72,922)
(43,456)	Non domestic rates	(44,233)
(175,418)	Non ring fenced government grants	(166,844)
(27,668)	Capital grants and contributions	(17,566)
(317,485)	**Total**	**(301,565)**

11. PROPERTY, PLANT AND EQUIPMENT

2014/15	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation							
At 1st April 2014	383,346	25,441	280,767	612	17,793	70,613	**778,572**
additions	6,865	2,631	12,674	-	-	28,272	50,442
recognition of finance leases	-	-	-	-	-	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	3,099	-	-	-	197	-	3,296
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(3,028)	-	-	-	(876)	-	(3,904)
revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition-disposals	(225)	(1,056)	-	-	(110)	-	(1,391)
derecognition-other	(704)	-	-	-	-	(1,113)	(1,817)
assets reclassified (to)/from Held for Sale	(974)	-	-	-	(2,525)	-	(3,499)
change in asset classification	5,802	-	65,249	-	(45)	(71,006)	0
other movements in cost of valuation	(11)	-	-	-	-	-	(11)
At 31st March 2015	394,170	27,016	358,690	612	14,434	26,766	**821,688**

NOTES TO THE ACCOUNTS

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
	£000	£000	£000	£000	£000	£000	**£000**
Accumulated Depreciation and Impairment							
At 1st April 2014	(34,166)	(16,163)	(70,351)	-	(465)	(1,113)	**(122,258)**
depreciation charge	(8,228)	(1,890)	(8,464)	-	(141)	-	(18,723)
impairment charged to surplus/deficit on provision of services	(453)	-	-	-	-	(4)	(457)
depreciation written out to the Revaluation Reserve	606	-	-	-	38	-	644
depreciation written out to the Surplus/Deficit on the Provision of Services	404	-	-	-	-	-	404
impairment losses/(reversals) recognised in the Revaluation Reserve	(116)	-	-	-	-	-	(116)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,563)	-	-	-	-	-	(3,563)
recognition of Depreciation on Finance Leases	-	-	-	-	-	-	0
depreciation written out to Revaluation Reserve on Revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition-disposals	-	1,008	-	-	-	-	1,008
derecognition-other	-	-	-	-	-	1,113	1,113
change in asset classification	(3)	-	-	-	3	-	0
other movements in depreciation and impairment	(441)	-	-	-	-	-	(441)
At 31st March 2015	(45,960)	(17,045)	(78,815)	0	(565)	(4)	**(142,389)**
Net Book Value							
At 31st March 2015	348,210	9,971	279,875	612	13,869	26,762	**679,299**
At 31st March 2014	349,180	9,278	210,416	612	17,328	69,500	**656,314**

NOTES TO THE ACCOUNTS

2013/14	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
Cost or Valuation	£000	£000	£000	£000	£000	£000	**£000**
At 1st April 2013	367,343	25,173	223,380	612	15,623	102,813	**734,944**
additions	5,899	1,752	10,713	-	1,503	25,307	45,174
recognition of finance leases	-	-	-	-	-	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	3,066	-	-	-	88	-	3,154
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(2,541)	-	-	-	(435)	-	(2,976)
revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition-disposals	(36)	(1,484)	-	-	(114)	-	(1,634)
derecognition - other	-	-	-	-	-	-	0
assets reclassified (to)/from Held for Sale	(60)	-	-	-	-	-	(60)
change in asset classification	9,705	-	46,674	-	1,128	(57,507)	0
other movements in cost of valuation	(30)	-	-	-	-	-	(30)
At 31st March 2014	383,346	25,441	280,767	612	17,793	70,613	**778,572**
Accumulated Depreciation and Impairment							
At 1st April 2013	(23,847)	(15,528)	(64,765)	-	(325)	-	**(104,465)**
depreciation charge	(7,870)	(2,062)	(5,586)	-	(143)	-	(15,661)
impairment charged to surplus/deficit on provision of services	(331)	(29)	-	-	-	(1,113)	(1,473)
depreciation written out to the Revaluation Reserve	1,861	-	-	-	-	-	1,861
depreciation written out to the Surplus/Deficit on the Provision of Services	344	-	-	-	44	-	388
impairment losses/(reversals) recognised in the Revaluation Reserve	(82)	-	-	-	-	-	(82)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(4,290)	-	-	-	-	-	(4,290)
recognition of Depreciation on Finance Leases	-	-	-	-	-	-	0
depreciation written out to Revaluation Reserve on Revaluation of Finance Leases	-	-	-	-	-	-	0
derecognition - disposals	-	1,456	-	-	3	-	1,459
derecognition - other	-	-	-	-	-	-	0
change in asset classification	44	-	-	-	(44)	-	0
other movements in depreciation and impairment	5	-	-	-	-	-	5
At 31st March 2014	(34,166)	(16,163)	(70,351)	0	(465)	(1,113)	**(122,258)**
Net Book Value							
At 31st March 2014	349,180	9,278	210,416	612	17,328	69,500	**656,314**
At 31st March 2013	343,496	9,645	158,615	612	15,298	102,813	**630,479**

Depreciation

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

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

Effects of Changes in Estimates

During 2014/15, there have been no material changes made to the accounting estimates for property, plant and equipment.

Revaluations

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

12. HERITAGE ASSETS

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

	Total £000
Cost or Valuation	
1st Apr 2013	786
Additions	-
Disposals	-
Revaluations	517
Impairments Losses (reversals) recognised in the Revaluation Reserve	-
Impairments Losses (reversals) recognised in Surplus or Deficit on the Provision of Services	-
Depreciation	-
31st Mar 2014	**1,303**
Cost or Valuation	
1st Apr 2014	1,303
Additions	-
Disposals	-
Revaluations	-
Impairments Losses (reversals) recognised in the Revaluation Reserve	-
Impairments Losses (reversals) recognised in Surplus or Deficit on the Provision of Services	(120)
Depreciation	-
31st Mar 2015	**1,183**

The Heritage Assets recognised in the balance sheet consist of works of Art and are held in the balance sheet at the value used for insurance purposes. The Heritage Assets were last revalued in 2013/14 by Sotheby's, recognised experts in the valuation of works of art. The two most significant items included in the balance sheet are:

- Matthew Kessels (1784-1836) Scene of the Deluge which can be found on display in the Orangery at Margam Country Park.
- A Roman marble statue of Lucius Aelius Verus Caesar 2nd which again can be found on display in the Orangery at Margam Country Park.

Heritage Assets not included on the balance sheet

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

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

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

Heritage Land, Buildings and Infrastructure

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

- Hen Egwlys at Margam Country Park

- Gnoll House and Cellar Remains at Gnoll Country Park

Art and Museums

- Thomas Horner collection of watercolours

- Charcoal drawing by eminent Welsh artist Will Roberts

- Oil painting by Dorothy Coombe Tennant

Transport

- Full scale renovated gas tram

Other

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

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

NOTES TO THE ACCOUNTS

	Long Term		Current	
	31st Mar 2015 £000	31st Mar 2014 £000	31st Mar 2015 £000	31st Mar 2014 £000
Investments				
Loans and receivables at amortised cost:				
Fixed Term Investments	10,000	10,057	37,764	26,221
Cash	-	-	550	23,110
Unquoted equity at cost	89	89	-	-
Total investments	**10,089**	**10,146**	**38,314**	**49,331**
Borrowings				
Financial liabilities at amortised cost:				
Market Loans (LOBO)	(65,329)	(62,724)	(744)	(738)
PWLB	(126,258)	(107,926)	(3,637)	(3,275)
Other loans	-	-	(2,192)	(1,142)
Total borrowings	**(191,587)**	**(170,650)**	**(6,573)**	**(5,155)**
Other Long Term Liabilities				
Pension Liability	(367,623)	(314,293)	-	-

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at principal plus accrued interest. Accrued interest is included within the current values above as it is effectively payable or receivable within one year.

NOTES TO THE ACCOUNTS

Income, Expenses, Gains and Losses

	2014/15					2013/14				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Asset and Liabilities at Fair Value through Profit and Loss	**Total**	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Asset and Liabilities at Fair Value through Profit and Loss	**Total**
	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	**£000**
Interest Expense	8,928	-	-	-	**8,928**	8,700	-	-	-	**8,700**
Losses on derecognition	-	-	-	-	**0**	-	-	-	-	**0**
Reductions in fair value	-	-	-	-	**0**	-	-	-	-	**0**
Fee expense	-	-	-	-	**0**	-	-	-	-	**0**
Total expense in Surplus or Deficit on the Provision of Services	8,928	0	0	0	**8,928**	8,700	0	0	0	**8,700**
Interest income	-	(785)	-	-	**(785)**	-	(1,393)	-	-	**(1,393)**
Interest income accrued on impaired financial assets	-	(23)	-	-	**(23)**	-	(192)	-	-	**(192)**
Increases in fair value	-	-	-	-	**0**	-	-	-	-	**0**
Gains on derocognition	-	-	-	-	**0**	-	-	-	-	**0**
Fee income	-	-	-	-	**0**	-	-	-	-	**0**
Total Income in Surplus or Deficit on the Provision of Services	0	(808)	0	0	**(808)**	0	(1,585)	0	0	**(1,585)**
Gains on revaluation	-	-	-	-	**0**	-	-	-	-	**0**
Losses on revaluation	-	-	-	-	**0**	-	-	-	-	**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	**0**	-	-	-	-	**0**
Surplus/deficit arising on revaluation of financial assets in other Comprehensive Income and Expenditure	0	0	0	0	**0**	0	0	0	0	**0**
Net gain/(loss) for the year	8,928	(808)	0	0	**8,120**	8,700	(1,585)	0	0	**7,115**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. The fair value of the loans and receivables and financial liabilities is determined by calculating the Net Present

Value (NPV) of future cashflows, which provides an estimate of the value of payments in the future as at 31st March 2015, 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 2015, 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 2015		**31st Mar 2014**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt	(127,926)	(157,761)	(111,201)	(119,901)
Non-PWLB Debt	(65,298)	(78,739)	(63,462)	(57,704)
Non-PWLB Debt Temporary Borrowing	(1,000)	(1,000)	-	-
Total debt	**(194,224)**	**(237,500)**	**(174,663)**	**(177,605)**
Long Term creditors	(36,221)	(36,221)	(30,262)	(30,262)

31st March 2015 – Debt

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of PWLB loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31st March 2015, arising from a commitment to pay interest to lenders above market rates.

Fair Value of Assets

	31st Mar 2015		31st Mar 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	47,550	47,992	59,389	58,789
Long term debtors	734	734	598	598

14. INVENTORIES

	Stores		Work in Progress		Total	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Balance outstanding at start of year	729	650	15	41	744	691
Movement in year	(132)	79	(15)	(26)	(147)	53
Balance o/s at year end	**597**	**729**	**0**	**15**	**597**	**744**

15. CONSTRUCTION CONTRACTS

At 31st March 2015, the Authority has entered into a number of contracts for the construction of Property, Plant and Equipment. The budgeted cost of these commitments for 2015/16 and future years are shown in the table below. Similar commitments at 31st March 2014 were £41.4m. The major commitments are:

Major Capital Commitments	2015/16 £000	Future £000	Total £000
Ysgol Newydd Bae Baglan	24,000	9,500	33,500
Ysgol Gyfun Ystalyfera Re-modelling	5,900	9,900	15,800
Leisure facility at Aberafan Seafront	5,393	500	5,893
Neath Town Centre Redevelopment Phase 1	4,600	250	4,850
Street Lighting Replacement Programme	4,000	3,000	7,000
Total	**43,893**	**23,150**	**67,043**

For the purpose of this note, a major commitment is defined as being in excess of one million pounds.

NOTES TO THE ACCOUNTS

16. DEBTORS

31st Mar 2014 £000		31st Mar 2015 £000
28,427	Central government bodies	28,043
3,049	Other local authorities	3,098
1,646	NHS bodies	1,404
14,386	Other entities and individuals	13,431
4,025	Payments in advance	3,906
(3,520)	Less provision for doubtful debts	(4,348)
48,013	**Total**	**45,534**

17. CASH AND CASH EQUIVALENTS

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

31st Mar 2014 £000		31st Mar 2015 £000
115	Cash held by the Authority	115
4,386	Bank current accounts	5,448
4,501	**Total**	**5,563**

18. ASSETS HELD FOR SALE

	Current		Non Current	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Balance outstanding at start of year	2,541	2,719	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	3,499	60		
Revaluation losses	-	(55)	-	-
Revaluation gains	128	545	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-		
Assets sold	(357)	(728)	-	-
Other movements	-	-	-	-
Balance outstanding at year end	**5,811**	**2,541**	**0**	**0**

Included in the above, at a value of £80,000, is an asset '13 Beaconsview' which was for sale as at the 31st March 2015, but has subsequently been removed from the for sale list and is to be leased to a third party.

NOTES TO THE ACCOUNTS

19. CREDITORS

31st Mar 2014 £000		31st Mar 2015 £000
(5,331)	Central government bodies	(7,552)
(6,905)	Other local authorities	(5,815)
(348)	NHS bodies	(451)
(36,597)	Other entities and individuals	(28,514)
(4,796)	Receipts in advance	(5,011)
(53,977)	**Total**	**(47,343)**

20. PROVISIONS

Long Term Provisions

	Injury and Damage Compensation Claims £000	Miscellaneous/ Housing Warranties £000	Total £000
Balance at 1st April 2013	(4,897)	(992)	(5,889)
Net Transfer (to)/from	(208)	44	(164)
Balance at 31st March 2014	(5,105)	(948)	(6,053)
Net Transfer (to)/from	(99)	44	(55)
Balance at 31st March 2015	**(5,204)**	**(904)**	**(6,108)**

Short Term Provisions

	Injury and Damage Compensation Claims £000	Miscellaneous/ Housing Warranties £000	Total £000
Balance at 1st April 2013	(2,270)	(135)	(2,405)
Net Transfer (to)/from	30	(957)	(927)
Balance at 31st March 2014	(2,240)	(1,092)	(3,332)
Net Transfer (to)/from	213	989	1,202
Balance at 31st March 2015	**(2,027)**	**(103)**	**(2,130)**

Long and Short Term - Injury and Damage Compensation Claims

This provision covers the estimated cost of settling all the outstanding insurance claims of the Authority that existed at 31st March 2015.

Long and Short Term - Other Provisions – Housing Warranties

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

Short Term - Other Provisions – Voluntary Redundancy

The Council undertook a significant exercise to seek volunteers for voluntary redundancy as part of the Council's savings strategy and in line with the Council's commitment to avoid compulsory redundancy as far as is possible. Most of those who agreed to finish left the Authority before 31st March 2015. However, there were some agreements to leave after this date and accounting regulations require the Authority to account for the costs in the year that the agreement was made. A charge has been made to the individual revenue accounts for the cost of these leavers in 2014/15 with this provision of £59,000 being set up to meet the costs when the individuals actually leave.

21. USABLE RESERVES

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

31st Mar 2014 £000			31st Mar 2015 £000
(36,242)	Earmarked Reserves		(29,158)
(13,713)	Working Balances:	General Fund	(13,814)
(13,070)	Unapplied Grants		(10,265)
(7,631)	Usable Capital Receipts		(6,826)
(70,656)	**Total**		**(60,063)**

22. UNUSABLE RESERVES

31st Mar 2014 £000		31st Mar 2015 £000
(99,095)	Revaluation Reserve	(100,367)
(340,761)	Capital Adjustment Account	(343,447)
2,688	Financial Instruments Adjustment Account	2,526
314,293	Pensions Reserve	367,623
(52)	Deferred Capital Receipts Reserve	(41)
3,814	Accumulated Absences Account	4,230
(119,113)	**Total**	**(69,476)**

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/14		Revaluation Reserve	2014/15	
£000	£000		£000	£000
	(98,038)	**Balance at 1st April**		(99,095)
(3,559)		Upward revaluation of assets	(5,421)	
188		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,858	
82		Impairment losses on non-current	116	
	(3,289)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(3,447)
1,522		Difference between fair value depreciation and historical cost depreciation	1,561	
710		Accumulated gains on assets sold or scrapped	614	
	2,232	Amount written off to the Capital Adjustment Account		2,175
	(99,095)	**Balance at 31st March**		**(100,367)**

Capital Adjustment Account

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

NOTES TO THE ACCOUNTS

2013/14		Capital Adjustment Account	2014/15	
£000	£000		£000	£000
	(328,098)	**Balance at 1st April**		(340,761)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
17,134		Charges for depreciation and impairment of non current assets	19,180	
(62)		Revaluation losses on Property, Plant and Equipment	3,438	
12,835		Revenue expenditure funded from capital under statute	11,023	
929		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	1,574	
	30,836			35,215
	(2,232)	Adjusting amounts written out of the Revaluation Reserve		(2,175)
	(299,494)	Net written out amount of the cost of non current assets consumed in the year		(307,721)
		Capital financing applied in the year:		
(1,530)		Use of the Capital Receipts Reserve to finance new capital expenditure	(1,250)	
(26,820)		Application of grants to capital financing from the Capital Grants Unapplied Account	(22,708)	
(8,918)		Statutory provision for the financing of capital investment charged against the General Fund	(9,336)	
(4,001)		Capital expenditure charged against the General Fund	(2,432)	
	(41,269)			(35,726)
-		Use of Capital Receipts Reserve to repay loans	-	
2		Deferred Sale proceed to Comprehensive Income and Expenditure Account	-	
	2			0
	(340,761)	**Balance at 31st March**		**(343,447)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to release premiums and discounts paid which were received on the early redemption of loans. Over time, the premiums are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the effect on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance of the premiums at 31st March 2015 will be charged to the General Fund until 2055.

2013/14		Financial Instruments Adjustment	2014/15	
£000	£000		£000	£000
	2,824	**Balance at 1st April**		2,688
(136)		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(162)	
-		Proportion of discounts received in previous financial years to be released to the General Fund Balance in accordance with statutory requirements	-	
	(136)			(162)
	-	Transfer of Impairment to General Fund Balances		-
	2,688	**Balance at 31st March**		**2,526**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 £000	Pension Reserve	2014/15 £000
401,700	**Balance at 1st April**	314,293
(106,040)	Actuarial gains or losses on pensions assets and liabilities	44,570
40,093	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	32,250
(21,460)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,490)
314,293	**Balance at 31st March**	**367,623**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013/14 £000	Deferred Capital Receipts Reserve	2014/15 £000
(91)	**Balance at 1st April**	(52)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
39	Transfer to the Capital Receipts Reserve upon receipt of cash	11
(52)	**Balance at 31st March**	**(41)**

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.

2013/14		Accumulated Absences Account	2014/15	
£000	£000		£000	£000
	3,928	**Balance at 1st April**		3,814
(3,928)		Settlement or cancellation of accrual made at the end of the preceding year	(3,814)	
3,814		Amounts accrued at the end of the current year	4,230	
	(114)	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		416
	3,814	**Balance at 31st March**		**4,230**

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2013/14 £000		2014/15 £000
17,134	Depreciation and impairment on non current assets	19,180
(62)	Revaluation losses on Property Plant and Equipment	3,438
319	(Increase)/decrease in long term debtors	(136)
4,083	(Increase)/decrease in short term debtors	2,479
(53)	(Increase)/decrease in inventories	147
(4,873)	Increase/(decrease) in short term creditors	(6,634)
4,627	Increase/(decrease) in long term creditors	5,959
927	Increase/(decrease) in short term provisions	(1,202)
164	Increase/(decrease) in long term provisions	55
929	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,574
18,633	Increase/ (decrease) in Pension Liability	8,760
601	Impairments charged to the CIES	(26)
(45)	Finance lease interest	(45)
(43)	Foreign exchange gains/(loss)	(35)
3,047	Other non-cash items charged to net surplus/deficit on the provision of services	1,061
45,388		**34,575**

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

2013/14 £000		2014/15 £000
1,077	Proceeds from the sale of property, plant and equipment	434
23,567	Other receipts from investing activities	17,100
24,644		**17,534**

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2013/14 £000		2014/15 £000
(45,174)	Purchase of property, plant and equipment	(50,442)
(854,060)	Purchase of short term and long term investments	(480,650)
-	Other payments for investing activities	-
1,077	Proceeds from the sale of property, plant and equipment	434
866,300	Proceeds from short term and long term investments	491,710
23,567	Other receipts from investing activities	17,100
(8,290)	**Net cash flows from Investing Activities**	**(21,848)**

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2013/14 £000		2014/15 £000
-	Cash receipts of short and long term borrowing	23,574
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
(980)	Repayments of short and long term borrowing	1,402
-	Other payments for financing activities	-
(980)	**Net cash flows from Financing Activities**	**24,976**

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

NOTES TO THE ACCOUNTS

Directorate Income and Expenditure	Education, Leisure and Lifelong Learning	Social Services, Health and Housing	Environment	Corporate Services	Total
2014/15	£000	£000	£000	£000	£000
Fees, Charges and other services income	(11,123)	(19,448)	(20,418)	(2,402)	(53,391)
Government Grants	(24,361)	(11,130)	(7,807)	(1,464)	(44,762)
Total Income	(35,484)	(30,578)	(28,225)	(3,866)	(98,153)
Employee expenses	101,485	39,867	16,522	19,487	177,361
Other service expenses	38,734	72,929	43,853	5,121	160,637
Support service recharges	1,421	353	998	(2,274)	498
Total Expenditure	141,640	113,149	61,373	22,334	338,496
Net Expenditure	**106,156**	**82,571**	**33,148**	**18,468**	**240,343**
2013/14	£000	£000	£000	£000	£000
Comparative figures					
Fees, Charges and other services income	(17,368)	(16,361)	(21,213)	(2,552)	(57,494)
Government Grants	(22,800)	(9,209)	(10,381)	(2,515)	(44,905)
Total Income	(40,168)	(25,570)	(31,594)	(5,067)	(102,399)
Employee expenses	102,413	37,818	17,772	19,880	177,883
Other service expenses	42,329	69,295	48,991	5,984	166,599
Support service recharges	4,131	221	(212)	(2,347)	1,793
Total Expenditure	148,873	107,334	66,551	23,517	346,275
Net Expenditure	**108,705**	**81,764**	**34,957**	**18,450**	**243,876**

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

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

2013/14 £000		2014/15 £000
243,876	Net expenditure in the Directorate Analysis	240,343
4	Net expenditure of services and support services not included in the Analysis	-
43,984	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	41,794
(454)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(926)
287,410	**Cost of Services in Comprehensive Income and Expenditure Statement**	**281,211**

Reconciliation to Subjective Analysis

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

NOTES TO THE ACCOUNTS

2014/15	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	**Cost of Services Sub Total**	Corporate Amounts	**Total**
	£000	£000	£000	**£000**	£000	**£000**
Fees, Charges & other services inc.	(53,391)	(16,698)	(75)	**(70,164)**	-	**(70,164)**
Interest and investment income	-	-	-	**0**	(808)	**(808)**
Income from council tax & NNDR	-	-	-	**0**	(117,155)	**(117,155)**
Government Grants & contributions	(44,762)	-	(57,057)	**(101,819)**	(184,410)	**(286,229)**
Total Income	(98,153)	(16,698)	(57,132)	**(171,983)**	(302,373)	**(474,356)**
Employee expenses	177,361	-	(3,364)	**173,997**	-	**173,997**
Other service expenses	160,637	-	82,184	**242,821**	-	**242,821**
Support Service recharges	498	16,698	-	**17,196**	-	**17,196**
Depreciation, amortisation and impairment	-	-	19,180	**19,180**	-	**19,180**
Interest Payments	-	-	-	**0**	21,908	**21,908**
Precepts and Levies	-	-	-	**0**	17,221	**17,221**
Gain or Loss on Disposal of Fixed Assets	-	-	-	**0**	1,140	**1,140**
Total Expenditure	338,496	16,698	98,000	**453,194**	40,269	**493,463**
Surplus or deficit on the provision of services	**240,343**	**-**	**40,868**	**281,211**	**(262,104)**	**19,107**

2013/14 Comparative figures						
	£000	£000	£000	**£000**	£000	**£000**
Fees, Charges & other services inc.	(57,494)	(16,409)	(167)	**(74,070)**	-	**(74,070)**
Interest and investment income	-	-	-	**0**	(1,585)	**(1,585)**
Income from council tax & NNDR	-	-	-	**0**	(114,399)	**(114,399)**
Government Grants & contributions	(44,905)	-	(53,771)	**(98,676)**	(203,086)	**(301,762)**
Total Income	(102,399)	(16,409)	(53,938)	**(172,746)**	(319,070)	**(491,816)**
Employee expenses	177,883	-	1,416	**179,299**	-	**179,299**
Other service expenses	166,599	1,623	78,918	**247,140**	-	**247,140**
Support Service recharges	1,793	14,790	-	**16,583**	-	**16,583**
Depreciation, amortisation and impairment	-	-	17,134	**17,134**	-	**17,134**
Interest Payments	-	-	-	**0**	25,800	**25,800**
Precepts and Levies	-	-	-	**0**	16,838	**16,838**
Gain or Loss on Disposal of Fixed Assets	-	-	-	**0**	(148)	**(148)**
Total Expenditure	346,275	16,413	97,468	**460,156**	42,490	**502,646**
Surplus or deficit on the provision of services	**243,876**	**4**	**43,530**	**287,410**	**(276,580)**	**10,830**

27. ACQUIRED AND DISCONTINUED OPERATIONS

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

There are no known events for inclusion in this note for the year.

28. TRADING OPERATIONS

The Authority has established two trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Authority or other organisations. Details of these units are as follows:

2013/14 £000			2014/15 £000
(902)	Catering Services	Turnover	(887)
989		Expenditure	871
87		(Surplus)/Deficit	(16)
(800)	Trade Refuse	Turnover	(794)
800		Expenditure	794
0		(Surplus)/Deficit-excluding full overheads	0

29. AGENCY SERVICES

South Wales Trunk Road Agency
The Authority performs agency work on trunk roads in South and West Wales on behalf of the Welsh Government and the expenditure is fully reimbursed. The financial activity relating to this contract is not included in the Comprehensive Income and Expenditure Statement.

2013/14 £000		2014/15 £000
50,311	Expenditure - fully reimbursed by Welsh Government	50,132

Houses to Homes, Home Improvement Loans and Vibrant and Viable Places
The Welsh Government has established a funding stream to provide loans to homeowners and landlords wishing to renovate properties and to offer them for sale or rent. They have arranged for local authorities to act as their agents to implement these schemes.

The terms and conditions for the scheme have been determined by the Welsh Government as follows:

- loans will be interest free;
- the maximum loan period is dependent upon whether the renovated property is to be sold or let;
- the amount of loan is capped at £25,000 per unit of accommodation with the maximum funding per applicant being £150,000.

Neath Port Talbot's role is to promote these schemes, manage the applications, undertake financial and property checks and to submit the application to the lead authority. Funding is provided to the Council before any loan is issued to a successful applicant. To date, the Council has received £720,000 for the Houses to Home Scheme and paid out £298,000. In addition the Council has received £312,550 in respect of the Home Improvement Loan Scheme and £600,000 in relation to Vibrant and Viable places; no payments had been made from these funds as at 31st March 2015.

30. POOLED BUDGETS –JOINT EQUIPMENT STORE

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

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

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

2013/14			2014/15	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
(619)		City and County of Swansea	(749)	
(389)		Neath and Port Talbot Council	(496)	
(978)		The Health Board	(864)	
	(1,986)	Total Contributions		(2,109)
	2,038	Expenditure met from the pooled budget:		2,003
	52	Net (surplus)/deficit arising on the pooled budget during the year		(106)
	-	Authority share of the net (surplus)/deficit arising on the pooled budget		-

NOTES TO THE ACCOUNTS

31. MEMBERS REMUNERATION

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

2013/14 £000		2014/15 £000
1,198	Basic Allowance/Basic and Senior Salaries	1,201
13	Expenses	13
1,211	**Total**	**1,214**

32. 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. 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 £20,849. The ratio is:

	Pay multiple
Median employee earnings : Chief Executive's earnings	1 : 6

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

		Salary, Fees and Allowances £	Expenses Allowances £	Employers Pension Contribution £	**Total £**
Chief Executive Mr Steven J Phillips	2014/15	133,738	29	21,666	155,433
	2013/14	134,253	29	19,467	153,749
Director of Education, Leisure & Lifelong Learning	2014/15	101,214	-	16,397	117,611
	2013/14	9,344	13	1,355	10,712
	2013/14	85,473	-	12,394	97,867
Director of Environment	2014/15	45,258	-	7,332	52,590
	2014/15	58,096	-	9,412	67,508
	2013/14	108,618	-	15,750	124,368
Director of Social Services, Health & Housing	2014/15	-	-	-	-
	2013/14	-	-	-	-
Director of Finance and Corporate Services	2014/15	103,680	-	16,796	120,476
	2013/14	100,693	-	14,634	115,327

The Employers pension contribution of 16.2% (14.5% in 2013/14) excludes any deficit contribution to the fund and represents the normal contribution required for the year.

The Chief Executive's figures do not include any remuneration for the Chief Executive in his role as Returning Officer. There was no election in 2013/14 and the costs in 2014/15 were £5,313, which is based on rates defined by the respective election bodies.

The information for the Director of Education, Leisure and Lifelong Learning included in the table above reflects the full year payment for the new Director in 2014/15, with the 2013/14 comparatives showing both the new and former Director of Education, Leisure and Lifelong Learning. Although the former Director is still employed by the Council, he was seconded to the Welsh Government on a full time basis on 2nd May 2013. The former director was paid salary, fees, allowances and expenses of £108,618 (£109,800 during 2013/14), with the Authority being fully reimbursed for the costs incurred during his time with the Welsh Government.

The new Director of Environment took up the position on 1st September 2014. There are two lines showing for the Director of Environment to show the pay of the retiring director followed by the pay of the newly appointed director in 2014/15.

The Director of Social Services, Health and Housing post has not been filled by a council employee, but if it had been the salary range would have been £100,722 to £108,618 (2013/14 £98,745 to £108,618). A payment of £169,400 has been made to Windsor Transformational Limited in 2014/15 (2013/14 £154,700), who provided the services of the Interim Director of Social Services, Health and Housing to the Council. This is an all-inclusive payment and the company takes responsibility for all taxes.

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

NOTES TO THE ACCOUNTS

			2014/15 Number of employees	2013/14 Number of employees
£60,000	-	£64,999	13	14
£65,000	-	£69,999	11	16
£70,000	-	£74,999	7	7
£75,000	-	£79,999	10	13
£80,000	-	£84,999	4	1
£85,000	-	£89,999	2	1
£90,000	-	£94,999	1	1
			48	**53**

As a result of a voluntary redundancy scheme in 2014/15, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

			2014/15 Number of employees	2013/14 Number of employees
£60,000	-	£64,999	8	5
£65,000	-	£69,999	5	5
£70,000	-	£74,999	5	2
£75,000	-	£79,999	2	-
£80,000	-	£84,999	4	-
£85,000	-	£89,999	2	-
£90,000	-	£94,999	3	-
£95,000	-	£99,999	1	-
£105,000	-	£109,999	1	-
			31	**12**

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

Exit Package cost	Number of compulsory redundancies		Number of other departures		Total number of exit packages by		Total cost of exit packages in each band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £000	2013/14 £000
£0 - £20,000	-	23	207	148	207	171	1,926	1,371
£20,001 - £40,000	-	2	94	75	94	77	2,741	2,203
£40,001 - £60,000	1	-	34	16	35	16	1,666	728
£60,001 - £80,000	-	-	8	-	8	-	547	-
£80,001 - £100,000	-	-	4	-	4	-	346	-
Total	**1**	**25**	**347**	**239**	**348**	**264**	**7,226**	**4,302**

33. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Authority's external auditors:

2013/14 £000		2014/15 £000
177	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	177
125	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	99
100	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	74
402	**Total**	**350**

The Council received a rebate of £14,000 in relation to the local government measure fee. In addition, Wales Audit Office made a distribution of their reserves for 2013/14 which resulted in the Council received income of £58,000. Neither of these items is reflected in the table above.

NOTES TO THE ACCOUNTS

34. GRANT INCOME

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

2013/14 £000		2014/15 £000
	Credited to Taxation and Non Specific Grant Income	
1,477	Improvement Agreement Grant	1,469
173,941	Revenue Support Grant	165,375
13,278	Harbour Way Peripheral Distributor Road (PDR) Grant	2,443
3,522	Regeneration and Town Centre Redevelopments	2,756
-	Ysgol Newydd Bae Baglan	6,000
-	Ysgol Gyfun Ystalyfera re-modelling	595
-	M4 Mitigation Measure	400
-	Baglan Bay Road Bridge	3,098
-	Intermediate Care Fund	555
3,878	Awel y Mor Primary School	99
1,219	Regional Transport Consortia Grant	120
317	Cycling Centre of Excellence	-
50	Contribution from Margam Joint Committee	371
5,404	Other capital grants	1,129
203,086	**Total**	**184,410**
	Credited to Services	
960	Housing Renewal Area Grants	2,337
1,903	Pupil Deprivation Grant	3,814
2,224	Families First Grant	2,223
1,399	Post 16 Provision in Schools Grant	1,302
3,009	Flying Start Grant	3,577
4,490	Foundation Phase Grant	4,311
1,400	School Effectiveness Grant	1,269
3,613	Other Education Grants	3,767
3,217	Concessionary Fares Re-imbursement Grant	2,964
614	Other Highways Grants	645
5,104	Social Services Grants	6,043
52,588	Mandatory Rent Allowances Grant	54,403
283	Mandatory Rent Rebates Grant	287
4,967	Supporting People Grant	5,111
2,890	Waste Grant	2,790
2,040	Community Purpose Grant	2,423
2,107	Recreation and Sports Grant	1,938
5,990	Other Services Grants	2,615
98,798	**Total**	**101,819**

35. RELATED PARTIES

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 31.

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

- A taxi firm owned by a Member of the Authority had a contract with the Authority for the provision of specified taxi services. This contract was entered into in full compliance with the Authority's Standing Orders and services of £360,000 were purchased during the year (2013/14 - £329,000).
- The Council has a lease with another Member for the provision of three vending machines at the cost of £1 per machine.
- One member owns Heddfan Properties which has four properties rented out through the Council's Social Letting Agency, whilst another Member uses this service to rent out a flat.
- During 2014/15 Grwp Gwalia, the employer of another Member, had contracts with the Authority for the provision of housing, support services and residential care.
- The employer of another Member provided the Council's banking services.
- A Council Member is acting as a director of Neath Port Talbot Home Inspection Services Ltd, whilst four Members are on the board of NPT Homes. Also the Celtic Leisure Board has two Council Members.
- In addition, various grants and funds were paid to organisations in which Members have an interest. These payments were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

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

Officers

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

The Chief Executive and Head of Legal Services are unpaid shareholder representatives on behalf of the Council with Neath Port Talbot Waste Management Ltd. The role does not involve any decision making on the day to day running of the Company. The Council's Group Accountant-Environment is the Company Secretary for this company.

The Chief Executive is the unpaid Secretary to the Swansea Bay City Region Board which advises Ministers on economic development, infrastructure and related matters across South West Wales.

The Director of Social Services, Health and Housing, the Head of Community Care and a member of staff from Legal Services are unpaid directors for the Neath Port Talbot Home Inspection Services Ltd.

The Director of Social Services, Health and Housing is a major shareholder, director and company secretary for Windsor Transformational Education Services Limited, which is the company providing the services of the Director to the Council.

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

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

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

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

Entities Significantly influenced by the Authority

Waste

The Authority owns a Waste Management Company (Neath Port Talbot Waste Management Company Ltd) and relevant transactions and details are included in notes to the Balance Sheet.

The Waste Management Company has a 100% shareholding in the operating company for the materials recycling plant (Neath Port Talbot Recycling Ltd). The

Authority paid waste management charges to NPT Recycling Ltd in 2014/15 on behalf of Neath Port Talbot CBC and Bridgend CBC of £7.951m (£8.183m in 2013/14) and received income from Bridgend CBC. At the 31st March 2015 the Council owed the Company £301,000 and had made payments in advance of services of £710,000.

Home Inspection Services

The Authority established a company in 2007 which provides a range of building/property services. The company issued £1,000 of share capital which is 100% owned by the Authority. The board of the company consists of three unpaid Authority staff and one member, who have full decision making powers. The day to day operations are carried out by employees from the Council.

The Authority received income of £90,000 from NPT Home Inspection Services Limited in 2014/15 for professional fees and ECO funding for the Renewal scheme; there was a £170,000 outstanding balance owed by NPT Home Inspection Services Limited on the 31st March 2015. As at the 31st March 2015, there was no money owed by the Authority to NPT Home Inspection Services Limited. Further information is available in Note 49-Group Accounts.

Celtic Leisure

The Council uses Celtic Leisure to manage its indoor leisure activities and the Gwyn Hall. This body is a company limited by guarantee, with the Authority's board membership limited to 20%. The Authority pays Celtic Leisure an annual management fee to run the service (excluding the structural maintenance of buildings) which for 2014/15 was £1.98m (£1.91m in 2013/14). There are no outstanding balances at 31st March 2015.

Neath Port Talbot Homes

Neath Port Talbot Homes is an industrial provident charitable organisation which was established in 2011 to take ownership and management of council housing in Neath Port Talbot. It is run by a voluntary Board made up equally of four tenants, four Councillors and also four independent people. The Authority paid Neath Port Talbot Homes £470,000 from April 2014 to March 2015; £388,000 of this relates to supporting people charges. In the same period, the Authority charged Neath Port Talbot Homes £715,000. There was a £114,000 outstanding balance owed by Neath Port Talbot Homes on the 31st March 2015.

Baglan Bay Company Limited

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

Coed Darcy Limited

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

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

During the year, the company paid the Authority £53,000 (2013 £31,000) for rates on empty properties. There are creditors due to the Authority within one year held within Coed Darcy's balance sheet of £6,000 (2013 £nil).

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

2013/14 £000		2014/15 £000
	Capital Investment	
45,174	Property, Plant and Equipment	50,442
-	Investment Properties	-
-	Intangible Assets	-
8,544	Revenue Expenditure Funded From Capital Under Statute	7,460
-	Non Enhancement Expenditure - Chargeable against Services	-
-	Non Enhancement Expenditure - Chargeable against the Revaluation Reserve	-
53,718		**57,902**
	Sources of Finance	
(1,530)	Capital receipts	(1,250)
(26,820)	Government grants and other contributions	(22,708)
	Sums Set aside from revenue	
(4,001)	Direct revenue contributions and reserves	(2,432)
(21,367)	Loans	(31,512)
(53,718)		**(57,902)**

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

2013/14 £000		2014/15 £000
(207,493)	**Opening Capital Financing Requirement**	**(219,942)**
(4,276)	Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	(4,271)
(17,091)	Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	(27,241)
-	Assets Acquired Under Finance Leases	-
-	Assets Acquired Under PFI/PPP Contracts	-
8,918	Minimum Revenue Provision and prudential borrowing	9,336
-	Set Aside Receipts	-
(219,942)	**Closing Capital Financing Requirement**	**(242,118)**

37. LEASES

Authority as Lessee

Finance Leases

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

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

31st Mar 2014 £000		31st Mar 2015 £000
3,036	Other Land and Buildings	2,960

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

31st Mar 2014 £000		31st Mar 2015 £000
	Finance Lease Liabilities	
10	Current	11
938	Non current	927
1,094	Finance lease costs payable in future years	1,049
2,042	**Minimum Lease Payments**	**1,987**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st Mar 2014 £000	31st Mar 2015 £000	31st Mar 2014 £000	31st Mar 2015 £000
Not later than one year	55	55	11	11
Between 1 and 5 years	221	221	48	50
Later than 5 years	1,766	1,711	889	877
	2,042	**1,987**	**948**	**938**

Operating Leases
Historically, the Authority leased property under operating lease agreements ranging from office buildings to industrial units and land. However, there are no arrangements going forward and there are no future lease payments due.

31st Mar 2014 £000		31st Mar 2015 £000
8	Not later than one year	-
-	Between 1 and 5 years	-
-	Later than 5 years	-
8		**0**

Authority as Lessor

Operating Lease
The Authority currently leases out property under operating lease agreements ranging from Indoor Market units to shops, clubs, land etc. Following a review of the agreements no changes to the accounts are necessary.

The lease income received in 2014/15 was £951,000 and in 2013/14 was £1.028m. The leases are short term by nature and future income streams will be affected by external factors most noticeably economic conditions and therefore cannot be estimated with certainty.

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

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

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

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

The lease rental on the existing homes is charged by the Council from contract commencement and the Council received income of £208,000 during 2014/15 (2013/14 £272,000). However, the rentals paid for each home from contract commencement will be refunded to the Contractor if that home is closed in

accordance with the agreed development programme and the Council has set up a reserve to meet the cost of any refund of this nature. These refunds will be earned as each home is closed but will not become payable until the entire development programme, including, the older people's housing scheme, is completed. No refunds will be made for any home where there is slippage in the programme for closure of that home and transfer of its residents and staff to it.

38. TERMINATION BENEFITS

The Council undertook a significant exercise to seek volunteers for voluntary redundancy as part of the Council's savings strategy and in line with the Council's commitment to avoid compulsory redundancy as far as is possible. Those leaving under the scheme received voluntary redundancy payments in line with the Council's Scheme and where eligible, accessed their pensions. Full details of the numbers and costs are included in Note 32 – Exit Packages.

39. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Council paid £6.444m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2013/14 were £6.418m and 14.10%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 40.

40. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

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	
	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m
Comprehensive Income and Expenditure Statement (CIES)				
Cost of Services:				
current service cost	19.23	21.90	-	-
past service costs	(0.19)	0.80	0.23	0.29
(gain)/loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense	11.39	15.62	1.59	1.48
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**30.43**	**38.32**	**1.82**	**1.77**
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)	(28.22)	14.78	-	-
Actuarial gains and losses arising on changes in financial assumptions	75.25	(65.28)	3.00	(2.00)
Actuarial gains and losses arising on changes in demographic assumptions	-	(5.21)	-	1.59
Actuarial gains and losses due to liability experience	(3.98)	(52.92)	(1.48)	3.00
Total Amount recognised in Other Comprehensive Income	**43.05**	**(108.63)**	**1.52**	**2.59**
Total Post Employment Benefit Charged to the CIES	**73.48**	**(70.31)**	**3.34**	**4.36**
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	**(73.48)**	**70.31**	**(3.34)**	**(4.36)**
Actual amount charged against the General Fund Balance for pensions in				
employers' contributions payable to scheme	20.84	18.76		
retirement benefit payable to pensioners			2.65	2.70

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:

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Present Value of liabilities:					
Local Government Scheme	(632.95)	(714.01)	(813.85)	(734.93)	(843.08)
Discretionary Benefits	(34.27)	(36.21)	(37.48)	(39.14)	(39.83)
Total	**(667.22)**	**(750.22)**	**(851.33)**	**(774.07)**	**(882.91)**
Less Fair value of assets in the Local Government Pension Scheme:	392.32	387.72	449.63	459.78	515.29
Total	**(274.90)**	**(362.50)**	**(401.70)**	**(314.29)**	**(367.62)**
Equals **Surplus/(deficit) in the scheme:**					
Local Government Pension Scheme	(240.63)	(326.29)	(364.22)	(275.15)	(327.79)
Discretionary Benefits	(34.27)	(36.21)	(37.48)	(39.14)	(39.83)
Closing balance at 31st March	**(274.90)**	**(362.50)**	**(401.70)**	**(314.29)**	**(367.62)**

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

2013/14 £m		2014/15 £m
449.63	Opening fair value of scheme assets	459.78
19.90	Interest Income on assets	19.93
(14.78)	Remeasurement gains/(losses) on assets	28.22
18.76	Contributions by the employer	20.84
5.30	Contributions by participants	5.79
(19.03)	Net benefits paid out	(19.27)
-	Net increase in assets from disposals/acquisitions	-
-	Settlements	-
459.78	**Closing fair value of assets**	**515.29**

NOTES TO THE ACCOUNTS

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

	Funded liabilities: Local Government		Unfunded liabilities: Discretionary	
	2014/15 £m	**2013/14 £m**	**2014/15 £m**	**2013/14 £m**
Opening Balance at 1st April	(734.93)	(813.85)	(39.14)	(37.48)
Current service cost	(19.23)	(21.90)	-	-
Interest cost	(31.32)	(35.52)	(1.59)	(1.48)
Contributions from scheme participants	(5.79)	(5.30)	-	-
Remeasurement gains and (losses)				
Actuarial gains/losses arising from changes in financial assumption	(75.25)	65.28	(3.00)	2.00
Actuarial gains/losses arising from changes in demographic assumptions	-	5.21	-	(1.59)
Actuarial gains and losses due to liability experience	3.98	52.92	1.48	(3.00)
Net benefits paid out	19.27	19.03	2.65	2.70
Past service cost (incl. curtailments)	0.19	(0.80)	(0.23)	(0.29)
Net increase in liabilities-disposals/acquisitions	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31st March	**(843.08)**	**(734.93)**	**(39.83)**	**(39.14)**

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

	Fair value of scheme	
	2014/15 £000	**2013/14 £000**
Cash and cash equivalents	14,465	14,419
Equity instruments		
By industry type		
Consumer	65,981	43,254
Manufacturing	35,509	43,103
Energy and utilities	26,677	28,625
Financial institutions	57,414	46,210
Health and care	26,320	26,109
Information Technology	16,145	15,163
Telecommunications Services	11,632	7,387
Sub total	239,678	209,851
Pooled Equity Investment Vehicles		
UK	45,641	46,545
Overseas	83,552	69,566
Sub total	129,193	116,111
Property	25,267	22,992
Fixed Interest		
Fixed Interest	61,715	60,712
Index linked	8,886	6,932
Sub total	70,601	67,644
Hedge Funds	17,265	16,413
Private Equity	9,744	8,028
Global Tactical Asset Allocation	5,169	5,195
Net Current Assets	3,908	(873)
Total assets	515,290	459,780

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

	Fair Value of scheme	
	2014/15 £000	2013/14 £000
Equity instruments:		
By company size		
Large capitalisation	176,011	128,515
Small capitalisation	63,667	81,336
Sub total equity instruments	239,678	209,851

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries, estimates for the City and County of Swansea Pension Fund being based on the latest full valuation of the scheme as at 31st March 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension		Discretionary Benefits Arrangements	
	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.6	22.5	-	-
Women	25.1	25.0	-	-
Longevity at 65 for future pensioners:				
Men	24.8	24.7	-	-
Women	27.4	27.3	-	-
Rate of inflation:				
RPI	2.9%	3.4%	2.9%	3.2%
CPI	1.8%	2.4%	1.8%	2.2%
Rate of increase in salaries	3.3%	3.9%	-	-
Rate of increase in pensions	1.8%	2.4%	1.8%	2.2%
Rate for discounting scheme liabilities	3.2%	4.3%	3.1%	4.2%

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 2015 and the projected service cost for the year ending 31st March 2016 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)	827.34	859.12
% change in present value of total obligation	-1.9%	1.9%
Projected service cost (£m's)	22.12	23.56
Approximate % change in projected service cost	-3.1%	3.2%

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)	848.30	837.93
% change in present value of total obligation	0.6%	-0.6%
Projected service cost (£m's)	22.83	22.83
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)	854.19	832.13
% change in present value of total obligation	1.3%	-1.3%
Projected service cost (£m's)	23.56	22.12
Approximate % change in projected service cost	3.2%	-3.1%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	**-1 year**	**+1 year**
Present value of total obligation (£M's)	865.60	820.58
% change in present value of total obligation	2.7%	-2.7%
Projected service cost (£m's)	23.60	22.06
Approximate % change in projected service cost	3.4%	-3.4%

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 cashflow of the Fund at this present time, the Fund has adopted a medium/long term investment horizon in its allocation to growth assets, however, the need to meet on-going liabilities, is addressed by the allocation to cash distributing assets in the form of bonds, property and infrastructure.

Impact on the Authority's Cash Flows

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2016 is £19.81m. Expected

payments to beneficiaries of the Discretionary Benefits schemes in the year to 31st March 2016 are £1.07m for the LGPS Scheme and £1.61m for Teachers.

41. CONTINGENT LIABILITIES AND ASSETS

Liability - Municipal Mutual Insurance (MMI)

MMI ceased writing insurance business on 30th September 1992 and an arrangement was put in place in 1994 to ensure an orderly run off. In the event of it becoming clear that a solvent run off was unlikely to be achieved, it was identified that a Scheme of Arrangement would be triggered which would pass some of the liability to repay old claims to the Council.

The Scheme was triggered on 13th November 2012 and since this time, charges have been made to take account of known costs of £94,000, together with a long term provision of £108,000 to reflect the estimated clawback. As further claims are met, the Scheme Administrator may revisit the levy rate and increase the Council's liability by up to £425,000, but as this has not happened and the liability is not certain, this element has not been included in the accounts.

Liability - Rentals

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

At this stage, the Council will act prudently and add an additional £208,000 to the reserve within its accounts for the repayment which could fall due. The reserve balance set aside for this purpose at 31st March is £751,000.

Liability - Equal Pay Back Pay

As a result of retrospective legislation, compensation payments made during 2008/09 could now be classified as pensionable. The guidance from the Local Government Employers Pension Committee is that settlements made in advance of the legislative change should not be reopened unless there are compelling reasons. Due to the on-going uncertainty around this matter, no allowance has been made in the accounts; the sum involved is between £182,000 and £269,000.

Liability – Holiday Pay

There have been a range of cases in relation to the payment of holiday pay over the last few years. These cases have resulted in a change to the way in which employers must calculate holiday pay.

If an employee is required to work overtime as a regular part of their job, their pay when on holiday should reflect what they would earn as part of their normal working week, including the overtime element.

The current legislation does include a time constraint and any back dated claims have been limited so they can only be made if it is less than three months since an incorrect payment of holiday pay, although a claim can be backdated until such time as there is a three month break between underpayments.

The Council has examined its current arrangements and as a result of this exercise, identified that there is only very restricted areas where guaranteed overtime is worked. The contracts for these areas take this fully into account and the staff members accrue holiday entitlement at a level which reflects their compulsory additional hours.

Consideration has been given to areas throughout the organisation and, at this stage, it is felt unlikely that a successful claim could be made for an additional holiday pay allowance. However, due to the on-going uncertainty around this matter, this note is included with no allowance in the accounts. The position will remain under review by a group made up of staff from Human Resources, Finance and Legal throughout the next financial year.

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

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

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

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

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

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy, which incorporates the Investment Strategy and the prudential indicators, was approved by Full Council on 4th February 2015 and is available on the Council website.

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

Credit Risk

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

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

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

Maturities up to a maximum of 1 year (Specified Investments)				
	Minimum "High" Credit Criteria	**Funds Managed**	**Maximum amount**	**Maximum Duration**
Fixed term deposits with fixed rate and fixed maturity				
Debt Management Agency Deposit Facility	N/A	In-house	Unlimited	1 year
Term deposits – local authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & part nationalised UK bank/ building societies	Fitch short-term rating F1 with support rating of 1	In-house	£20m	1 year
Term deposits – UK banks/ building societies	Fitch short-term rating F1+ with support rating of 1	In-house	£20m	1 year
Term deposits – UK banks/ building societies	Fitch short-term rating F1+	In-house	£15m	1 year
Term deposits – Barclays Bank PLC	Fitch short-term rating F1 with a support rating of 1 and a short term stable outlook	In-house	£15m	6 months
Term deposits – UK banks/ building societies	Fitch short-term rating F1 with a support rating of 1 and a short term stable outlook	In-house	£10m	6 months
Principality Building Society	Fitch short-term rating F2	In-house	£3m	6 months
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months
Callable deposits	Fitch short-term rating F1 or F1+	In-house	Criteria as above with the addition of a £3m limit for the Council's bankers, Santander.	
Maturities in excess of 1 year (Non-specified Investments)				
Fixed term deposits with fixed rate and fixed maturity - a maximum of £25m will be held in non-specified investments all of which will be sterling denominated.				
Debt Management Agency Deposit Facility	N/A	In-house	Unlimited	5 years
Term deposits – Local Authorities	N/A	In-house	£10m	5 years
Term deposits – UK Banks / Building Societies	Fitch long-term rating A	In-house	£10m	5 years
Term deposits – non UK Banks	Fitch long-term rating A	In-house	£3m	5 years

Maturities up to a maximum of 1 year (Specified Investments)				
	Minimum "High" Credit Criteria	**Funds Managed**	**Maximum amount**	**Maximum Duration**
Term deposits – Building Societies	Fitch long-term rating A	In-house	£3m	5 years
Fixed term deposits with variable rate and variable maturities				
Callable deposits	Fitch long-term rating A	In-house	Criteria as above.	

The Authority's maximum exposure to credit risk in relation to its investments in individual banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Authority's deposits but by adopting stringent investment criteria this risk can be minimised.

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

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

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

31st Mar 2014 £000		31st Mar 2015 £000
2,519	Current - up to one month	3,968
659	One to three months	661
329	Three to six months	1,117
1,184	Six months to one year	878
1,768	More than one year	2,417
6,459	**Total**	**9,041**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual treasury and investment strategies) as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finances to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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

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

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

31st Mar 2014 £000		31st Mar 2015 £000
(1,436)	Less than 1 year	(2,667)
(1,667)	Between 1 and 2 years	(4,546)
(9,511)	Between 2 and 5 years	(12,507)
(21,969)	Between 5 and 10 years	(21,413)
(137,502)	More than 10 years	(153,090)
(172,085)	**Total**	**(194,223)**

Market Risk

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

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

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

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

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

	31st Mar 2015 £000
Increase/decrease in interest received and credited to the CIES Account	476
Increase/decrease in external interest payable and debited to the CIES Account	1,942

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

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

43. TREASURY MANAGEMENT INVESTMENTS - ICELANDIC BANK DEFAULTS

The Council has the following investments outstanding in the UK subsidiaries of the former Icelandic bank Heritable and Kaupthing Singer and Friedlander (KSF):

Bank	**Original Principal Invested £m**	**Repaid to 31st Mar 2015 £m**	**Balance Sheet at 31st Mar 2015 £m**
Heritable Bank Ltd	9.000	8.597	0.000
Kaupthing Singer & Friedlander Ltd (KSF)	3.000	2.546	0.074
Total	**12.000**	**11.143**	**0.074**

Details of dividends received and anticipated in relation to these two institutions are detailed in the paragraphs below:

Heritable Bank Ltd

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

Date	Repayment
Received to date	94.02%
No further repayments anticipated	

Kaupthing Singer and Friedlander Ltd (KSF)

KSF is a UK registered bank under English law. The current position on actual payments received and estimated future pay outs is as shown in the table. The Authority has decided to recognise an impairment based on recovering 85p in the £, which is based on advice provided by its Treasury Management Advisors.

Date	Repayment
Received to date	82.50%
December 2015	2.50%

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

Glitnir Bank hf

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

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.71%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Authority has no control.

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

In June 2015, the Council entered into an agreement to sell its Icelandic Escrowed Kroner which had been held under Icelandic Government currency control arrangements. The Council expects to receive approximately £290,000 of the original £387,000 investment and will deal with the accounting implications of this sale in its 2015/16 Accounts.

Foreign exchange risk in Relation to Icelandic Deposits

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

Accounting for Impairment

The total impairment recognised in the Income and Expenditure Account is £25,000, also included is £22,000 of assumed investment interest. The impairment is due to the fact that the total percentage dividends assumed for Kaupthing Singer and Friedlander are less than reflected in the 2013/14 Accounts.

44. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Initial recognition of heritage assets					
Works of Art	-	786	-	-	-
Total initial recognition	**0**	**786**	**0**	**0**	**0**
Acquisition of heritage assets					
Works of Art	-	-	-	-	-
Total cost of Acquisition	**0**	**0**	**0**	**0**	**0**
Value of heritage assets acquired by donation					
Works of Art	-	-	-	-	-
Total Donations	**0**	**0**	**0**	**0**	**0**
Transfer of assets from other categories in the period					
Works of Art	-	-	-	-	-
Total Transfers	**0**	**0**	**0**	**0**	**0**
Revaluation of assets in the period					
Works of Art	-	-	-	517	(120)
Total Revaluation	**0**	**0**	**0**	**517**	**(120)**

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

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

46. TRUST FUNDS

The Authority administers various trust funds. The application of these funds covers a wide field ranging from educational, social and recreational needs, to the relief of sickness and protection of historic buildings. As these funds are not the property of

the Authority, they are not included in the Balance Sheet or Comprehensive Income and Expenditure Statement.

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

2013/14 £000	Trust Funds	2014/15 £000
599	* Welsh Church Acts (WCA)	608
1,527	Education Trust Funds (Note 1)	1,629
63	Social Services Trust Fund	64
2,189		**2,301**

* The opening position for the WCA has been updated to reflect the audited position.

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

2013/14 £000	Education Trust Funds	2014/15 £000
1,160	Investment at Market Value	1,256
276	Cash	282
91	Investment at Book Value	91
1,527		**1,629**

The Social Services Trust Funds are stated at book value.

Note 1:
The Accounts are prepared on a receipts and payments basis as opposed to an accruals basis as the gross income of the charity is less than £100,000 per annum.

47. LOCAL TAXATION

Council Tax

Council tax is the current form of local taxation for domestic properties. All domestic properties are placed into one of nine valuation bands according to their open market value at 1st April 2003. The average amount of council tax for a property in Band D in 2014/15 was £1,542.24. This was calculated by dividing the amount of council tax required by Neath Port Talbot CBC, each community council, and the South Wales Police Authority by the council tax base of 45,913 (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	13,002	26,048	10,918	6,835	3,997	1,306	495	85	14	62,700

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 2014/15 was 47.3p (2013/14 46.4p). The Authority is responsible for collecting rates due from businesses in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

In 2014/15, the total non domestic rateable value at the year end was 101.398m (2013/14 97.781m).

Significant precepts or demands

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

Community Councils	2014/15 £000
Blaengwrach	36
Blaenhonddan	220
Briton Ferry	117
Cilybebyll	84
Clyne and Melincourt	17
Coedffranc	322
Crynant	40
Cwmllynfell	29
Dyffryn Clydach	44
Glynneath	126
Gwaencaegurwen	61
Neath	330
Onllwyn	20
Pelenna	32
Pontardawe	158
Resolven	41
Seven Sisters	45
Tonna	25
Ystalyfera	57
	1,804
Other Levies and Demands	
Police and Crime Commission for South Wales	8,739
Fire Authority	6,678
	15,417

48. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

The Authority participates in a number of Joint Venture Operations which have not involved the establishment of a separate entity.

All revenue transactions other than those relating to Margam Crematorium are included within the Comprehensive Income and Expenditure Statement and any associated current liabilities and/or current assets are held on the balance sheet. The Margam Crematorium, being a significant non-current asset is included on the balance sheet of the Authority at the appropriate fair value. Due to materiality, no other balances / reserves are included on the balance sheet of the Authority and are held by the organisation(s) as outlined in the following notes:

Margam Joint Crematorium Committee

The Authority manages a Crematorium facility under a joint arrangement with Bridgend County Borough Council. The share of operating expenditure and income relating to Neath Port Talbot County Borough Council is shown below:

Expenditure £000	Income £000	Net £000
456	(502)	(46)

This Authority's share of the net equity within the crematorium balance sheet is £62,624.

South West Wales Integrated Transport Consortium

The Authority in conjunction with three neighbouring authorities had established a joint committee for the purpose of delivering an integrated transport strategy for the region (SWWITCH). This has now been dissolved due to the external funding being withdrawn on 1st April 2014. The Deed of Termination was signed on the 8th April 2015.

Archives

The Authority has established together with the City and County of Swansea a joint committee to undertake the running of the Archives service. The service is run by the City and County of Swansea and Neath Port Talbot's contribution for 2014/15 was £94,000 (2013/14 £106,000).

This Authority's share of the reserves held by the City and Council of Swansea is £50,000 (2013/14 £50,000).

Joint Resilience Committee

The Authority has entered into a joint arrangement with the City and County of Swansea for the provision of emergency planning for civil contingencies. The Authority contribution for 2014/15 was £75,000 (2013/14 £75,000).

Education through Regional Working (ERW) (formerly SWAMWAC)

The Authority is part of a joint committee with five other neighbouring authorities to deliver Education through Regional Working. This is managed by Pembrokeshire County Council.
The total annual contribution of all participating authorities for 2014/15 was £250,000 (2013/14 £156,000) of which this Authority's share was £37,500 (2013/14 £25,000).

There are specific reserves held for constituent authorities of £412,000 with this Council's share being £62,000. Any other assets belonging to the Committee are held by the host authority in trust for each of the constituent members in equal share.

Welsh Purchasing Consortium

The Welsh Purchasing Consortium is a collaborative procurement organisation which is made up of 19 Unitary Authorities across Wales and run operationally by a central management team. Contracting activity within the WPC is undertaken by individual member Authorities on behalf of the whole membership on a reciprocal basis.

The total contribution for all members for 2014/15 was £243,000 (2013/14 £244,125), with this Authority's share being £12,150 (2013/14 £13,500). At 31st March, there were reserves of £419,947 with Neath Port Talbot Council share being £23,712 (2013/14 £402,738 and £25,369).

Coroners

The Coroners district areas were amalgamated on 1st April 2014. The service is run by the City and County of Swansea and Neath Port Talbot's contribution for 2014/15 was £175,000.

49. GROUP ACCOUNTS

NPT Home Inspection Services

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

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

The financial year for this company was originally 31st March, but this was changed to 30th September for the 2013/14 accounts. The accounts for NPT Home Inspection Services (Registration Number 0686245) can be obtained from Companies House in Cardiff upon completion of their audit.

Final 31st Mar 2013 £000		Year to 30th Sep 2014 £000
182	Net Assets/(Liabilities)	103
115	Net Profit/(Loss)	(78)

Neath Port Talbot Waste Management Company Limited

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

Energy) Ltd, with Maesgwyn Energy Ltd, a subsidiary of the Walters Group. This is examining the possibility of developing other facilities.
Included within the balance sheet of the Authority at 31st March 2015 are the land of NPT WM (at nil value) and the fair value of land, buildings, equipment and plant of Neath Port Talbot (Recycling) Ltd of £2.6m (2013/14 £2.8m).
The accounts for NPTWM (Registration Number 2633569) can be obtained from Companies House in Cardiff upon completion of their audit.

Final 2013/14 £000		Draft 2014/15 £000
940	Net Assets/(Liabilities)	not available
295	Net Profit/(Loss)	not available

Neath Port Talbot (Recycling) Limited

The accounts for Neath Port Talbot (Recycling) Ltd. (Registration Number 3595980) for 2014/15 are not yet available, though it is considered that these will continue to be immaterial for Group Account purposes.

Final 2013/14 £000		Draft 2014/15 £000
(1,216)	Net Assets/(Liabilities)	not available
(133)	Net Profit/(Loss)	not available

The accounts for both companies in 2014/15 reflect a management fee of £175,000 (2013/14 £175,000) payable from NPT Recycling to NPT Waste Management. The accounts for both companies can be obtained from Companies House in Cardiff upon completion of their respective audits.

Baglan Bay Company Limited

The Authority holds a 50% share in Baglan Bay Company Limited with other shares being held by St Modwen Developments Limited (25%) and The Prince's Foundation (25%).
The principal activity of the company is that of monitoring the remediation of former BP sites in the Swansea area.
The accounts for Baglan Bay Company Limited are prepared to the 30th November each year and are considered to be immaterial for Group Account purposes. The accounts for this company, registration number 06383208, are available from Companies House, Cardiff.

Year to 30th Nov 2013 £000		Year to 30th Nov 2014 £000
(22)	Net Assets/(Liabilities)	(31)
(13)	Net Profit/(Loss)	(9)

Coed Darcy Limited

The Authority holds a 46% share in Coed Darcy Limited with other shares being held by St Modwen Developments Limited (49%) and The Prince's Foundation (5%).
The principal activity of the company is that of property investment. The company is also responsible for monitoring the remediation of the former BP oil refinery at Llandarcy. It also has an aim to stimulate and promote the creation within Wales of new enterprises.
The accounts for Coed Darcy Limited are prepared to the 30th November each year and are considered to be immaterial for Group Account purposes. The accounts for this company, registration number 00577934, are available from Companies House, Cardiff.

Year to 30th Nov 2013 £000		Year to 30th Nov 2014 £000
5,750	Net Assets/(Liabilities)	5,947
169	Net Profit/(Loss)	187

Green Energy (South Wales) Limited

The Authority has a 50% interest in this company, due to it being part owned by the Authority's NPT Waste Management Company Limited. The other shares are owned by Maesgwyn Energy Limited.
The principal activity of the company is the treatment and disposal of non-hazardous waste. The accounts are considered to be immaterial for Group Account purposes and the accounts for the company, registration number 07141378, will be available from Companies House, Cardiff.

Final 2013/14 £000		Draft 2014/15 £000
(6)	Net Assets/(Liabilities)	not available
(5)	Net Profit/(Loss)	not available

50. LANDFILL SITES

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

The Authority is required to recognise a provision when:

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

The landfill site at Giants Grave is operated by Neath Port Talbot Waste Management Limited (the Company) which is a wholly owned subsidiary of the

Authority. The Company is liable for the aftercare costs at the site, however, if the Company ceased to exist then the liability would pass to the Authority.

The site is now in aftercare phase and the Company is in receipt of the closure report and aftercare plan which has been agreed by Natural Resources Wales. The Company has a provision within its audited accounts as at 31st March 2015 of £0.792m to deal with any unforeseen residual restoration work. The Council also holds a reserve of £0.989m to meet any future landfill obligations.

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

51. EXCEPTIONAL ITEMS

This note is used to explain any items included within the exceptional items line of the Comprehensive Income and Expenditure Statement.

There are no items of this nature in the Statement of Accounts for this year.

52. NON DISTRIBUTED COSTS

Non-Distributed Costs are costs that do not relate directly to the provision of a service and can include items such as the cost of discretionary benefits awarded to employees retiring early and the depreciation on surplus assets.

The significant charge in 2014/15 relates to impairment and depreciation on surplus capital assets £1.836m (2013/14 £143,000) with adjustments in relation to the Pension Fund making up the remaining balance of £45,000 (2013/14 £1.090m)

ANNUAL GOVERNANCE STATEMENT

Section One – Scope and responsibility

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

The Council also has a general duty under the Local Government (Wales) Measure 2009 to "make arrangements to secure continuous improvement in the exercise of its functions" and in discharging this duty, the Council must have regard in particular to the need to improve the exercise of its functions in terms of the following seven aspects of improvement:

1. Making progress towards an authority's strategic objectives (as set out in the Corporate Plan).
2. Improving service quality.
3. Improving service availability.
4. Fairness especially in reducing inequality in accessing or benefiting from services, or improving the wellbeing of disadvantaged groups.
5. Exercising functions in ways that contribute to the sustainable development of an area.
6. Improving the efficiency of services and functions.
7. Innovation and change which contributes to any of the above.

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

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

ANNUAL GOVERNANCE STATEMENT

Section Two - The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have resulted in the delivery of appropriate, cost effective and efficient services.

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

Section three onwards summarises the governance framework and the system of internal control which has been in place within the Council for the year ending 31st March 2015. The framework is described to reflect the arrangements in place to meet the core principles of effective governance and provide clear details on the assurances taken during the year on the effectiveness of governance arrangements and the improvement work that arises from taking such assurances.

In 2014, the Wales Audit Office undertook a comprehensive assessment of our arrangements and they presented their findings to Council in January 2015, full report details are available here: *http://www.npt.gov.uk/default.aspx?page=7009*. There were no statutory recommendations made by the Wales Audit Office as no significant shortcomings were identified. There were, however, a range of proposals for improvement put forward for the Council's consideration and most of those proposals for improvement were accepted by the Council and are in the process of being implemented. The Council's response to the report is available here: *http://moderngov.neath-porttalbot.gov.uk/documents/s9270/Council%20covering%20report%20Jan15%203.pdf.* The improvement work will be overseen by the Corporate Governance Group, with progress reported in our Annual Governance Statement to the Audit Committee.

ANNUAL GOVERNANCE STATEMENT

Section Three - The Governance Framework

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

Core Principle One: **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**	
Description of Governance Mechanisms	**Assurances received**
Full Council approves the Single Integrated Plan (SIP); the Corporate Improvement Plan; and associated Annual Reports.	➢ The key plans describe the Council's short term and long term priorities to ensure citizens receive high quality services whether directly, or in partnership. ➢ The Corporate Improvement Plan is audited by the Wales Audit Office and was considered compliant with the Local Government Measure 2009 in 2014-15. ➢ The Single Integrated Plan ensures that our partnerships are underpinned by a common understanding and purpose, which is shared by all partners. ➢ Annual reports on both plans are produced and published and describe the extent to which the plans have been implemented. The annual reports inform annual reviews of the priorities. During 2014-15 we reviewed the priorities for both Plans to ensure they remain relevant in the current financial climate.
Strategic Equality Plan	➢ We aim to promote equality of opportunity, combating discrimination and harassment and promoting good community relations. The Council has a Strategic Equality Plan (SEP) to make sure it does what the law says, which is treating all people fairly. We are currently reviewing our equality objectives to ensure they remain relevant in the current climate of austerity and will be publishing a revised SEP during 2015-16. ➢ We received no complaints in relation to our current SEP.
Corporate Performance Management Framework.	➢ We revised our performance management framework in 2014-15 to ensure there is a "golden thread" of accountability running through our organisation

Core Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	
Description of Governance Mechanisms	**Assurances received**
	linking strategic activities to operational activities. ➢ Chief Officer objectives are set annually and link to the Council's priorities as set out in the Corporate Improvement Plan. A new appraisal system allows the Chief Executive to assess their progress. ➢ A new approach was introduced in 2014-15 to ensure there was greater consistency across the Council in relation to service business plans produced at Head of Service level. An external evaluation was done of the new approach and recommendations from the evaluation have informed our 2015-16 business planning to improve and strengthen arrangements. ➢ We also introduced performance report cards at the operational level and each team is required to demonstrate what is being achieved for the resources invested in that service area. Staff morale and customer satisfaction measures are also included in the report card to ensure there is a more holistic view of service performance. We have evaluated the quality of report cards during 2014-15 and are considering any further improvements needed. ➢ Performance scrutiny was identified as an improvement area and the new report cards will be used within the scrutiny process to give a holistic view of service performance. ➢ We will be undertaking work to introduce a staff appraisal system for all staff during the next twelve months. ➢ We also use programme and project management tools to support the implementation of change across the Council where the use of such tools is efficient and effective.
Forward Financial Plan (FFP).	The FFP, as approved by members in February 2014, was delivered during

Core Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	
Description of Governance Mechanisms	**Assurances received**
	2014-15. The FFP was then reviewed and updated in 2014-15, in order to meet the Council's legal duty to set a balanced budget for 2015-16. Council formally approved the revised FFP in February 2015, which produced a revised forecast funding gap of £50 million over the period 2015-16 to 2017-18. The strategies contained within the revised FFP were subject to Member scrutiny prior to the final FFP being considered and approved. ➢ Over the autumn of 2014 we carried out an extensive programme of consultation and engagement with a very wide range of stakeholders on a range of proposals that have significant impacts on local people. The Council also took steps to ensure the equality impact of proposals was explicitly considered when developing and agreeing the proposals within the revised FFP.
Revenue and Capital Budgets.	➢ The Council's Annual Budget and Capital Programme were set in the context of the revised Forward Financial Plan and Corporate Improvement Plan. ➢ Monthly reports produced for senior officers are now in an improved format and improved quarterly reports for elected Members are being developed to support the monitoring expenditure forecasts against the agreed cash limits for the revenue budget. ➢ A Capital Programme Steering Group meets monthly to review expenditure against budget on the capital programme and to update the capital programme as funding decisions are made on relevant specific grants with reports to senior officers and elected Members as appropriate. ➢ Capital and revenue expenditure and related activities are subject to annual audit by the Wales Audit Office (WAO) and an unqualified opinion (our

Core Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	
Description of Governance Mechanisms	**Assurances received**
	information in the financial statements was sound) was provided on the Annual Statement of Accounts by WAO for 2013-14.
Annual Statement of Accounts	➢ The Statement of Accounts is a statutory summary of the Council's financial affairs for the financial year and is prepared in accordance with the Code of Practice on Local Government Accounting (the Code). ➢ The purpose of the Statement of Accounts is to give electors, local taxpayers, council members and any other interested parties clear information on the overall finances of the Council and to demonstrate the good stewardship of public money for the year.
Asset Management Plans	➢ We maintain a number of asset plans to ensure we get value for money from our assets (these include Property, Fleet, Highways, ICT and Human Resources). The Corporate Assessment conducted by Wales Audit Office made a number of proposals for improving arrangements in relation to property and ICT asset management, which we will be implementing during 2015-16.
Procurement	➢ We aim to ensure that best use is made of resources and that tax payers and service users receive good value for money. Over the last two years we have been making improvements to the way we buy goods and services and introduced an electronic ordering and payment system, to replace paper based systems. This has resulted in better management information being available on the goods and services we buy. ➢ Internal Audit checked the information flow of the new system before implementation and there will be planned on going checks of the system.
NPT People Strategy.	➢ The NPT People Strategy sets out how the Council will lead, manage and

Core Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	
Description of Governance Mechanisms	**Assurances received**
	develop everyone within its workforce, in social partnership with the trade unions and with the overall aim of ensuring that the workforce capacity and capability required to deliver its priorities is in place.
Workforce Strategy.	➢ We have an effective employee relations and change management process in place, based on a model of social partnership with trade unions. ➢ The Council's political leadership have provided clear and consistent direction in terms of what is expected from senior officers, i.e. a workplace culture based on trust, respect, and early and meaningful consultation. ➢ The Council has clear service level and council wide priorities, and an assessment of the workforce related implications has been undertaken for 2015-16. ➢ An agreed programme of work for the Human Resources team is in place to support the delivery of our improvement priorities and related change management activity. ➢ To date we have implemented three major voluntary redundancy programmes and as a result face a number of ongoing challenges. These include sustaining sufficient capacity and capability to deliver services and functions, ensuring that services can continue to operate safely and effectively with a reduced workforce, providing the learning, training and development needed for the residual workforce to cope with huge changes in the organisation, ensuring there is capacity to support our improvement and budget priorities within a context of diminishing resources, as well as delivering the business as usual work programme. It will be an ongoing challenge to have the right number of people, with the right skills, in the right place, doing the right things.

ANNUAL GOVERNANCE STATEMENT

<u>Core Principle One</u>: **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**	
Description of Governance Mechanisms	**Assurances received**
	An establishment control process is being implemented and an organisational structure data base is being developed. ➢ Our workforce management arrangements were also examined as part of the Corporate Assessment conducted by Wales Audit Office. There were three proposals for improvement relating to human resources, which we will be implementing in the next 12 months.
Internal Audit Section.	➢ Internal Audit Section – this is an independent and objective assurance service, to the management of the Council and an effective way of identifying failures in service delivery. ➢ During 2014-15, 71 formal reports were issued with recommendations made where appropriate which allowed the Annual Report, which is presented to the June Audit Committee, to give Audit Committee Members "***Reasonable assurance can be given that there have been no major weaknesses noted in relation to the various internal control systems operating within the Authority".*** ➢ The Internal Audit plan involves Internal Audit carrying out a series of audit reviews in order to provide an opinion on the internal controls, risk management and governance arrangements of the Council. ➢ Each year the Internal Audit section carries out a number of special investigations which will include investigations into suspected incidents of fraud, irregularity and malpractice.
Audit Committee.	➢ No significant governance issues were identified during 2014-15. This assurance is given to the Audit Committee in the annual Audit Report, which is presented in June.

ANNUAL GOVERNANCE STATEMENT

<u>Core Principle One</u>: **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**	
Description of Governance Mechanisms	**Assurances received**
	➢ The Audit Committee monitors the work plan of the Internal Audit Section, and the work of external audit, throughout the year. ➢ Enhancements have been made throughout the year to the reports provided to Members by Internal Audit. ➢ Work is on-going to strengthen the role of Audit Committee in relation to risk management and its review of special investigations.
Audit Manager annual report.	➢ Audit Manager provides an annual report to Audit Committee highlighting any concerns and to give assurance to elected Members regarding the Council's internal systems.
Auditor General for Wales (Wales Audit Office).	➢ The Auditor General for Wales reports annually on his audit and assessment work in relation to whether the Council has discharged its duties and met the requirements under the Local Government (Wales) Measure 2009. The annual improvement report was issued in November 2014 and also incorporated the Corporate Assessment report. The report concluded that "the Council has been delivering its key priorities but limitations in governance arrangements and performance evaluation present risks to it being able to sustain progress in the future." No statutory recommendations were made by the Wales Audit Office as no significant shortcomings were identified. However, there were a range of proposals for improvement for the Council to consider. Most of those proposals for improvement were accepted by the Council and are in the process of being implemented.

ANNUAL GOVERNANCE STATEMENT

Core Principle Two: **Members and officers working together to achieve a common purpose with clearly defined functions.**	
Description of Governance Mechanisms	**Assurances received**
The Council's Constitution is one based on an operating model of Council Leader and Cabinet.	➢ The Constitution clearly sets out the different, but complementary, responsibilities of Members and Officers to ensure there is effective leadership throughout the authority. ➢ The Constitution provides for full Council to approve or adopt the policy framework and budget. ➢ Committees of the Council are confirmed at annual meetings of the Council and have clear terms of reference and membership. Amendments to committee arrangements are taken back to full Council for consideration and agreement during the civic year. ➢ Following the review of democratic arrangements in 2013-14, a number of proposals for strengthening arrangements have been taken forward in 2014-15. These are covered in Section Four.
The Chief Executive (as Paid Head of Service) leads the Council Officers and chairs the Corporate Directors and Corporate Management Groups (includes all Heads of Service).	➢ There are clear job descriptions for all staff, which highlight their roles and responsibilities.
The Director of Finance and Corporate Services is the Section 151 officer under the Local Government Act 1972.	➢ The Director of Finance and Corporate Services is the responsible officer for the proper administration of the financial affairs of the Authority. ➢ This finance function provides support to directorates and determines the budget preparation and financial monitoring processes. ➢ This function also provides the annual statement of accounts for the Authority.
Designated Monitoring Officer.	➢ The Head of Legal Services carries overall responsibility for legal compliance.

ANNUAL GOVERNANCE STATEMENT

Core Principle Two: **Members and officers working together to achieve a common purpose with clearly defined functions.**	
Description of Governance Mechanisms	**Assurances received**
Head of Democratic Services.	➢ The Head of Democratic Services created by the Local Government Measure 2011 is the Head of Corporate Strategy and Democratic Services. During 2014-15 the Head of Democratic Services reported formally to the Democratic Services Committee on the adequacy of resources available to deliver the support related to the democratic functions of the Council as required by the Local Government Measure 2011.
Head of ICT.	➢ The Head of Information and Communications Technology is the Authority's designated Senior Information Risk Owner (SIRO), a role recommended in the Local Government Data Handling guidance and which is reinforced by the Public Services Network (PSN) Information Assurance requirements. ➢ It has been agreed that the SIRO will report directly to the Corporate Directors' Group on data protection matters and will chair the Information Security Group as recommended by a recent audit carried out by the Information Commissioner's Office (ICO). ➢ The SIRO is accountable for information risk throughout the Authority.
Members' Allowance scheme and Staff Pay Structure.	➢ The Council has a clear scheme setting out the terms and conditions for remunerating members and officers and an effective structure for managing the process. ➢ The Independent Remuneration Panel Wales conducted a compliance audit during the year. 3 minor non-compliance issues were identified in relation to the NPT scheme and all 3 issues have been fully addressed in arrangements for the 2015-16 civic year.
Partnership Governance Arrangements (including Terms of Reference).	➢ The Council has in place governance arrangements for partnerships which: o Clarify the roles of members both individually and collectively in relation to the partnership and to the Council;

Core Principle Two: **Members and officers working together to achieve a common purpose with clearly defined functions.**	
Description of Governance Mechanisms	**Assurances received**
	○ Clearly set out the legal status of the partnership; and ○ Make clear the extent to which representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. ➢ During 2014-15, we reviewed and updated the terms of reference and membership for the Community Safety and Health/Wellbeing Partnerships. This will action a recommendation made by the Wales Audit Office to clarify governance arrangements in relation to community safety matters

Core Principle Three: **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**	
Description of Governance Mechanisms	**Assurances received**
➢ Anti-fraud, corruption and malpractice policy which incorporates a whistle blowing policy. ➢ Public Services Ombudsman for Wales.	➢ Conduct of Members is monitored by the Public Services Ombudsman for Wales and the Council's Standards Committee. ➢ The Whistle blowing Policy and Procedure documents will be reviewed by June 2015 in line with Wales Audit Office recommendations and amalgamated into one document. Whistle blowing complaints are monitored by the Council's Audit Section to ensure that complaints are responded to, as well as monitoring which takes place and is reported to Members in the annual equalities employment information report and published on the Council's internet. ➢ The standing declarations register is updated by Members as and when a

Core Principle Three: **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**	
Description of Governance Mechanisms	**Assurances received**
➢ Council's Standards Committee. ➢ Council's Employee Code of Conduct. ➢ The Audit Committee.	declaration is made or amended when there has been a change in circumstances e.g. taking up new posts. ➢ An annual audit is undertaken of Member and Officer Declarations of interests and no material considerations were known during 2014-15. The information for Members is provided on the Council website. ➢ There was one referral to the Public Services Ombudsman for Wales. ➢ Annual monitoring of key employment policies, discipline, grievance, and whistle blowing takes place and is reported to Members in the annual equalities employment information report, published on the Council's internet. ➢ The Internal Audit Service makes case by case checks on officer compliance with the Employee Code of Conduct. ➢ The Audit Committee (which meets on a quarterly basis throughout the year) is responsible for examining, approving and keeping under review the adequacy and effectiveness of internal controls/compliance. ➢ The Committee is also responsible for reviewing the work and performance of both internal and external audit and receives reports from both. ➢ The terms of reference of the Committee are consistent with those recommended by CIPFA and were updated following the enactment of the Local Government (Wales) Measure 2011. ➢ Work is underway to strengthen the role of the Audit Committee to allow more time at meetings, for the consideration of risk management issues. This will commence when the review of the Authority's Risk Management Strategy is complete. ➢ These processes are considered to be sound in terms of creating a suitable

Core Principle Three: **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**	
Description of Governance Mechanisms	**Assurances received**
	procedural framework and addressing any issues arising is not considered to be a problem. ➢ The above arrangements ensure that members and officers exercise leadership by behaving in ways that demonstrate high standards of conduct and effective governance.
The Corporate Comments, Compliments and Complaints Policy (which takes account of the Complaints Wales Group's 'Model Concerns and Complaints Policy' and accompanying guidance on implementation)	➢ We have implemented the requirement for reports on comments, compliments and complaints received, to be submitted on a regular basis to elected Members. The instances, their resolution and lessons learned have been configured into the scrutiny committee schedule over the next 12 months. ➢ Directorate complaints officers meet regularly with the Customer Services Manager who has responsibility for the Corporate Complaints Policy. A shared electronic record has been created for the purpose of collecting information on a regular ongoing basis to assist reporting and analysis. ➢ The Customer Service Manager attends the all Wales Complaints group meetings also attended by the Public Services Ombudsman to share good practice with representatives from the 22 Welsh Local authorities who have now all adopted the model two stage policy. ➢ The Customer Services Manager compiles an annual report to provide an overview of the previous year's activity. The report went to Policy & Resources on 27th November 2014 and identified that there were no systemic weaknesses arising from the process. It is intended that Complaints and Compliments activity will be integrated in to the Council's wider performance management arrangements to better support Members to overview performance on a holistic basis.

Core Principle Three: **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**	
Description of Governance Mechanisms	**Assurances received**
	➢ Welsh Government introduced new arrangements for handling social services complaints, which came into force on 1 August 2014: Social Services Complaints Procedure (Wales) Regulation 2014 and the Representation Procedures (Wales) Regulation 2014. The aim of the new arrangements is to improve the experience for people making complaints. The process has been simplified and the guidance for local authorities has been made easier to understand. The new procedures are based on two principles: 1) everyone who makes a complaint about social services has a right to be listened to. Their views, wishes and feelings must be heard; and their concerns should be resolved quickly and effectively; and 2) complaints can highlight where services need changing. It is important that we learn from complaints to identify where our services should be changed and improved. ➢ As a result we have changed the way we deal with social services complaints to comply with the new arrangements. Individual service areas are responsible for ownership of the process and the former Complaints and Representations Unit in Social Services Health and Housing has been disbanded with the revised duties being relocated to the Directorate support office.
The Authority has a Senior Information Risk Owner (SIRO)	➢ The Council continues to undertake annual IT Health Checks which incorporate internal and external penetration testing as part of yearly PSN (Public Services Network) accreditation. The accreditation takes the form of an annual submission detailing how the Authority performs against a host of controls based upon ISO27001. The last reaccreditation, which was successful, took place in November 2014.

Core Principle Three: **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**	
Description of Governance Mechanisms	**Assurances received**
	➢ A high level ICT audit was undertaken by the Welsh Audit Office in April 2014 and no action plan resulted from the Audit. We will work with both the Wales Audit Office and the internal audit section to put in place a series of IT audits which will be undertaken during the 2015-16.
Equality Impact Assessment (EIA) Framework.	➢ The Council has a legal duty to assess all its proposed functions, policies and procedures for their impact on protected groups as defined in the Equality Act 2010. The EIA Framework allows the council to recognise and address possible discrimination; avoid or remove any inequalities; improve the services provided and improve customer access and relationships. ➢ The profile of EIAs has been raised significantly over the last year and completed assessments are included in papers as part of the executive reporting process. ➢ During 2014-15 there was one judicial review, relating to the decisions taken following a review of grant funding to the third sector. The judgement was in favour of the Council.

Core Principle Four: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**	
Description of Governance Mechanisms	**Assurances received**
The Council's Constitution	➢ The Constitution sets out how the Council operates and the process for policy and decision making. Within this framework all the decisions are taken by Council, Cabinet or Cabinet Boards.

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Core Principle Four: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**	
Description of Governance Mechanisms	**Assurances received**
	➢ The decisions are presented in a comprehensive written format and have any relevant implications highlighted via a compliance statement. The Cabinet Scrutiny Committee considers any decisions directly before the Cabinet meets. ➢ The Leader of Council initiated a review of democratic arrangements in 2013-14 and a set of proposals for improvement have been developed to strengthen decision making arrangements and associated administrative practice, which will be implemented in 2015-16. ➢ Meetings are held directly before Cabinet and Cabinet Board meetings with Cabinet Members in attendance to hear the thoughts and comments of Scrutiny. This is referred to as contemporaneous scrutiny.
'Modern.Gov'	➢ As part of the Strengthening and Modernising Democratic Arrangements review, last year we introduced the 'Modern.Gov' Committee Administration Management software system. This has enabled: o Easier search function for documents and reports; o Publication of Forward Work Programmes on the Council's website; o Clearer agendas including names of reports instead of 'Report of the Head of'; o Clearer minutes linked to agenda headings; o Streamlined back office agenda and report pack construction; and o Improved 'Council and Democracy' web pages.
Scrutiny Committees	➢ As part of the Strengthening and Modernising Democratic Arrangements review, last year we implemented a number of proposals for strengthening scrutiny, as well as incorporating the output from the peer review we took part in in 2013-14.

Core Principle Four: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**	
Description of Governance Mechanisms	**Assurances received**
	➢ The scrutiny process is now supported by more effective forward planning arrangements; selection of items for scrutiny; questioning techniques and there is evidence of a larger number of actions and recommendations arising from the scrutiny process.
Corporate Risk Policy, Corporate Risk Register and procedures for Risk management	➢ The Director of Finance is responsible for overseeing the implementation and continuous development of corporate risk. ➢ We have a number of well-established systems for identifying and managing risk and some systems which are less developed. However, we acknowledge that whilst we have a risk management policy and procedures in place designed to capture a corporate overview of risk, those arrangements are not being complied with and are not fit for purpose. Resources have been identified to take forward the improvement work needed to provide and sustain effective corporate risk management and will be implemented in 2015-16.
Health and Safety	➢ In terms of health and safety, the Council has continued to maintain the 'Occupational Health and Safety Assessment Series 18001 (OHSAS 18001) as part of its commitment in providing a safer working environment. ➢ OHSAS is an internationally recognised standard for health and safety management, based on a process of continual improvement and is subject to an external audit process by a UKAS registered organisation. ➢ OHSAS 18001 has played a significant role in setting a framework specifically for the Council, which has ensured consistency regarding key documents, has raised safety awareness and encouraged a safer working environment leading to year on year accident reduction. Since the introduction of OHSAS 18001 (2006), the number of total accidents in 2006-07, were 767, compared to 389 in 2014-15.

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Core Principle Four: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**	
Description of Governance Mechanisms	**Assurances received**
The Council's financial management arrangements (including a range of policies and procedures such as financial regulations, financial procedures, contract standing orders, accounting instructions and officer delegations)	➢ These arrangements conform to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2010), all relevant legislation and within the terms of its Constitution. These arrangements are also audited on an annual basis and no significant findings were identified during 2014-15. ➢ The Director of Finance and Corporate Services is responsible for ensuring there are proper arrangements in place for the administration of the financial affairs of the Council. Corporate Directors are responsible for the financial management of their respective services and are supported by regular financial management information, which includes monthly financial monitoring reports. ➢ In addition, quarterly budget and FFP monitoring reports are submitted to the Council, Chief Officers and Scrutiny Committees, culminating in the production of the statutory Annual Statement of Accounts. ➢ The budget setting process for 2014-15 was one of the toughest to date and difficult decisions on cuts were unavoidable as a consequence. The savings identified came from a prolonged and intense professional and Cabinet Member input and where appropriate subject to consultation with service users, staff and trade unions, and scrutinised by the relevant committee.
CSSiW, Serious Concerns Protocol applied to Children and Young People Services.	➢ Over the past two years the service has made significant improvements. As a result and following a recent inspection in February 2015, the Care and Social Services Inspectorate Wales (CSSiW) has announced that the serious concerns protocol has been lifted. A huge amount of effort has gone into service redesign and redevelopment and the vast improvements made have been evidenced in the CSSiW inspection report in a range of areas.

Core Principle Four: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**	
Description of Governance Mechanisms	**Assurances received**
Information Commissioner's Office audit (ICO).	➢ The Council took up the offer of a voluntary audit in October 2013 and we specifically asked the ICO to look at areas where we were conscious that improvement was necessary rather than on those areas we were performing well in. ➢ The purpose of the audit was to provide the ICO and the Council with an independent assurance of the extent to which the Council is complying with the Data Protection Act (within the agreed scope). The overall conclusion was there was a limited level of assurance that processes and procedures are in place and delivering data protection compliance. The audit identified considerable scope for improvement in existing arrangements to reduce the risk of non-compliance with the Data Protection Act and made a number of recommendations for the Council to implement. ➢ The ICO undertook a follow up audit in July 2014 to check what progress had been made following the recommendations and in August signed off the audit as being complete. ➢ An action plan was put in place to implement the recommendations and to date good progress has been made. The action plan is overseen by Corporate Governance Group.
Wales Audit Office – Corporate Assessment	➢ In 2014, the Wales Audit Office undertook a comprehensive assessment of our arrangements and they presented their findings to Council in January 2015. The report concluded that: The Council has been delivering its key priorities but limitations in governance arrangements and performance evaluation present risks to it being able to sustain progress in the future. No statutory recommendations were made by the Wales Audit Office as no significant shortcomings were identified; however, there were a range of

Core Principle Four: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**	
Description of Governance Mechanisms	**Assurances received**
	proposals for improvement for the Council to consider. Most of those proposals for improvement were accepted by the Council and are in the process of being implemented.

Core Principle Five: **Developing the capacity and capability of members and officers to be effective.**	
Description of Governance Mechanisms	**Assurances received**
Members' induction programme.	➢ All new Members and those returning Members following an election, and new staff, receive an induction programme to familiarise themselves with protocols, procedures, values and aims of the Council. ➢ Following a by-election in the year, 1 new Member received a tailored induction programme. ➢ A review of Member Induction arrangements will be carried out in advance of the next local government elections, unless local government reorganisation has been determined.
Member Support and Development, including Annual Member Development Scheme.	➢ The Leader of the Council initiated a review of democratic arrangements in the Council in 2013-14. Developments taken forward as a result of this review in relation to Member Development have included the following: o An opportunity for each Member to have an Annual Development Review. 9 Members took them up in 2014-15. o More Member support to the content of the Development Programme led by the Democratic Services Committee; o Better information provided to Members on the objectives of

Core Principle Five: **Developing the capacity and capability of members and officers to be effective.**	
Description of Governance Mechanisms	**Assurances received**
	'Development Events' and systematic evaluation of Members' satisfaction with the delivery of learning and development; o Resources will soon be available online for Members to allow them to gain access to seminar information after the event or if they were unable to attend; and o The Democratic Services Committee has established a Members IT Reference Group to consider the extent to which the ICT equipment, support and training meets Members' needs. ➢ The Council was notified that Welsh Government financial support to WLGA for their Member Development Team was reduced in 2015-16 and alternative options now need to be explored.
Officer Development (Performance Appraisal System and Employment Development Review).	➢ The Council's corporate training and development capacity has been reduced significantly over several years, and continues to reduce. Learning, training and development opportunities are now primarily service-initiated, with staff within adult and children's services being best supported as a result of the Welsh Government SCWDP and NPT council match funding. This weakness will be in part mitigated through the introduction in 2015 of an e-learning programme provided via Wales Academi. ➢ Training and Development opportunities are identified during employee personal development reviews and agreed in the Individual Learning Plan as part of this process. ➢ As part of the Council's corporate performance management framework, annual performance appraisal has been implemented for Chief Officers and Heads of Service and compliance with the Senior Officer Scheme is monitored to ensure 100% compliance. A review of the existing Personal Development

Core Principle Five: Developing the capacity and capability of members and officers to be effective.	
Description of Governance Mechanisms	**Assurances received**
	Review process for all other employees is to take place in 2015 and monitoring of compliance will be considered as part of this review.

Core Principle Six: Engaging with local people and other stakeholders to ensure robust public accountability.	
Description of Governance Mechanisms	**Assurances received**
Local Service Board arrangements.	➢ In relation to local collaborative working, the priorities we are focused upon are set out in the Single Integrated Plan. The focus in the next twelve months will be upon: o Further developing our Think Family Partnership; o Refocusing our Health and Wellbeing Partnership to support local implementation of the Social Services and Wellbeing Act; o Refocusing our Community Safety Partnership to ensure there are effective responses to domestic abuse; anti-social behaviour; substance misuse and crime; o Continuing work to mitigating the impact of welfare benefit changes through our Low Income Families Partnership; and o Developing a partnership response to Digital Inclusion. ➢ In response to the proposals for improvement made by the Wales Audit Office we will canvas elected Members views to establish what improvements to information they want, to enable better scrutiny of large partnership contracts in place with Grŵp Gwalia, NPT Homes and Celtic Leisure Trust. We will also explore how we can build community capacity to support alternative methods

Core Principle Six: **Engaging with local people and other stakeholders to ensure robust public accountability.**	
Description of Governance Mechanisms	**Assurances received**
	of service delivery.
Regional collaborative arrangements: ERW, Western Bay, City Region, Waste Services	➢ A number of reports have been brought forward to the Council to ensure the participation of the Council is properly authorised.
Corporate communications and engagement activities.	➢ We have a number of channels of communication in place with all sections of the community, stakeholders and staff. Our corporate communications and engagement system comprises of internal and external networks. Internal networks include: o Staff monthly e-newsletter - which features stories on our improvement objectives and other important information relevant to staff; o Staff Intranet – acts as an internal information portal (including press releases); o Staff consultations – e.g. Children's services staff consultation, consultation on 2015-16 budget proposals; o Chief Executive Roadshows – a series of Chat with the Chief sessions were held with staff to explain the FFP and its implications; and o Website user testing – we undertook a number of sessions with staff to ensure our webpages were fit for purpose. ➢ External networks include: o Public consultations – we undertook a number of public consultations throughout the year on various topics. The main one being on budget proposals for 2015-16. o Partnership events – we held a number of partnership events throughout the year, these included one on the 2015-16 budget proposals and one on

Core Principle Six: **Engaging with local people and other stakeholders to ensure robust public accountability.**	
Description of Governance Mechanisms	**Assurances received**
	Equalities. o Public meetings - last year senior Officers from the Council attended several public meetings to brief the public on specific budget proposals e.g. Cymmer Pool and Cwmavon Library. o Website user testing – we undertook a number of sessions with equality groups to ensure our webpages are accessible to everyone. ➢ The monitoring arrangements in place to ensure that the above networks are operating effectively are limited and more work needs to be done to test how effective they are.

Section Four - Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Officers and the Internal Audit Service who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates. A Corporate Governance Group, reporting to the Corporate Directors' Group ensures that improvement work is scheduled, resourced and monitored.

The review mechanism includes:

- **Constitution review and monitoring -** the Chief Executive and the Head of Legal Services are required to monitor and review the operation of the Constitution, and to report to Council at least annually on any proposed changes. During 2014-15, the Head of Legal services has reported to Council on a number of occasions with amendments to the Constitution.

- **A resourced Scrutiny function** (which holds the Executive to account) - as part of the Strengthening and Modernising Democratic Arrangements review, last year we implemented a number of proposals to strengthen our scrutiny arrangements, as well as incorporating the output from the peer review we took part in in 2013-14 (mentioned in core principle four). We will formally evaluate the changes we have made in 2015-16.

- **Standards Committee** – during the year the committee met to consider reports relating to decisions of the Adjudication Panel for Wales and the Ombudsman grant of dispensations to Councillors.

- **Audit Committee** - work is underway to strengthen the role of the Audit Committee to allow more time at meetings, for the consideration of risk management issues. This will commence when the review of the Authority's Risk Management Strategy is complete.

- **Internal Audit Service** – the service prepares an annual plan of work which is then monitored throughout the year by the Audit Committee. A series of audit reviews are carried out throughout the year, in order to provide an opinion on the internal control, risk management and governance arrangements of the Council. During 2014-15, 71 formal reports were issued.

- **Financial and performance information** – In 2015-16, we will strengthen existing mechanisms to bring together financial and performance information so that there is a clearer picture of how we use available resources.

- **Information Commissioners audit report** - following the audit report from the Information Commissioner, we developed an action plan to implement the recommendations made and the Corporate Governance Group has responsibility to oversee this action plan.

- **Wales Audit Office audit report** (Annual Improvement Report (incorporating the Corporate Assessment report) – the report was considered by the Corporate Management Team, Cabinet and full Council. There were no significant breaches of internal control and no statutory recommendations were made by the Wales Audit Office. However, there were a range of proposals for improvement for the Council to consider and these have been

included in our Corporate Improvement Plan 2015-18. The Corporate Governance Group has responsibility to oversee the Corporate Assessment action plan.

- **Care and Social Services Inspectorate Wales (CSSiW) report** - CSSiW announced that the Serious Concerns protocol has been lifted for the Council following its last inspection in February 2015.

- **Annual Reports** – the Council produces a number of annual reports throughout the year to give assurances on our governance arrangements. These include the following: Asset Management, Audit Service Annual Report, Complaints, Compliments and Comments Annual Report, Occupational Health and Safety and Joint Resilience Annual Report, Information Management & Information Governance Annual Report, Ombudsman Annual Report, Performance Annual Report, Social Services Director's Annual Report, Strategic Equality Plan Annual Report, Welsh Language Scheme - Annual Monitoring Report. The Corporate Governance group will oversee any risks identified to governance arrangements, arising from these annual reports.

Governance Issues – progress to date

The table below describes the governance issues identified during 2013-14 and the progress made against these during 2014-15.

Key Improvement area	Lead Officer	Progress	Carry forward for 2015-16
1. Complete scheduled governance reviews of Local Service Board arrangements for community safety and health and wellbeing.	Head of Corporate Strategy and Democratic Services	Terms of reference and membership have been reviewed and updated for Community Safety and Health & Wellbeing partnerships.	No – completed
2. Conduct post-implementation review of revised performance	Head of Corporate Strategy and	A post implementation review of business plans and report cards was completed and evaluation feedback circulated to senior	Yes

Key Improvement area	Lead Officer	Progress	Carry forward for 2015-16
management arrangements.	Democratic Services	officers. Improvement work for 2015-16 has been included in next year's Corporate Improvement Plan, including actions from the Corporate Assessment.	
3. Implement recommendations arising from the review of democratic arrangements.	Head of Corporate Strategy and Democratic Services	Phase 1 complete of Modern Government. • Revised arrangements for scrutiny established and being further reviewed. • Revised arrangements for Member development in place and being further reviewed. • Forward work programme for Cabinet Boards and Scrutiny Committees in place. • Review of external bodies underway – 2/3rds complete. Work on phase 2 will start in the new financial year (April 2015).	Yes
4. Strengthen financial monitoring arrangements to ensure emerging service pressures are identified and acted upon at the earliest opportunity.	Head of Financial Services	Budget planning for 2015-16 involved full stakeholder participation and was supported by a comprehensive communication and engagement timetable. Lesson learned from the above to be reviewed with a view to making improvements for 2016-17 budget planning process. Budget monitoring – a report setting out changes to arrangements was approved by	Yes

ANNUAL GOVERNANCE STATEMENT

Key Improvement area	Lead Officer	Progress	Carry forward for 2015-16
		the Cabinet on 30.07.14.	
5. Take forward necessary work to update and then embed the Corporate Risk Management Policy.	Head of Financial Services	This work has been delayed, due to exceptional workload demands in relation to budget proposals. Resources have been identified to take forward the improvement work needed to provide and sustain effective risk management and will be implemented in 2015-16	Yes
6. Formalise and implement the Corporate Communication and Engagement Strategy.	Head of Corporate Strategy and Democratic Services.	Not progressed as priority was given during the year to supporting an extensive communication, consultation and engagement programme for the 2015-16 budget.	Yes
7. Formally agree and implement the Local Charter with Town and Community Councils.	Head of Corporate Strategy and Democratic Services.	The final version of the charter has been approved by Policy & Resources Cabinet Board (Feb 2015). 16 of the 19 Community Councils have accepted and approved the charter. 2 have rejected and 1 deferred the decision for 6 months. Next steps will be to fully implement the action plan including the drafting of relevant schedule of fees for council services.	No
8. Complete the review of regional collaborative arrangements.	Head of Corporate Strategy and Democratic Services.	A review was completed and the main outcome was to ensure regular information going to Scrutiny Committees to strengthen arrangements. Work will be undertaken with each Scrutiny	Yes

Key Improvement area	Lead Officer	Progress	Carry forward for 2015-16
		Committee following the Annual meeting and the reconstitution of Scrutiny Committees to identify areas for the work programmes and collaborative arrangements will be included in those work programmes (June 2015).	
9. Implement the action plan drawn up to respond to the Information Commissioner's Audit of data protection arrangements.	Head of Legal Services & Head of ICT	The Governance Group through its meetings has regularly monitored the implementation of the action plan.	Yes
10. Undertake project work to improve the grants management system.	Head of Financial Services	This has been included in the Finance Team's project action plan, as a priority area.	Yes

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

	Key Improvement Area	Carried Over from 2014-15	New 2015-16
1.	Corporate Performance Management Framework - to further develop the use and effectiveness of report cards.	✓	
2.	Modernise and Strengthen Democratic Services (Phase 2) - to complete the programme of work in line with the recommendations arising from the review.	✓	

ANNUAL GOVERNANCE STATEMENT

	Key Improvement Area	Carried Over from 2014-15	New 2015-16
3.	Strengthen financial monitoring arrangements to ensure emerging service pressures are identified and acted upon at the earliest opportunity.	✓	
4.	Take forward the improvement work needed to provide and sustain effective risk management.	✓	
5.	Formalise and implement the Corporate Communication and Engagement Strategy.	✓	
6.	Regional collaborative arrangements – to continue to strengthen scrutiny arrangements by identifying areas for work programmes for the 2015-16 civic year.	✓	
7.	Information Commissioner's Audit action plan – to continue to monitor the implementation of the action plan.	✓	
8.	Undertake project work to improve the grants management system.	✓	
9.	To monitor the ongoing challenge to have the right number of people, with the right skills, in the right place, doing the right things.		✓
10.	CSSIW recommendation for Children's Services: to consistently monitor the complaints service to ensure there is sufficient resource and capacity available to manage it effectively. Better organisational learning should be derived from complaints to improve the quality of services.		✓
11.	To evaluate how effective our corporate communications and engagement activities are (both internal and external).		✓
12.	To oversee the improvement work contained within the Corporate Assessment action plan.		✓
13.	To monitor any emerging risks of legal challenge around the Strategic School Improvement Programme and to ensure we are meeting the basics on consultation and equality.		✓

ANNUAL GOVERNANCE STATEMENT

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

Signed:

Signed:

Chief Executive: Steven Phillips
Date: 10th September 2015

Leader of the Council: Councillor Ali Thomas
Date: 10th September 2015

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

I have audited the accounting statements and related notes of Neath Port Talbot County Borough Council for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Neath Port Talbot County Borough Council as at 31 March 2015 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Opinion on other matters
In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit;
- The Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

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

For and on behalf of
Huw Vaughan Thomas
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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 the local government finance.

Accumulated Absences	The Code of Practice requires an adjustment for accumulated absences which gives a monetary value to the cost of holidays accrued by staff but not taken at the end of the financial year. The net effect of this adjustment is reversed from the accounts.
Actuary	An actuary is someone who works with complex mathematical models to predict the likelihood of future years. Their skills are used to work out insurance and pension fund valuations, taking into account relevant factors such as trends in insurance claims and life expectancy.
Cashflow Statement	This statement summarises the movements in cash during the year for both revenue activities and capital activities.
Comprehensive Income and Expenditure Statement	This accounts records day to day spending and income on items such as salaries and wages, the running costs of services and the financing of capital expenditure. It shows the accounting cost in the year, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Componentisation	Accounting standards require that assets are split into separate components where there are significant differences in the life of elements of the assets which would have a significant effect on the depreciation costs.
Contingent Asset	This is a possible asset that arises from past events but whose existence will only be confirmed after an uncertain future.
Contingent Liability	This is a possible obligation that may arise from past events and whose existence will be confirmed by the occurrence of uncertain future events.
Fair Value	This is the estimated value of an asset or liability at the balance sheet date, assuming that the transaction was negotiated between parties who understand the market.
Financial Instruments	This relates to any contract which gives rise to a financial asset in on organisation and a financial liability or equity instrument of another. A collective name for investments, trade debtors and borrowings.
General Fund Balance	This represents the cumulative retained surpluses on the Council's revenue budget. It provides a cushion against unexpected events or emergencies and the level of the balance is considered as part of the annual budget process each year.
Housing Revenue Account	The Housing Revenue Account was maintained to keep details relating to the Council's Dwellings including council houses up to

	March 2011. At this date all Council Dwellings were transferred to NPT Homes. The final adjustments to the HRA Balances were made in 2013/14 and there are some prior year movements to reserves still showing in the accounts.
Impairment	This happens when fixed asset or investment values change significantly due to changes in circumstances. It can occur if there is a significant change in a fixed asset's market value or significant physical damage such as fire. The cost of impairment is charged to the revenue account in the year it occurs.
Jointly Controlled	This refers to operations that the Authority participates in where a separate entity has not been created and would include joint committees with other organisations.
Minimum Revenue Provision (MRP)	A minimum annual charge that has to be made to the revenue accounts to systematically reduce the principal element of loans which have been raised and used to pay for capital schemes.
Movement in Reserves Statement	This statement shows the movement in the year on the different reserves held by the Authority, analysed between the usable reserves which can be applied to fund expenditure or reduce local taxation and other reserves and the unusable reserves which cannot be utilised in this way.
National Non Domestic Rates (NNDR)	Also known as the Business Rate, it is the charge occupiers of business premises pay which is collected by this Authority and paid to the Welsh Government for reallocation. The charge is based on the rateable value of the business premises.
Outcome Agreement Grant	This is a Grant provided by the Welsh Government which is dependent on the Authority meeting pre agreed performance levels.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits (pensions) and for funding benefits in accordance with statutory provisions.
Pooled Budgets	These are budgets which are joined up across differing organisations with similar objectives and used to ensure improvements through coordinating expenditure.
Precepts	Precepts are levied on the Authority by non-billing organisations such as the police and community councils to enable them to cover their costs in the performance of their services or duties.
Provision	This is an amount set aside in the accounts for a past event which is likely or certain to result in a financial cost some time in the future, though the exact amount and date may be uncertain.
Public Works Loans Board (PWLB)	This is a Government Agency which provides longer term loans to local authorities.

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