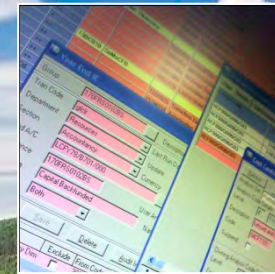
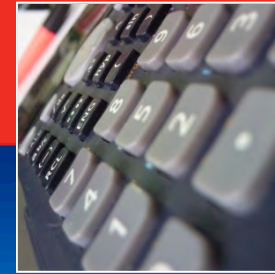


# 2013/2014 Statement of Accounts



**Blaenau Gwent**  
County Borough Council



Situated above Bedwellty Pits halfway up the side of the Sirhowy Valley, are the remains of a self acting incline haulage for lowering stone from the adjacent quarry down the hillside to the village. The quarry was in use from the 1850s onwards.



Cover Photo: Bedwellty Pits Incline Engine, Tredegar.



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*Abbreviations and Terms Used*

*Byrfoddau a Thermau a Ddefnyddir*

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## Abbreviations and Terms Used in the Statement of Accounts

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ACW	Arts Council of Wales	EAS	Education Achievement Service (for South-East Wales)
AEF	Aggregate External Finance	ECSC	European Coal and Steel Community
AGM	Annual General Meeting	EDRMS	Electronic Document and Records Management System
AIR	Annual Improvement Report	ERDF	European Regional Development Fund
ALN	Additional Learning Needs	EUV	Existing Use Value
BGCBC	Blaenau Gwent County Borough Council	EUV-SH	Existing Use Value - Social Housing
CAMWG	Corporate Asset Management Working Group	FIP	Finance, Improvement and Performance (Scrutiny Committee)
CBC	County Borough Council	FOI	Freedom of Information
CC	City or County Council	FRS	Financial Reporting Standard
CCT	Compulsory Competitive Tendering	FSR	Financial Strength Rating
CDS	Credit Default Swap	FSS	Funding Strategy Statement
CEO	Chief Executive Officer	GGCJC	Greater Gwent Cremation Joint Committee
CFO	Chief Finance Officer	GJRC	Gwent Joint Records Committee
CIN	Corporate Improvement Network	GTU	Gwent Transport Unit
CIP	Corporate Improvement Plan	GWICES	Gwent Wide Integrated Community Equipment Service
CIPFA	Chartered Institute of Public Finance and Accountancy	HMRC	HM Revenue and Customs
CMT	Corporate Management Team	HRA	Housing Revenue Account
CIES	Comprehensive Income and Expenditure Statement	IAS	International Accounting Standard
COT-3	Central Office of Tribunals Form 3	ICC	Integrated Childcare Centre
CPFA	Chartered Public Finance Accountant	ICT	Information and Communications Technology
CPI	Consumer Price Index	IFRIC	International Financial Reporting Interpretations Committee
CRT	Community Resource Team	IFRS	International Financial Reporting Standard
CSSIW	Care and Social Services Inspectorate Wales	IPSAS	International Public Sector Accounting Standard
CYPP	Children and Young People's Plan	ISP	Information Sharing Protocol
DfE	Department for Education	JEG	Joint Executive Group
DLO	Direct Labour Organisation	LAs	Local Authorities
DRC	Depreciated Replacement Cost	LAMS	Landscape Access Management Schemes
DWP	Department for Work and Pensions	LASAAC	Local Authority (Scotland) Accounts Advisory Committee

## Abbreviations and Terms Used in the Statement of Accounts

LCP	Locality Commissioning Plans	PIAP	Post Inspection Action Plan
LDP	Local Development Plan	PIP	Personal Independence Payment
LEA	Local Education Authority	PPE	Property, Plant and Equipment
LGDU	Local Government Data Unit	PwC	PricewaterhouseCoopers LLP
LGM	Local Government Measure	PWLB	Public Works Loan Board
LGPS	Local Government Pension Scheme	RBA	Results Based Accountability
LHB	Local Health Board	RCCO	Revenue Contribution to Capital Outlay
LMS	Local Management of Schools	REFCUS	Revenue Expenditure Funded from Capital Under Statute
LOBO	Lender's Option Borrower's Option	RICS	Royal Institution of Chartered Surveyors
LSB	Local Service Board	RPI	Retail Price Index
LSBON	Local Service Board Officer Network	RRA	Revaluation Reserve Account
MiRS	Movement in Reserves Statement	RSG	Revenue Support Grant
MMI	Municipal Mutual Insurance	RSL	Registered Social Landlord
MoHRAS	Movement on Housing Revenue Account Statement	SEN	Special Education Needs
MRA	Major Repairs Allowance	SeRCoP	Service Reporting Code of Practice
MRICS	Member of the Royal Institution of Chartered Surveyors	SEWTA	South East Wales Transport Alliance
MRP	Minimum Revenue Provision	SIP	Single Integrated Plan
MRR	Major Repairs Reserve	SIRO	Senior Information Risk Officer
MTFS	Medium Term Financial Strategy	SOA	Scheme of Arrangement
NCS	Net Cost of Services	SOLACE	Society of Local Authority Chief Executives
NDC	Non-Distributed Costs	SORP	Statement of Recommended Practice
NHS	National Health Service	SSAP	Statement of Standard Accounting Practice
NNDR	National Non-Domestic Rates	STRGL	Statement of Total Recognised Gains and Losses
NPV	Net Present Value	STT	Strategic Transformation Team
NRW	Natural Resources Wales	SVWS Ltd	Silent Valley Waste Services Ltd
OAG	Outcome Agreement Grant	TPS	Teachers Pension Scheme ( <i>also</i> : uTPS)
PACT	Partners and Communities Together	UITF	Urgent Issues Task Force
PDR	Primary Distributor Route	UK GAAP	United Kingdom Generally Accepted Accounting Principles (and/or Practices)

## Abbreviations and Terms Used in the Statement of Accounts

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UKPS	United Kingdom Practice Statement
uTPS	Unfunded Teachers Pension Scheme ( <i>also</i> : TPS)
VALREC	Valleys Regional Equality Council
VAT	Value Added Tax
VPE	Vehicles, Plant and Equipment
WAO	Wales Audit Office
WASPI	Wales Accord for the Sharing of Personal Information
WEFO	Welsh European Funding Office
WG	Welsh Government
WLGA	Welsh Local Government Association
WPC	Welsh Purchasing Consortium





## 1. Introduction

The purpose of this Foreword is to offer a guide to the economic context in which the Authority operates, provide an overview of the most significant matters affecting the Accounts, outline the changes in accounting policies applied in preparing the Accounts and explain the Authority's overall financial position.

The financial statements cover the period 1 April 2013 to 31 March 2014 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Amounts in these Accounts have been rounded and presented to the nearest thousand Pound (£000), except where disclosure to the nearest Pound is required to aid in presentation and understanding.

## 2. Background - Impact of Current Economic Climate on the Authority and the Services it Provides

The economic situation remains a major concern to the public sector in Wales. Although financial planning forecasts from central and Welsh Government (WG) were built into the Medium Term Financial Strategy, the Welsh Government's Revenue Settlement for 2013/2014 continued the recent trend of lower than anticipated settlements. In addition, low interest rates continue to result in a lower return on any investments held by the Authority.

The settlement again posed challenges for the Authority both in terms of developing a robust and balanced revenue budget and managing its financial affairs during the year with the aim of achieving a relatively sustainable financial position. The continued financial protection of schools and front line Social Services, as determined by Welsh Government, created funding pressures for all other services.

In light of the considerable challenges the Authority faced in terms of the WG Financial Settlement the budget for 2013/2014 estimated a contribution of approximately £0.350m would be utilised from the Council Fund General Reserve, £0.625m from residual HRA balances and a further £0.116m from the Building Control earmarked reserve. However, the section on Reserves in the Statement of Accounts demonstrates that the combined draw on the Council Fund was much lower at £0.579m. This is due primarily to an overall underspend in portfolio budgets. Cost pressures identified in year have undergone a process of evaluation. Where budget holder's action plans failed to address the cost pressure, the Council has funded them through a managed use of general and specific reserves. During the year, further use of specific reserves of £2.442m was agreed to primarily fund redundancy costs arising from staff downsizing and to meet some in-year cost pressures.

## 3. Background - Significant Events

A number of significant events occurred either during the financial year or prior to the signing of the Accounts after year-end that have had an impact on the financial statements themselves or the environment in which the Authority operates. These were:

### 3.1 Estyn re-Inspection

The Executive function for Education was placed in the control of an Independent Commissioner following the outcomes of Estyn inspections conducted in 2011 and 2013 that found the quality of the local authority education services to be unsatisfactory. A Post Inspection Action Plan (PIAP) was developed to address the key recommendations made by Estyn. Further to this a third direction was issued to the Authority in November 2013, which resulted in the establishment of a Recovery Board to exercise the Authority's Education functions. The board was appointed by Welsh Ministers and undertakes the decision making process for the Education Function.

The Authority continues to work with all stakeholders including officers, Members, schools (some schools, including Abertillery Primary, Blaen-y-Cwm Primary, Bryngwn Primary, Cwm Primary, Georgetown Primary and St. Joseph's RC Primary, have had very good Estyn inspections), Estyn, the Education Achievement Service (EAS) and Welsh Government to develop tangible improvements for pupils. A number of LEAs have undergone Estyn Inspections and are also required to introduce a range of improvement measures.

The Authority continues to monitor progress against the PIAP through the PIAP Implementation Board that is chaired by the Deputy Leader and attended by members of Corporate Management Team (CMT).

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### 3.2 Welsh Local Government Association (WLGA) Peer Review

The WLGA peer review in the early summer of 2013, highlighted two key priorities:-

- 2014/2015 budget setting
- Educational attainment.

The first priority has provided an impetus for the Council to take a two phase approach, with budget proposals in the summer of 2013 in certain areas (Phase One), and with further savings proposals quickly following in the autumn (Phase Two). Some savings proposals had an impact in 2013/2014 and therefore assisted with ongoing budget pressures.

### 3.3 Wales Audit Office (WAO) Statutory Recommendations

A full Corporate Assessment of the Authority was undertaken in 2011 by the Wales Audit Office. In response to this, a Corporate Recovery Programme was developed that encompassed proposed improvements to satisfy the findings of the Corporate Assessment and other regulators findings. This programme has now been closed and has been superseded by the Transforming Blaenau Gwent Programme, which has monthly monitoring processes in place.

The Wales Audit Office continues to monitor the Council's progress through its Annual Improvement Report and Improvement Assessment Letters. In its Annual Audit Letter issued in October 2013, WAO made a statutory recommendation to the Authority under S.25(2) of the Public Audit Act 2004. This required the Authority to deliver a legal and balanced budget for 2014/2015 and to agree a sustainable Medium Term Financial Strategy (MTFS) to live within its means.

In addition to this a statutory recommendation for improvement was made in the WAO Improvement Assessment Letter under S.19 of the Local Government Measure, regarding weaknesses in financial planning. The Minister for Local Government and Government Business subsequently used her powers under the Measure to provide support to the Council in the form of Welsh Government Advisors. Consequently the Authority has agreed its 2014/2015 budget, revised its MTFS and put in place savings plans to address the concerns raised.

The Council has agreed a number of actions to progress with the assistance of the WG advisors. Significant progress has been achieved against these actions in the final quarter of 2013/2014, requiring a reduced level of support and monitoring into 2014/2015.

### 3.4 Silent Valley Waste Services Ltd.

Silent Valley Waste Services Ltd (SVWS) is a Local Authority Waste Disposal Company wholly owned by Blaenau Gwent County Borough Council.

Since the establishment of the Company in 1994 there have been changes to the financial regulations and restrictions surrounding the Council's involvement in companies of this nature and this combined with the physical closure of the landfill site in August 2011 and the expiry, on 31 March 2012, of the contract between the Council and the Company provided an opportunity to review the position and board structure to ensure better outcomes for the Council both operationally and financially.

In May 2012, the Company was restructured, reducing its board members from six to four (three of whom, D. Waggett, J. Parsons and D. McAuliffe, were employees of BGCBC). The board has been further reduced to three members following the retirement of J. Parsons in August 2013.

Given the 2012 changes to the board structure, it is considered that the Council has increased control over the Company and therefore the preparation of Group Accounts is required - these can be found at pages 159 to 184 within this Statement of Accounts.

Through the revised Board of Directors at SVWS, the company continues to operate on a sustainable basis, albeit with a much lower turnover. The capping of the landfill site is almost complete and the company is pursuing alternative income streams, as well as seeking to reduce the cost of leachate disposal, which is a cost pressure for the Authority.

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### 3.5 Monwel Hankinson Signs & Services

In September 2013, Monwel Hankinson Signs & Services, the Council's supported employment workshop, became an independent Social Enterprise.

The workshop was operated by the Council as a semi-commercial activity, specialising in the production of road signs. In recent years the operation has been in financial difficulties and as a result the Council's subsidy has increased. Transfer to a social enterprise was identified as a means of allowing Monwel Hankinson to become more flexible and enable it to adopt more commercial policies, develop increased income streams together with reduced costs, outside of the constraints imposed upon local government, and as a result improve its financial sustainability over a period of time.

The Council has agreed to a total contribution of £200,000 of support for Monwel Hankinson for the next 4 years, this contribution will be tapered, with £80,000 paid in 2013/2014 followed by £60,000, £40,000 and £20,000 in the following 3 years.

### 3.6 Material Events After the Reporting Date

There were no material adjusting or non-adjusting post-balance sheet events.

#### 4. Summary of Outturn

In setting the 2013/2014 budget, the Authority set a Council Tax increase of 4.6%, which was 2% higher than the previous financial year, and at that stage proposed drawing £0.625m from the former HRA balances and £0.350m from general reserves. Overall, there was a combined underspend of £0.396m and this has been a positive outcome for the year, although this still represented a draw of £0.579m from general reserves. Overspending on Portfolios was monitored during the year through Departmental action plans and scrutinised by members and officers of the Cost Pressure Sub Group. However, substantial deficits were incurred by the Skills & Work Preparation and Economic Strategy & Development Portfolios. The early termination provision has decreased from £1.454m to £1.385m, whilst school balances have decreased marginally by £0.061m from £1.507m to £1.446m.

During 2013/2014 the Authority faced the challenge of a number of funding pressures. This included significant redundancy costs incurred as a result of Council-wide business transformation to assist in meeting the anticipated funding reductions for 2014/2015 and beyond. These pressures were managed through applications to the budget contingency fund and specific reserves.

#### 5. Revenue Expenditure Outturn and Funding

##### 5.1 2013/2014 Outturn

In 2013/2014, the Authority's expenditure and income compared to budget was:

Service Expenditure compared to Budget	Original Estimate £000	Actual: Council Fund £000	Variance £000	Note:	Page:
(Surplus)/Deficit on the Provision of Services	(2,395)	15,684	18,079		41, 43
Adjustments between Accounting basis & Funding basis under regulations	3,487	(10,767)	(14,254)	9	69-71
Net (Increase)/Decrease before transfers to Earmarked Reserves	1,092	4,917	3,825		
Transfers to/(from) Earmarked Reserves	(117)	(4,338)	(4,221)	10	75
(Increase)/Decrease in 2013/2014	975	579	(396)		

Included in the outturn figures disclosed for *Surplus/Deficit on the Provision of Services* are a number of accounting entries required for compliance with the Code, for which no original estimate was provided. These include Capital Grants & Contributions (-£24.361m) and Revaluation Losses (£16.270m). These accounting entries are included among those reversed in the *Adjustments between Accounting Basis Under Regulations* line, such that the figures in *Net Increase/Decrease before transfers to Earmarked Reserves* reflect the amounts chargeable to Council Tax and Rent payers (as required by statute) and are directly comparable with the original estimate.

The underspend of £0.396m was due to a range of factors, including a higher than budgeted surplus on the collection of council tax, the impact of vacant posts and the renegotiation of terms with external partners by the Social Services Children's teams.

## 5.2 Impact of Inflation on Revenue Expenditure

Consumer price inflation during 2013/2014 ranged between 1.6% and 2.9%, remaining above the Bank of England's target of 2% until December 2013. In May 2014, the Bank of England's Inflation Report projected that CPI inflation would edge higher over the coming months and remain at or above the 2% target for the next few years as a result of continued external price pressures.

The impact of inflationary pressures on the Authority varies according to specific areas of spend. Much of the Authority's expenditure relates to employee costs, which should see relatively minor increases due to continued wage restraint in the short-term, although this will be offset by increases in Employer Superannuation contributions resulting from the implementation of workplace pensions. In the longer term National Insurance contributions could increase significantly as a result of the proposed change to a single state pension and consequent abolition of the contracted-out rebate. A 1% increase in employee costs equates to £1.06m.

Other significant areas of spend are:

- Gas: 5.6% inflation in 2013/2014;
- Electricity: 6.7% inflation;
- Fuels and lubricants: -6.6% inflation;
- Postal Services: 6.3% inflation; and
- Food and beverages: 1.7% inflation.

Inflationary increases in these items affects a wide range of services, including schools, street lighting, sports centres, schools catering and meals on wheels. Whilst the Bank of England projection is for overall CPI to probably remain consistent with the 2% target, it recognises that prices of retail energy, fuel costs, food and non-fuel imports are subject to continued volatility and are likely to remain high, which would have a detrimental impact on these areas of service budgets.

## 5.3 Funding Sources

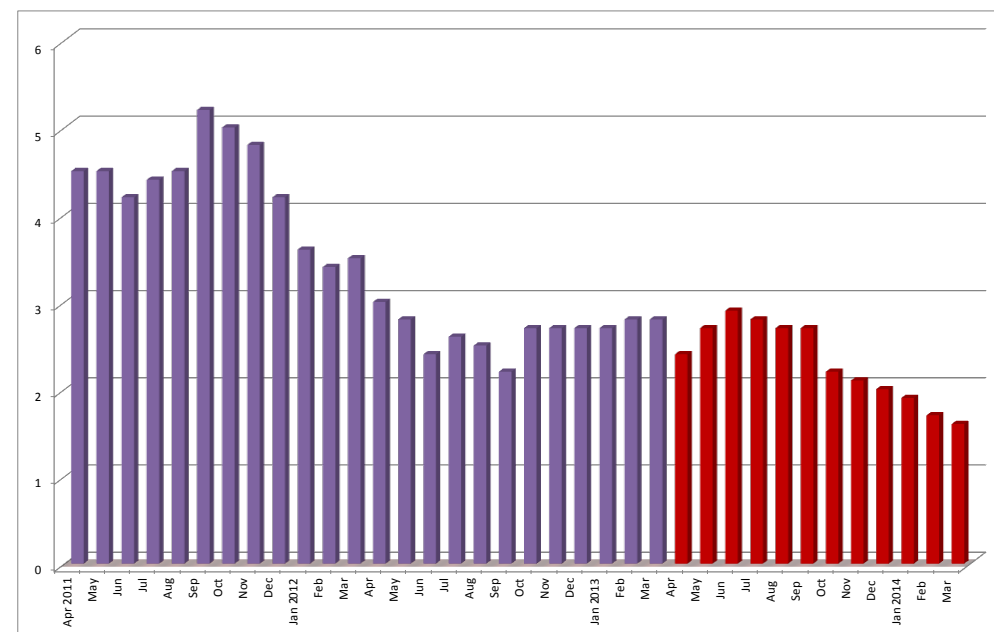
Central Government provides the majority of the Authority's funding, through Revenue Support Grant, Specific Grants and Non-Domestic Rates (72.6% of funding in 2013/2014). As a result of central government policy, the level of funding to local authorities will be reduced in cash terms over the period covered by the comprehensive spending review (to 2014/2015).

A 1% reduction in RSG compared to 2013/2014 levels represents a reduction of £0.955m, which equates to 0.42% of the Authority's total funding. In real terms the impact of this reduction is increased by the impact of inflation.

Interest rates remain at the historically low level of 0.5%, but this has curtailed the amount of investment income available to the Authority. Whilst the Governor of the Bank of England has suggested that rates could rise during the next financial year, he also indicated that any rises would be gradual and limited, possibly increasing to 2.25% over a 3-year period.

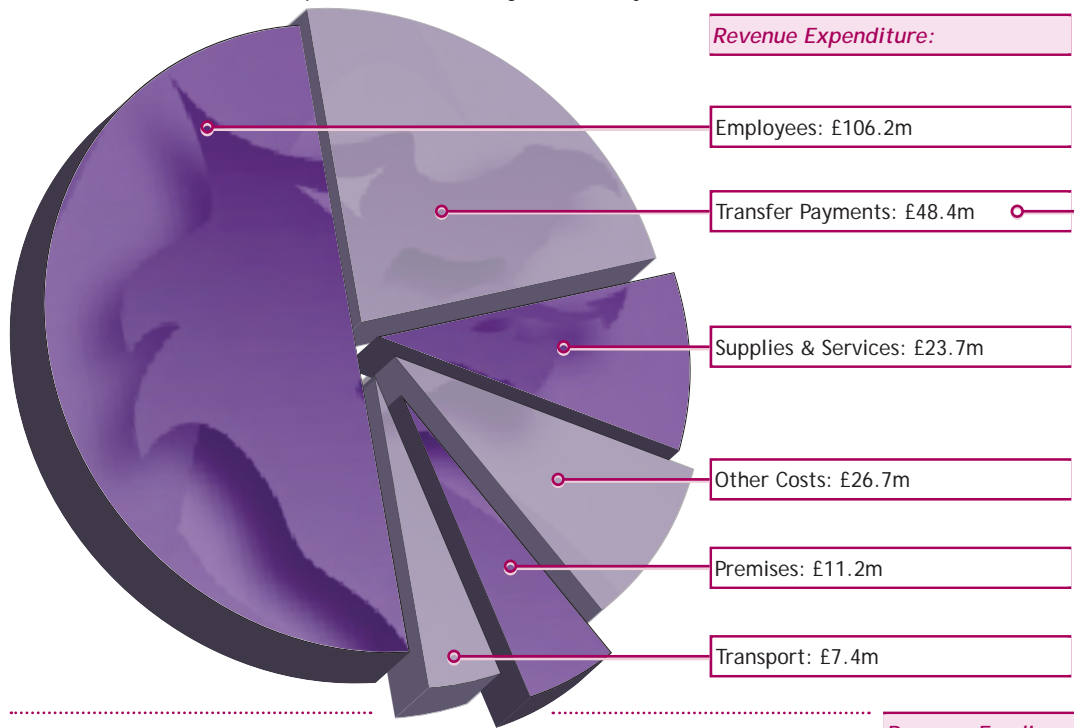
The combination of relatively high inflation (particularly in relation to specific commodities, services and utilities), low interest rates and reduced grant funding create an environment in which there is continued pressure to control costs. For 2014/2015, Aggregate External Financing at Blaenau Gwent is estimated to reduce by 3.7%, below the average Welsh Unitary Authority decrease of 1.8% (*source: Welsh Government Local Government Revenue and Capital Settlement: 2014-15*).

Consumer Price Index (CPI) Inflation: April 2011 - March 2014

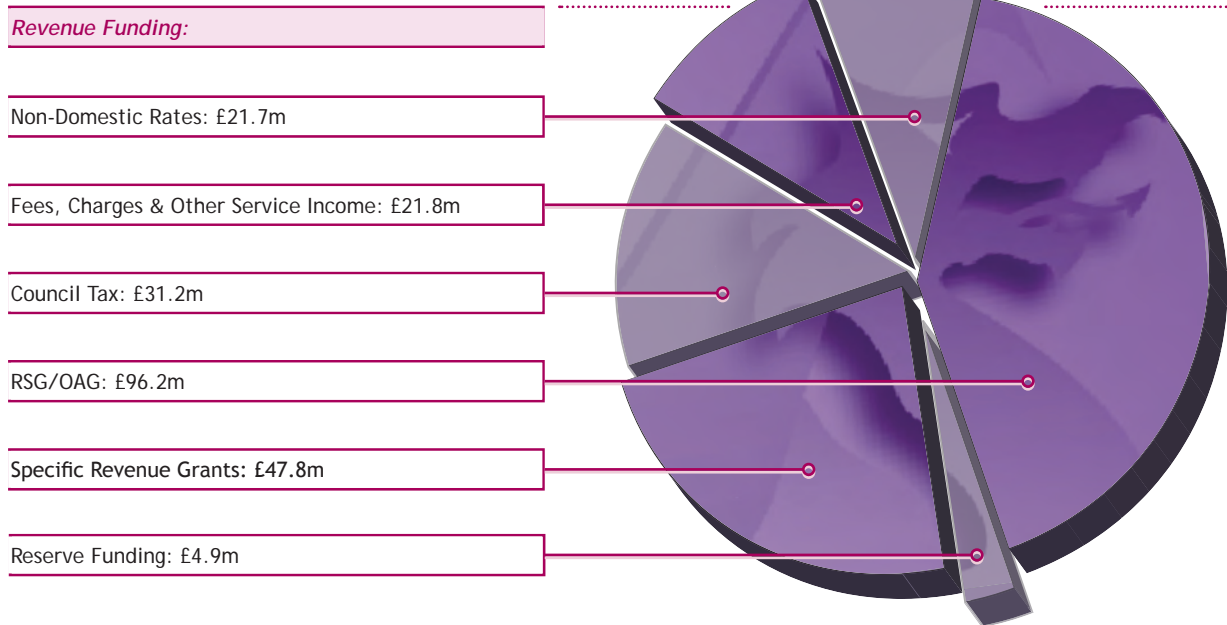




For 2013/2014, revenue expenditure and funding can be analysed as follows:



Transfer Payments are amounts paid for which no goods or services are received in return by the Authority, including Housing Benefits (Rent Allowances and Rebates), Direct payments to Social Services clients, Mandatory and Discretionary Awards to schoolchildren and students and voluntary sector grants.



## 6. Capital Expenditure Outturn and Funding

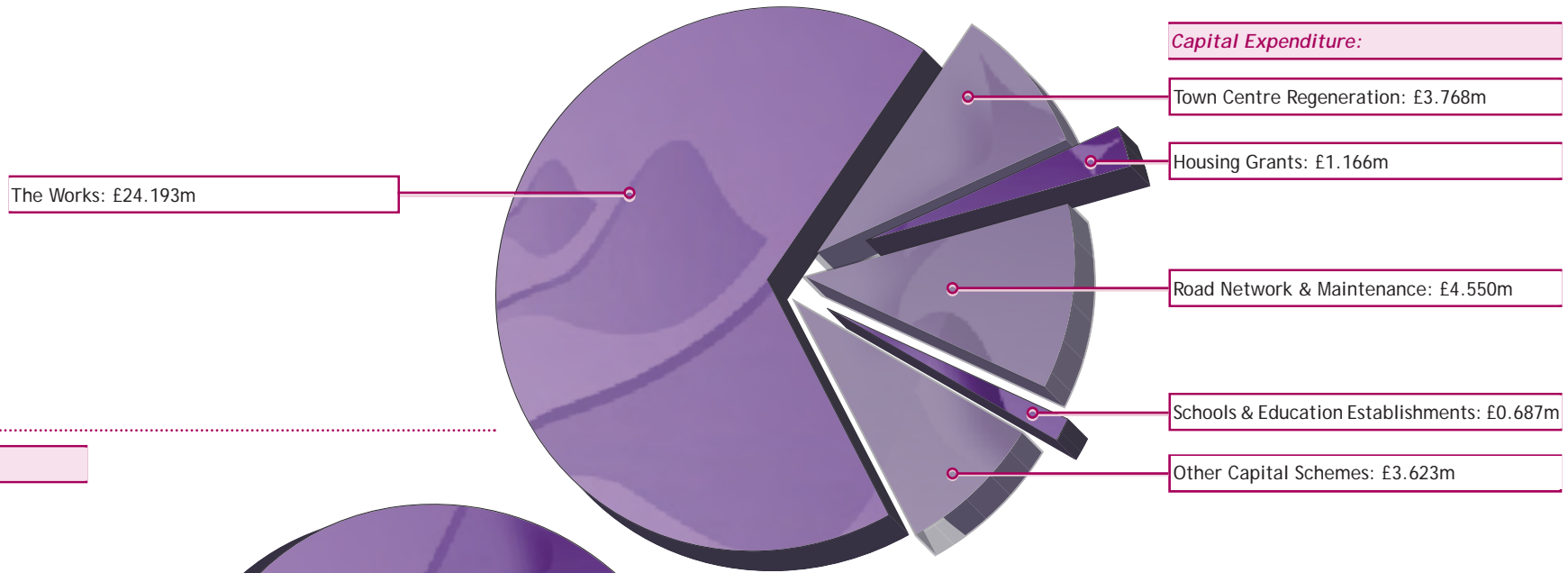
### Capital Expenditure

Total capital expenditure amounted to £37.988m; the major items within this figure are identified below. Further details of capital expenditure are contained in Notes 29.3 (page 103) and 29.5 (page 105) to the Core Statements.

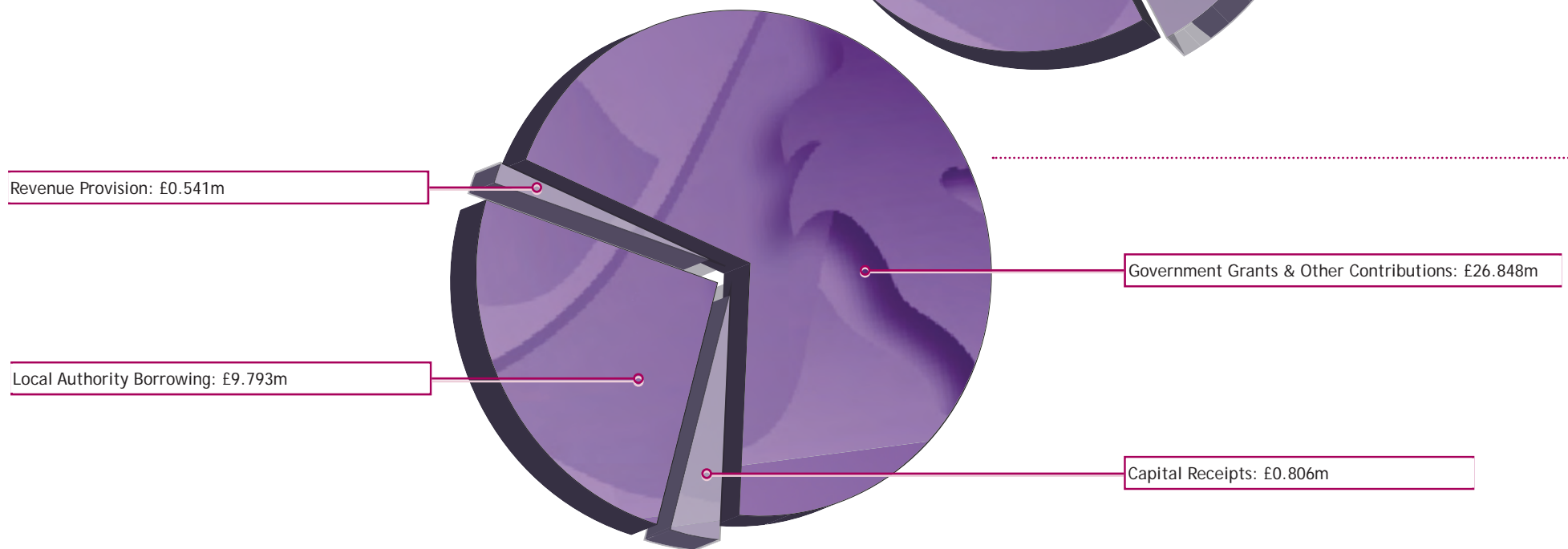
Capital Expenditure	2013/2014 £000	2012/2013 £000
<b>Council Fund:</b>		
Housing General	1,166	1,062
Housing Renewal Areas	515	488
Town Centre Regeneration	3,768	2,677
Road Network & Maintenance Schemes	4,550	6,788
The Works & Learning Works	24,193	59,456
Bedwellty House and Park	156	502
Heads of the Valley Schemes	69	663
Schools & Education Establishments	687	1,033
Flying Start Schemes	801	0
Capitalisation Direction	115	1,519
Waste Management	780	0
ARBED Energy Efficiency Schemes	98	0
Other	1,090	2,161
<b>Total:</b>	<b>37,988</b>	<b>76,349</b>

*Financing of Capital Expenditure*

Capital expenditure totalling £37.988m was financed by local authority borrowing (£9.793m), grants (£26.848m) and other sources (£1.347m). Capital expenditure and funding are summarised in the graphs below.



**Capital Funding:**



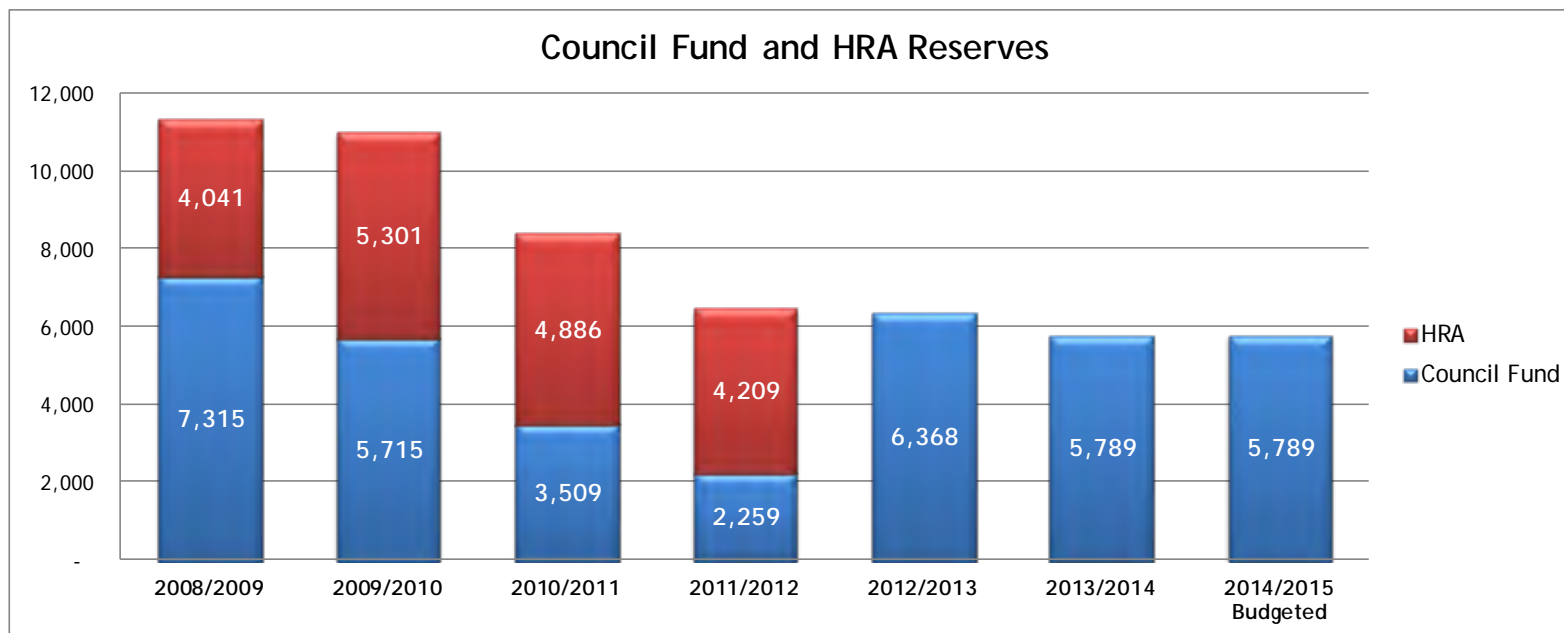
## 7. Provisions, Reserves, Contingencies and Write Offs

### 7.1 Provisions

Total provisions held by the Authority at the beginning of the year amounted to £5.770m. During 2013/2014, total provisions increased by £6.213m to £11.983m, due largely to the recognition of liabilities in respect of sums required to settle contract disputes arising at the Works site. In addition, increased sums have been set aside to cover anticipated claims under Part 1 of the Land Compensation Act 1973 and capital works to be undertaken at Waun Pond. These were in part offset by reductions in the Back Pay, Early Terminations, Insurance and Job Evaluation provisions on the settlement of residual liabilities. Details of the movements of individual provisions are shown in note 38.1 to the Core Statements (see page 118).

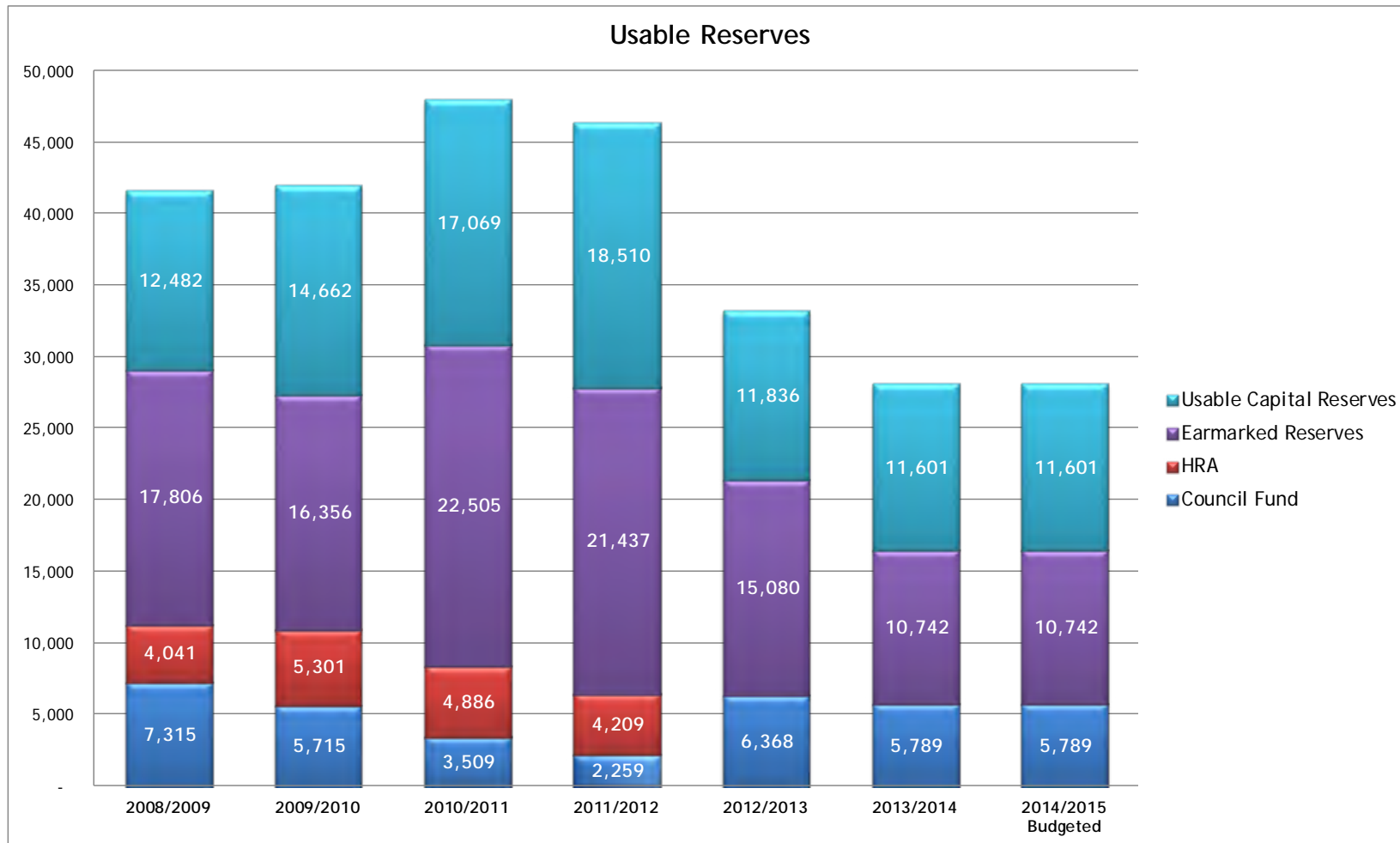
### 7.2 Reserves

Total Council Fund and Housing Revenue Account Reserves have reduced from £11.356m in 2008/2009 to £5.789m in 2013/2014. This represents 3.12% of draft Revenue Outturn Expenditure in 2013/2014. Given the estimated nil draw from reserves in 2014/2015, there is no projected change in Council Fund reserves at 31 March 2015.



However, the level of general reserves needs to be viewed in the context of the Authority's total earmarked reserves.

Aggregate Usable Reserves have reduced from £41.644m in 2008/2009 to £28.132m in 2013/2014. This represents 15.18% of draft Revenue Outturn Expenditure in 2013/2014.



The Executive has set up a Sub-Group to identify and address specific ongoing cost pressures. In addition it is intended to introduce savings proposals agreed for 2014/2015 as early as possible, reducing the risk of any further draw from reserves.



Movements on reserves are detailed in note 44 to the Core Statements (pages 137-149). Total usable reserves at the commencement of the year amounted to £33.284m, decreasing by £5.152m to £28.132m at 31 March 2014. The most significant net contributions to usable reserves were:

Summary Reserves Movements	2013/2014		2012/2013	
	£000	£000	£000	£000
Balance at 1 April		(33,284)		(46,415)
<b>Significant net contributions (to)/from earmarked reserves:</b>				
Downsizing, Redundancy & Transitional Costs	(435)		(46)	
Invest to Save	985		(243)	
Job Evaluation/Pay Remodelling	1,629		4,792	
Portfolio Reserves	531		317	
Superannuation	750		236	
		3,460		5,056
<b>Significant net contributions (to)/from other usable reserves:</b>				
HRA	0		4,209	
Usable Capital Receipts	128		568	
Other net contributions (to)/from usable reserves	1,564		3,298	
		1,692		8,075
<b>Balance at 31 March</b>		<b>(28,132)</b>		<b>(33,284)</b>

Note: Prior year figures have been re-analysed to reflect significant net contributions disclosed in 2013/2014. Aggregate figures for 2012/2013 are unchanged.

#### Impact of Pension Deficit on Reserves

The Authority holds total usable reserves of £28.132m at 31 March 2014 (£33.284m at 31 March 2013). The effect of applying the net superannuation fund deficit of £171.677m to the Authority's usable reserves would be a deficit of £143.545m (2012/2013: the superannuation deficit of £197.030m exceeded usable reserves by £163.746m).

However, this deficit is dependent on a number of factors such as investment performance and retirement benefits payable. The long-term under-funding of the Local Government Scheme is currently being addressed over a number of years by staged increases to employer contributions. Consequently, the liability would not arise in total in one financial year. The overall financial standing of the Superannuation Fund is regularly reviewed by Actuaries on behalf of the administering Authority (Torfaen CBC).

Further details on Pension balances and transactions can be found in notes 42-43, pages 126-136.

### 7.3 Contingencies

A number of contingent liabilities are disclosed in relation to issues 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, where it is not probable that an outflow of resources will be required or where the amount of the obligation cannot be measured reliably. For 2013/2014, disclosures covered:

- The Municipal Mutual Insurance run-off claims and liability under the Scheme of Arrangement;
- Warranties and indemnities to Tai Calon arising from the transfer of housing stock;
- Potential costs falling to the Authority as a result of Environment Agency enforcement notices at Waun Pond;
- Part 1 compensation claims arising from the a range of public works projects;
- Potential liabilities arising from employee disputes;
- Settlement costs for pension liabilities arising from Capita Gwent Consultancy; and
- Guarantees to the Greater Gwent (Torfaen) Pension Fund in the event that pension liabilities are not settled by Monwel Limited.

No contingent assets have been included.

It is not possible to place a value on these contingent assets and liabilities, which may or may not crystallize at a point in the future. In the event of these issues and the sums involved becoming more certain, the appropriate accounting treatment will be applied and relevant credits or charges made to the accounting statements.

Further details of contingent liabilities and assets can be found in notes 38.2 and 38.3, page 119.

### 7.4 Material Write-Offs

Sundry Debtors of £1.139m were written off during the year, of which £0.701m was in respect of debt that was in excess of 6 years old and was therefore irrecoverable as Statute Barred. Irrecoverable Council Tax of £0.508m was also written off. In both cases, the write-off has effectively been charged against the established impairment accounts. Charges were made to the following service headings:

Material Write-Offs	31 March 2014			31 March 2013		
	Sundry Debtors	Council Tax	Total	Sundry Debtors	Council Tax	Total
	£000	£000	£000	£000	£000	£000
Central Services	(12)	(508)	(520)	(1)	(396)	(397)
Education Services	(186)	0	(186)	(7)	0	(7)
Highways, Roads & Transport Services	(54)	0	(54)	(1)	0	(1)
Housing Services	(497)	0	(497)	(46)	0	(46)
Planning Services	(172)	0	(172)	(22)	0	(22)
Other Services	(218)	0	(218)	(90)	0	(90)
<b>Total</b>	<b>(1,139)</b>	<b>(508)</b>	<b>(1,647)</b>	<b>(167)</b>	<b>(396)</b>	<b>(563)</b>

## 8. Treasury Management Activities

In March 2013, the Authority approved the Treasury Strategy Statement, Annual Investment Strategy and MRP Policy Statement for the 2013/2014 financial year. The prime objectives of these policies were firstly to ensure the security of capital and secondly to maximise the liquidity of investments. In doing so, the policies sought to minimise the revenue costs of debt whilst maintaining a prudent level of debt redemption.

Transactions relating to external loan debt during the year were as follows:

Borrowing	2013/2014 £000	2012/2013 £000
Balance at 1 April	(125,632)	(118,570)
Long Term Loans Repaid	8,052	8,114
Long Term Loans Raised	(15,000)	(27,000)
Temporary Loans Repaid	115,400	202,460
Temporary Loans Raised	(114,800)	(190,600)
Effective Interest	(38)	(36)
<b>Balance at 31 March</b>	<b>(132,018)</b>	<b>(125,632)</b>

Total external loan debt at 31 March 2014 amounted to £132.018m (31 March 2013: £125.632m). Long Term Loans of £15m were raised during the year in order to replace internal borrowing, hence reducing the reliance on temporary borrowing.

### *Investing Activities*

During the year, transactions related to investments were as follows:

Investments	2013/2014 £000	2012/2013 £000
Balance at 1 April	0	6,000
Investments Made	68,500	16,250
Investments Repaid	(68,500)	(22,250)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

All borrowing and investing activities have been conducted within the framework set out in the Treasury Strategy. In particular the Authority has adopted a low risk strategy in order to give priority to the security of its investments.

The 2003 Capital Finance Regulations require amounts to be set aside from revenue for the repayment of external loans. This is known as the Minimum Revenue Provision (MRP) and in 2013/2014 the sum of £4.783m (2012/2013: £4.588m) has been set by the Authority based on statutory guidance, as disclosed in note 1.22 (pages 58-59).

Interest on external loan debt of £4.058m has been charged to the Comprehensive Income & Expenditure Statement in 2013/2014 (2012/2013: £4.030m).

## 9. Pension Assets and Liabilities

The value of pension assets and liabilities disclosed in the accounting statements is:

Pension Assets and Liabilities	31 March 2014			31 March 2013		
	LGPS	uTPS	Total	LGPS	uTPS	Total
	£000	£000	£000	£000	£000	£000
Assets	272,675	0	272,675	252,566	0	252,566
Liabilities	(413,771)	(30,581)	(444,352)	(422,120)	(27,476)	(449,596)
Net Liabilities	(141,096)	(30,581)	(171,677)	(169,554)	(27,476)	(197,030)

## 10. Significant Changes in Accounting Policies

### 10.1 CIPFA Code of Practice on Local Authority Accounting, 2013/2014

The most significant change in accounting policies adopted for the 2013/2014 Accounts arises from Code revisions resulting from the June 2011 amendments to IAS 19 Employee Benefits. These include amendments to the definitions of items related to the pensions net defined benefit liability; and items related to defined benefit cost.

These revised definitions are included in note 1.8 to the Accounting Statements (Accounting Policies, pages 48-50).

In addition, there have been significant amendments to the requirements for disclosures in respect of post-employment benefits (pension schemes), which have been adopted for notes 42 & 43 to the Accounting Statements (pages 126-136).

Comparative figures for 2012/2013 have been restated as a result of the implementation of the revised requirements of IAS19. Details of restated transactions and balances are included in note 2 to the Accounts (pages 61-65). There has been no overall impact on the level of assets, liabilities or reserves as a result of these changes.

## 11. Main Financial Statements

The Code interprets the requirements of IAS 1 *Presentation of Financial Statements* for the local government context and requires the following main financial statements to be included:

### 11.1 The Movement in Reserves Statement (MiRS) (Pages 40-41)

Equivalent to the IAS 1 Statement of Changes in Equity, this records the movement in the year on the different reserves held by the Authority, analysed into usable (those that can be used to fund expenditure or reduce local taxation) and unusable reserves (those that typically arise from timing differences between the identification of liabilities and the funding or settlement of those liabilities, which could be over a long period). Whilst increases in usable reserves represent additional sums that can be utilised in the short term to provide funding for services, increases in unusable reserves represent an increasing burden on future taxpayers. In some cases, e.g. the Unequal Pay Back Pay Account, charges related to unusable reserves may arise within a relatively short period of time (2-3 years).

The MiRS includes adjustments that remove accounting entries made in accordance with proper accounting practice in order that the Council Taxpayer is charged only with amounts required by statute and regulations.

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## 11.2 The Comprehensive Income and Expenditure Statement (CIES) (Pages 42-43)

The Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) required by UK GAAP have been combined into one statement that records the full accounting cost of providing services during the financial year.

## 11.3 The Balance Sheet (Pages 44-45)

Derived from the IAS 1 requirement for a Statement of Financial Position, the Balance Sheet sets out the assets and liabilities of the Authority, and the usable and unusable reserves and balances that underlie those net assets. Much of the detail is presented within notes to the Balance Sheet, rather than in the Statement itself.

## 11.4 The Cash Flow Statement (Page 46)

The Cash Flow Statement summarises the cash and cash equivalents arising from transactions with third parties for revenue and capital purposes during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash inflows and (outflows) as operating, investing and financing activities.

## 12. Future Developments

### 12.1 Budget-Setting Process

In preparing balanced budgets for financial years 2010/2011 to 2012/2013, the Authority utilised a strategic staff downsizing policy in order to identify savings targets. For the 2013/2014 financial year, a stop-gap model has been used to identify savings targets. In total, an unprecedented level of £4.2m of savings were agreed by the Authority. Priority has been given to schools and front-line Social Services budgets. In March 2013, the Authority agreed a revised Medium Term Financial Strategy (MTFS). This indicated that a further sum of £16.3m of savings would need to be found in the period 2014/2015 to 2019/2020. The MTFS identified three strands to deal with the forecast funding gap:

- Alternative service delivery;
- Workforce challenge strategy; and
- Workplace transformation.

The Council revised its MTFS in December 2013, following the announcement of the 2014/2015 Provisional Revenue Support Grant (RSG) settlement in October 2013. Across Wales, funding reductions for 2014/2015 were much greater than forecast and early indications from Welsh Government are that reductions from 2015/2016 onwards will be higher than previously expected. The Council is therefore planning to make savings of £10m in 2014/2015, £8m in 2015/2016 and £7.5m in 2016/2017. All budget saving proposals for 2014/2015 were agreed in March 2014.

Consequently, further regular reviews of reserves and balances will be required as part of an overall funding strategy.

There is no doubt that this will be the greatest financial challenge the Authority has faced since its inception in 1996.

### 12.2 Welfare Reform

Welsh Government successfully introduced a Council Tax Reduction Scheme for 2013/2014, mitigating the impact on benefit claimants. However, there is a financial risk for all Authorities and at present it is likely that Welsh Government will not be able to sustain this level of mitigation beyond 2013/2014. Other areas of Welfare reform are providing financial challenges to benefit claimants, notably the “bedroom tax”. 2013/2014 also saw the introduction of the benefit cap, Personal Independence Payments (PIPs) and the phased introduction of universal credit.

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### 12.3 Collaborative Arrangements

At present the Authority is directly engaged with a collaboration of 5 Councils in South East Wales in order to provide a single Education Achievement Service which will ultimately provide the majority of Education services for the constituent bodies. Progress continues to be made, which no doubt will be evidenced by GCSE and A-level results in the summer. The final analysis of these results will be available in the Autumn 2014 school term. A number of smaller scale collaborative projects continue for Social Services, for example a joint workforce development team, hosted by Blaenau Gwent and located in Caerphilly.

The preparation for the collaboration on ICT provision with Merthyr CBC commenced in October 2011, with a joint interim operational structure from April 2012. Improvements were made regarding processes and procedures, however Merthyr CBC decided in November 2013 that they no longer wanted to formalise the full collaboration due to the likely outcomes of the Williams review.

Welsh Government thinking is currently aligned to collaboration within a regional footprint. This has been evidenced through the creation of a regional collaboration fund, set up to assist in dealing with set up costs for collaboration schemes within geographical footprint boundaries. At this stage, Blaenau Gwent has not received any direct assistance from the fund.

### 12.4 The Works

The majority of the projects at the Works site have now been completed. In the final quarter of the 2013/2014 financial year, the Primary Distributor Route (or PDR) has been completed and opened for use on 9 June 2014. The Works Board (a joint approach to management of the project between Welsh Government and BG CBC) has now been disbanded and therefore the management of any remaining financial risk will be met by the Authority. A further project will revolve around the enhancement of energy efficiency at the site.

### 12.5 Capital Programme

On the broader capital front, the Authority will look to introduce a six year capital programme to tie into the timescale for phase one of the 21st Century Schools programme. The Authority has already agreed to fund these scheme proposals as a priority and therefore forecast available funding will be insufficient to initiate other capital programme proposals. For schemes that do proceed, difficult decisions will have to be made, balancing the choice of working within funding levels or undertaking Prudential Borrowing.

### 12.6 Education Review

Welsh Government's Education Minister has recently produced a report on the future delivery of Education services in Wales. The report is subject to a three month consultation period and could have significant implications for the delivery of school improvement across all current Local Education Authorities.

### 12.7 Commission on Public Service Governance and Delivery

The Commission published its report in January 2014. Welsh Government's response to the report was made in the Summer of 2014.

### 12.8 Life Leisure Trust

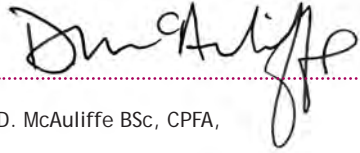
As part of the unprecedented levels of savings to be achieved for the 2014/2015 financial year, the Council has created a not for profit organization to deliver Leisure Services through a Trust. The Trust will be managed by a Board of Trustees and will deliver Leisure Services on behalf of the Council for a management fee. Council facilities will be utilised to provide services, with these assets being leased to the Trust for a 20 year period but remaining under Council ownership. On 30 September 2014, Special Council agreed to transfer leisure, cultural and community education services to the Life Leisure Trust with effect from 1 October 2014.

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13. Conclusion

The production of the annual Statement of Accounts continues to provide a considerable challenge, post IFRS-implementation.

The fact that the Statement of Accounts continues to be produced by the 30 September statutory deadline is a considerable achievement. In presenting this Statement of Accounts I am grateful to the staff of the Resources Department for their planning, professionalism, and unstinting commitment in order to produce a high quality publication. The support and assistance from colleagues in other departments also requires recognition and thanks because collaboration across departments is now more essential than ever in the production of this document.



D. McAuliffe BSc, CPFA,

Chief Finance Officer







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## Statement of Responsibilities

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### The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Chief Finance Officer has:

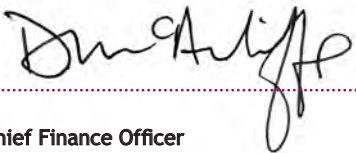
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Chief Finance 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.

### Certification of Accounts

In my opinion the Statement of Accounts gives a true and fair view of the financial position of Blaenau Gwent County Borough Council and the Blaenau Gwent County Borough Council Group as at 31 March 2014, and of their expenditure and income for the year then ended.



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**Chief Finance Officer**

I confirm that these Accounts were approved at the Audit Committee Meeting on 8 October 2014. Signed on behalf of Blaenau Gwent County Borough Council:



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**Chair of Meeting**



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## 1. Scope of Responsibility

- 1.1 Blaenau Gwent County Borough Council ('the Authority') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a general duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Authority has approved and adopted a code of governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code is available from the Policy and Performance Division and a copy is also available on the Authority's website (<http://www.blaenau-gwent.gov.uk/council/7598.asp>). This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control in the Statement of Accounts.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk 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 of the Authority, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. These will include achievement or not of the Council's policies, aims and objectives.
- 2.3 The governance framework has been in place at the Authority for the year ended 31 March 2014 and up to the date of approval of the annual Statement of Accounts.
- 2.4 Wales Audit Office have previously reported weaknesses in the Council's governance framework, particularly emphasising an inconsistency of approach in the application of many elements of the governance framework, e.g. Performance Management, Risk Management etc, and the Council has made some inroads into improving these areas.

## 3. The Governance Framework

The key elements of the systems and processes that comprise the Authority's governance arrangements are as follows:

### 3.1 Identifying and Communicating the Authority's Vision of its Purpose and Intended Outcomes for Citizens and Service Users:

- 3.1.1 The Corporate Improvement Plan has been reviewed to reflect the requirements of the Local Government Measure (Wales) 2009. The Corporate Improvement Plan is the Council's business plan and is developed in two stages. Stage 1 of the plan, which is the forward facing part of the plan, is published as soon as practicably possible after the start of the financial year. This year the plan was endorsed at a special Council in June 2013. Stage 2 of the plan has to be published by the 31 October each year and reports on the performance of the previous year.
- 3.1.2 Under the requirements of the Local Government Measure, the Council is required to set out its improvement objectives which support the Council's main priorities and provide focus for key areas for delivery over the coming year. The Authority discharged its duties in this respect for 2013/2014. For 2014/2015 a full review of the Improvement Objectives has been undertaken and they have been reduced from 10 to 2. This is owing to both the Wales Audit Office and the Welsh Local Government Association as part of their Peer Review, identifying that the 2 key areas the Council needs to focus on is improving educational standards and ensuring the financial sustainability of the Council. Therefore, these two areas have been prioritised. The other areas have either been prioritised under the Corporate Improvement Plan Outcomes or are being monitored within the relevant business plan.

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- 3.1.3 The priorities set out in the Corporate Improvement Plan need to reflect what is most important for local people, and show what the Council will look to do to achieve improvements in people's lives. Issues raised through engagement and consultation with the community need to be acknowledged and this has been done through, for example, consultation and engagement during a 12 week formal period on the Single Integrated Plan, public consultation including via the Citizens Panel on the Improvement Objectives, and through other engagement mechanisms such as Police and Communities Together and various forums such as the Youth Forum.
- 3.1.4 Working with key partners on the Local Service Board a Single Integrated Plan has been developed and was endorsed by the Local Service Board in April 2013. The plan was presented to a special Council in June 2013 alongside the Corporate Improvement Plan. Theme leads have been identified and action plans are under development. The partnerships have been rationalised. Now supporting the Local Service Board is the Local Service Board Officer Network and the People and Places Group. Both have responsibility for monitoring and implementing the action plans under the Single Integrated Plan and report into the Local Service Board.

### 3.2 *Reviewing the Authority's Vision and its Implications for the Council's Governance Arrangements:*

- 3.2.1 Progress against the Improvement Objectives set out in the Corporate Improvement Plan was reported on a quarterly basis to the Executive Committee and all Scrutiny Committees as part of the corporate performance management arrangements. As part of the work to strengthen these arrangements a review of the information provided to support the Improvement Objectives has been undertaken via the Corporate Improvement Network, the next phase will be a review of the other information that supports the Corporate Improvement Plan to be reported in the Corporate Improvement Plan Stage 1 2014. Both stages of the Corporate Improvement Plan are required to be approved by Council, and the plan is also subject to external audit by the Wales Audit Office. The Corporate Improvement Plan heavily influences the forward work programme of the Executive and will therefore inform the forward work programme of the Scrutiny Committees. The Executive forward work programme has been set out and endorsed by Council in May 2013 and the Executive portfolios and scrutiny committees have been reviewed to ensure an appropriate focus on the Council priorities.
- 3.2.2 The Wales Audit Office have previously reported that the Council needs to improve the quality of the action plans it establishes to deliver improvement against its priorities and create better measures of success, set baseline data and targets for improvement that are consistently evidenced. In the past these inconsistencies have meant that it has not been possible to gauge the outcome of the Council's work in delivering the Improvement Objective, or judge whether it is having a positive impact.
- 3.2.3 The Council has done further work to ensure that performance information relating to Improvement Objectives is more robust. For example, the CIP stage 1 forward facing plan 2013/2014 included for each Improvement Objective and evaluative statement, clearer targets, linked resources and accountability linked to the responsible officer and relevant portfolio and scrutiny committee.
- 3.2.4 The Authority has adopted a constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. This constitution was approved by the Welsh Government (WG) in 2004 and its key components are subject to regular review. A model constitution is in development for 2014.
- 3.2.5 The Authority's Corporate Management Team of Directors and Chief Officers meet on a weekly basis to develop and review policy issues commensurate with the Authority's aims, objectives and priorities. Executive/Corporate Management Team meetings also consider other internal control issues, including risk management, performance management, compliance, efficiency and value for money, and financial management.
- 3.2.6 In addition, Corporate Management Team meets on a regular basis with wider Corporate Management Team (Wider Corporate Management Team consists of first and second tier senior officers). Departmental Management Teams meet on a cyclical basis as part of the decision making process and to facilitate the transfer of information to all service areas.
- 3.2.7 Significant restructuring across the Council has been undertaken that included the creation of the post of Corporate Director Strategy, Transformation and Culture to lead and provide a focus for a review of the Council's governance framework and organisational development arrangements. Part of his responsibilities include the development of the Transforming Blaenau Gwent Plan.



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### 3.3 Measuring the Quality of Services for Users, for Ensuring They are Delivered in Accordance with the Council's Objectives and for Ensuring That They Represent the Best use of Resources:

- 3.3.1 The Performance Management Framework was implemented during 2007/2008 and work has continued to develop measures that focus on the outcome, rather than the traditional focus on output. The framework is reviewed and updated on an annual basis.
- 3.3.2 In response to Wales Audit Office comments the Council made progress in refining the measures linked to each of the improvement objectives by taking an approach known as Results Based Accountability. Measures have been developed that assisted in recognising the difference the delivery of services is making to people by understanding:
- How much we did;
  - How well we did it; and most importantly
  - Is anyone better off as a result.

This process is being used to undertake further refinement of the Improvement Objectives and the Council's other priorities.

- 3.3.3 During 2013/2014 the Council's approach to self assessment and business planning were strengthened. This included developing standard templates and guidance for officers. The self evaluation process also included a peer challenge element whereby all Heads of Service, their Director and Executive Member were 'challenged' about their chosen priorities for the year, assessing whether they were appropriately evidenced. The challengers on each of these groups were the relevant Chair and Vice Chair of Scrutiny and a member of Corporate Management Team. The process forms part of the strengthening our internal challenge approach and self evaluation in order to feed corporate and service planning.
- 3.3.4 The Authority is being supported by the Welsh Local Government Association with regards to self evaluation and the Local Government Data Unit has a member of staff working in the Corporate Performance Team for two days a week to assist with capacity issues and to further develop the self evaluation and business planning processes.

### 3.4 Defining and Documenting the Roles and Responsibilities of the Executive, Non Executive, Scrutiny and Officer Functions, with Clear Delegation Arrangements and Protocols for Effective Communication:

- 3.4.1 The Authority's Constitution has a published Scheme of Delegation of Functions, which is agreed and published annually. The Scheme details subject areas, and identifies the bodies or individuals responsible for decision making.
- 3.4.2 Most policy decisions are developed and implemented by the Executive Committee, which comprises the Leader and nine Members with individual Portfolio responsibilities, including the Deputy Leader. The Authority has two other decision-making Committees - 'Planning' and 'Licensing'. The Licensing Committee will be split into a General Licensing Committee and a Statutory Licensing Committee from April 2014. There were four Scrutiny Committees operating during 2013/2014 which reviewed decisions made or actions taken in connection with the discharge of any of the Authority's functions. The Executive adopted a formal work programme for 2013/2014. At the Annual General Meeting held in May 2014 it was agreed that the four Scrutiny Committees would remain for the coming year.
- 3.4.3 The Authority's Scrutiny Committees can 'call-in' a decision which has been made by the Executive Committee but not yet implemented, to enable them to consider whether the decision is appropriate. No decisions were called in during 2013/2014. The role of expert witnesses is being further developed as part of the scrutiny arrangements to provide a diversity of views. The appointment of Chairs of Overview and Scrutiny committees is in line with the requirements of the Local Government Measure. Payments to Members who are in positions which attract a senior salary are in line with the recommendations of the Independent Remuneration Panel for Wales.
- 3.4.4 As part of the Scrutiny Committee cycle internal evaluations are taken with Members and Officers following each meeting to consider what went well and what further improvements or amendments are needed to develop the scrutiny process. The evaluation as part of the peer learning groups from the Wales Audit Office national study on scrutiny has also been considered; this study was conducted between September 2012 and June 2013. This information was analysed and a Members workshop was held to consider options moving forward. These have been included in a Scrutiny action plan which is managed by the Scrutiny Team and is reported to the Democratic Services Committee. All amendments to the Scrutiny arrangements are recommended by the Democratic Services Committee and signed off by Council. A scrutiny handbook is in place for Officers and Members and will be updated to reflect the revisions. The areas covered relate to:
- The meeting environment
  - Planning and preparation for meetings
  - Scrutiny forward work programmes

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- Executive engagement
  - Meeting management
  - Reports to scrutiny.

3.4.5 In line with the requirements of the Local Government Measure, the Authority has formed a Democratic Services Committee. The Terms of Reference for the Committee were agreed by Council in June 2012.

3.4.6 On 5 September 2011, the Welsh Ministers issued a direction to Blaenau Gwent County Borough Council using their powers under Section 479a of the Education Act 1996. A further direction was issued on 1 December 2012. A third direction was issued in November 2013 with the establishment of a Recovery Board which has placed responsibility for Education's functions with that Board. These directions emanated from the inspection undertaken by Estyn of the Authority's Education Services for Children and Young People. This means that the Council's Education functions are now exercised by an Education Recovery Board appointed by the Welsh Ministers.

### 3.5 Developing, Communicating and Embedding Codes of Conduct, Defining the Standards of Behaviour for Members and staff:

3.5.1 The Authority has protocols for both Members and Officers. Codes of Conduct governing Member/Officer Relations are detailed in the Constitution. These documents are periodically reviewed and updated, and are influenced by best practice and recommendations from both internal and external regulators.

3.5.2 The principles of these codes are embedded through training and consultation and all Members and Officers are furnished with the appropriate documents. Ethics and standards were included in the annual Member development programme for 2013/2014. Compliance with the codes was tested as part of the 2013/2014 Internal Audit Plan.

3.5.3 The Standards Committee has considered various actions including endorsing protocols regarding the Codes of Conduct and Member/Officer Relations. These have been accepted by Council and are now being operated and will be monitored by the Standards Committee.

### 3.6 Reviewing and Updating Standing Orders, Financial Regulations, a Scheme of Delegation and Supporting Procedure Notes Which Clearly Define how Decisions are Taken and the Processes and Controls Required to Manage Risks:

3.6.1 The financial management of the Authority is conducted in accordance with the Financial Regulations set out in Part 4 of its Constitution. The Authority updates its Financial Strategy every year to support the aims of its strategic priorities.

3.6.2 The Authority's financial management arrangements conform with the governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government" (2010).

3.6.3 The Authority has now delegated consideration of the annual review and update of Financial Regulation and Standing Orders to the Democratic Services Committee as part of its remit. The Constitution is reviewed at least annually, and an exercise is ongoing to incorporate provision for future partnership and collaborative arrangements. This will be aligned with the new Welsh Local Government Association model constitution as a further part of the Committees new role.

3.6.4 A Scheme of Delegation is detailed in the Constitution and the roles and responsibilities of Members and Officers are specified. This is reviewed annually at the Annual General Meeting.

3.6.5 The Authority has a Risk Management Strategy and a Risk Management Handbook in place which will be reviewed and updated on an annual basis. The Corporate Improvement Network acts as the strategic group with responsibility for risk, feeding into Corporate Management Team.

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3.6.6 The framework includes:

- Clarification on the Roles and Responsibilities of Members and Officers
- Guidance and example of how to describe risk
- Guidance on the evaluation and assessment of risk - and the Council has now developed an assessment criteria by which both the Impact and Likelihood of occurrence is measured.

3.6.7 The framework incorporates a clear protocol for the escalation of risks through Services/Departments Risk Registers to the Corporate Risk Register with the Council setting its Risk appetite or tolerance level. Minimum reporting and review guidelines have also been introduced.

### 3.7 Undertaking the Core Functions of an Audit Committee:

3.7.1 The Authority has set up an Audit Committee, whose responsibilities in 2013/2014 included:

- To appoint the Chair of the Audit Committee.
- To receive and approve the Council's annual Statement of Accounts in accordance with the Accounts and Audit Regulations.
- To receive and approve the Annual Internal Audit Report from the Head of Internal Audit.
- To receive and approve the Annual Internal Audit Plan.
- To review and approve the annual programme for internal audits, the audit priorities and effectiveness of the programme in providing adequate assurance in respect of the Council's main business risks.
- To review and monitor the effectiveness of the Council's system of internal control and the proper administration of its financial affairs, including corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- To engage with external auditors and inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.

3.7.2 The Local Government Measure (2011) specified that the Chair of the Audit Committee had to be appointed by Members of the Audit Committee. This is done at the first available meeting following the Council's Annual General Meeting. In addition there is also an independent lay member, who is not a Councillor, who has voting rights.

### 3.8 Ensuring Compliance with Relevant Laws and Regulations, Internal Policies and Procedures, and that Expenditure is Lawful:

3.8.1 The Authority has designated the Head of Legal and Corporate Compliance as Monitoring Officer. She ensures compliance with established policies, procedures, laws and regulations, and has authority to report to full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The Chief Finance Officer has similar obligations and functions relating to financial issues under s114 of the Local Government Finance Act 1988, and under s151 of the Local Government Act 1972.

3.8.2 The Head of Legal and Corporate Compliance (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Authority reviews the Constitution each year at its Annual Meeting. Consideration of potential amendments is undertaken by the Democratic Services Committee.

3.8.3 A Senior Manager restructure was reported to and approved by Council in August 2013 with each Director responsible for facilitating a review of their departmental structures. This report included significant changes to the composition of Corporate Management Team which included the retirement of the previous Corporate Director Environment, the appointment of a new Corporate Director Environment and Regeneration and the appointment of the Corporate Director Strategy, Transformation and Culture. In addition to these appointments, the partnering arrangement with Newport City Council to provide a Joint Chief Education Officer ceased in January 2014 with an interim Director of Education undertaking the role from that date. The Authority has recently appointed a permanent Corporate Director for Education in May 2014 who will take up post shortly. Structural reviews have taken place within most directorates and these changes are currently being implemented at tier 4 and above.

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3.8.4 The Leader of the Council was reappointed at the 2014 Annual General Meeting.

**3.9 Whistle - Blowing and Receiving and Investigating Complaints from Members of the Public:**

3.9.1 The Authority has adopted policies in relation to whistle-blowing and complaints from members of the public.

3.9.2 The whistle-blowing process enables employees to raise serious concerns within the Council that fall outside the scope of other procedures. It allows individuals to confidentially raise concerns about any aspect of service provision or the conduct of Officers or Members of the Council or others acting on behalf of the Council. The policy is currently being reviewed by the Organisational Development Department. During the period April 2013 to May 2014 there was one whistle-blowing incident reported to the Council. The matter was investigated and found to be suitable for determination under the Grievance Policy.

3.9.3 The Authority's Complaints Policy outlines a three stage process for escalating complaints about the Authority. Stage 1 and Stage 2 complaints are dealt with within the Authority, with the third stage complaints being referred to the Public Ombudsman for Wales. Between April 2013 and March 2014 the Authority had nine complaints that progressed to the third stage. Of these nine, eight were not investigated further and one was partially upheld. A further three complaints in relation to the Code of Conduct were made directly to the Ombudsman. Of these, one was not investigated, one was found not to be misconduct and the third is ongoing. A further complaint has been received and resolved under the Local Resolution Protocol

3.9.4 Social Services have arrangements in place to measure their own complaints and these arrangements are also linked to the corporate complaints system. Social Services information is reported within the corporate system.

**3.10 Identifying the Development Needs of Members and Senior Officers in Relation to their Strategic Roles, Supported by Appropriate Training:**

3.10.1 The Authority has a clear set of strategic outcomes, supporting actions and competencies which relate to service delivery. Development needs for Officers are identified via the annual performance coaching scheme.

3.10.2 Services are delivered by trained and experienced people. Each post has a detailed job description and person specification, and selection is made through a robust recruitment process to meet the specific skills and competencies of the post.

3.10.3 Following the Local Election in May 2012 a Member Induction / Refresher Programme was implemented. This programme was aimed at all Members and its purpose was to provide Members with initial knowledge required to work within the local government setting and upon its conclusion a Constitution Programme was implemented which ran from September 2012 to April 2013.

3.10.4 A training needs analysis for Elected Members was undertaken in March 2013. Common areas of priority were included in the 2013/2014 Member Development Programme and some of the topics covered included New Legislation/Guidance (New Social Services Bill), Corporate Parenting, Benefits/Welfare Reform Update, Education Budget & Finance in General, Cleansing, Grant Aid: Town Centre Regeneration, Economic Development & European Programme, School Performance, Waste, Education Achievement Service, H.R. Policies, Countryside & Landscape Issues. Outstanding areas will be considered as part of the 2014/2015 programme or by alternative methods of delivery (as requested by Members) e.g. Workbooks, CD's etc. The 2014/2015 programme is still in development as a further Training Needs Analysis of Members Development is currently in the process of being undertaken.

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### 3.11 Establishing Clear Channels of Communication with all Sections of the Community and Other Stakeholders, Ensuring Accountability, Encouraging Open Consultation:

- 3.11.1 As part of the requirements set out in the Welsh Government guidance on Single Integrated Plans, the principles for a Blaenau Gwent engagement strategy are set out in the Single Integrated Plan. A range of consultation and engagement exercises were undertaken to inform the final version of the Single Integrated Plan (<http://www.blaenau-gwent.gov.uk/community/14723.asp>). These included:
- Face to face engagement sessions with the public including invitations to citizen panel members.
  - Short and long versions of the web based survey produced along with guidance notes and an audio version of the presentation explaining the Single Integrated Plan.
  - Working with the Local Service Board officer network, partners took the consultation out via their own networks and organisations.
  - Sessions with established forums, e.g. Youth Forum.
  - Valleys Regional Equalities Council (VALREC) was commissioned to undertake work with individuals within the protected characteristics.
- 3.11.2 The Council's Improvement Objectives have also been consulted on to gauge whether they remain relevant to local people, with web based surveys undertaken in September 2012 and May 2013. For the 2014/2015 Improvement Objectives a web survey was undertaken in April 2014.
- 3.11.3 The Local Service Board supported the development of the Citizens Panel. 1,000 people were initially recruited, who were representative of Blaenau Gwent as a whole. The panel are used by the Authority and its partners, and are invited to participate in consultations and engagements including surveys and face to face consultations on the Single Integrated Plan, the Improvement Objectives and relevant consultations for Local Service Board partners.
- 3.11.4 Other examples of communication and engagement include:
- PACT (Partners and Communities Together) meetings.
  - CONNECT magazine which is delivered to all residents in Blaenau Gwent.
  - Blaenau Gwent Regeneration Newsletter which is delivered to businesses on a quarterly basis.
  - Increased focus on social media in recognition that it is a growing channel.
  - Engagement and consultation exercise on the equality objectives that formed part of the Strategic Equality Plan endorsed by Council in March 2012 included public consultation exercise VALREC undertaking a session via the Voices in the Valley forum and a period of formal consultation.
  - Various forums are established that offer effective consultation, engagement and participation opportunities e.g. the Youth Forum, Grand Schools Council, 50+ network and Access for All Forum.
- 3.11.5 The Council ratified its Corporate Communications Strategy in November 2011. A mid point review of the strategy was undertaken in 2012 and an updated position review undertaken in 2013 to identify progress and help shape future direction. The mid point review information was also presented to a scrutiny seminar out of which a task and finish group was set up. This Task and Finish Group has now been completed and a number of recommendations were made in relation to communications and marketing and these are being implemented. PricewaterhouseCoopers (PwC) also worked with the Communications Team and identified that marketing and communications should be centralised across the Council. Work has also been undertaken to develop methods of income generation through advertising in our various communications channels. The Corporate Communications Strategy is also undertaking a review in 2014/2015 and for the coming year, the development of an internal communications strategy is a priority.

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### 3.12 Incorporating Good Governance Arrangements in Respect of Partnerships and Other Group Working and Reflecting These in the Council's Overall Governance Arrangements

- 3.12.1 The most contemporary legislative context in relation to Community Strategies and Planning is contained within the Local Government (Wales) Measure 2009 (part 2). In April 2009, a report was presented to Council setting out both the duty and the obligations in relation to the community planning process, and the development of the new Community Strategy for Blaenau Gwent.
- 3.12.2 Specifically, the Measure:
- Places a duty on Local Authorities to initiate, maintain, facilitate and participate in community planning for their area;
  - Places a duty on community planning partners to participate in community planning and assist the Local Authority in the discharge of their duties; and
  - Requires local partners to co-operate in the delivery of community strategic outcomes and to engage with citizens.
- 3.12.3 The Local Service Board sees high level representatives such as leaders, chief executives and directors from partner organisations which serve Blaenau Gwent come together to focus efforts on the challenges being faced, with the aim of unblocking barriers to improved services for citizens.
- 3.12.4 Blaenau Gwent County Borough Council is the lead organisation for the Local Service Board.
- 3.12.5 One of the primary roles of the Local Service Board is to oversee a Single Integrated Plan. This plan which covers four years (2013-2017), sets out the priorities for partnership working to make Blaenau Gwent an even better place to live, work and visit. To help set out priorities for the Single Integrated Plan a comprehensive needs assessment was undertaken, which pulled together sources of information from a variety of places. The draft version of the Single Integrated Plan was subject to a twelve week consultation period, and the final draft was amended to reflect feedback. The Single Integrated Plan was approved by Special Council on 12 June 2013. The Single Integrated Plan continues to be delivered through the new strategic partnership framework which replaced the four previous partnership plans and strategies. Action plans for delivery against the priorities are being developed and monitored through the groups set up to implement each of the Single Integrated Plans themes namely 'Thriving', 'Learning', 'Fair and Safe', 'Healthy' and 'Vibrant'.
- 3.12.6 The Local Service Board also oversees the new partnership framework to help ensure that public service, voluntary and community organisations are working together to tackle priorities set out in the Single Integrated Plan. The new Blaenau Gwent Strategic Partnership Framework came into place to support the Single Integrated Plan from April 2013.
- 3.12.7 The partnership framework embraces regional working and recognises the existing regional public service delivery models or footprints e.g. Gwent, South East Wales, and Heads of the Valleys.
- 3.12.8 The new arrangements replace those for Children and Young People Partnership, Health, Social and Well Being Partnership, Safer Blaenau Gwent, Community Safety Partnership and the Regeneration Partnership.
- 3.12.9 The Authority continues to work with key partners to review its business continuity and resilience arrangements. All service areas have to have a business continuity plan that links to key stakeholders for their respective areas. The Authority is part of the Gwent Local Resilience Forum Business Continuity Group. A Gwent wide Business Continuity Plan is currently being developed.
- 3.12.10 A framework for the reporting of performance information supporting the delivery of the Single Integrated Plan is under development. An Results Based Accountability methodology is being used to develop action plans with partners under the reach of the Single Integrated Plan themes. Leads have been identified for each theme and the reporting of progress is scheduled into Local Service Board meetings on a quarterly basis. Quality assurance checks and balances are being built into the process via the Local Service Board Officer Network meetings and the People and Places Partnership to help ensure that information presented to the Local Service Board on progress against the Single Integrated Plan is robust and will aid effective decision making. The Local Service Board Officer Network also takes a lead role in assuring the key governance functions, for example in relation to engagement and information strategies, are being addressed appropriately in the SIP delivery structure. The Local Service Board Officer Network membership mirrors that of the Local Service Board.
- 3.12.11 The Authority has embraced the principles of the Simpson Review issued in February 2011. The Council has signed up to the "Compact for Change" (an agreement between Welsh Government and the Welsh Local Government Association) and a specific action plan has been prepared and implementation is reported to Executive on a regular basis. Service specific reports linked to the Simpson Agenda have been considered by the Executive as required. The Williams commission was published in the final quarter of 2013/2014 with a suggested map for Local Government re-organisation. This will impact on any future collaborations considered under the compact. Collaborative working is also reflecting the dynamic nature of the advice to Councils from Welsh Government and the need to find the most appropriate solution in each case.

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- 3.12.12 The Transforming Blaenau Gwent Plan has been established and drawn together in a plan that brings together financial efficiency projects and major projects. All financial efficiency projects have had robust business cases completed by the project leads and signed off by the respective Corporate Director. A Joint Finance and Performance Report is produced on a monthly basis for the Executive indicating progress on key performance and financial information.
- 3.12.13 The Strategic Transformation Team is working with project leads to identify any ongoing issues and any projects causing concern are reported into the monthly Programme Steering Group, led by the Corporate Director for Strategy, Transformation and Culture. Steering group reports are then sent to Corporate Management Team, the Executive and Scrutiny Committee. This is part of the forward work programme for the Corporate Overview Scrutiny Committee for 2014/2015.
- 3.12.14 The Council have been developing design principles that will set out the ambition of the Council and will determine the future organisation. These are a set of principles that set out a consistent approach for Members and Officers in how we operate going forward. The principles show how we will work as one council to: 'Engage Stakeholders', 'Maximise Independence', 'Achieve Outcomes', 'Understand Needs', 'Choose the Best Delivery Model', 'Collaborate', 'Resilient Budget Planning' and 'Simplify, Standardise and Share'. The design principles are not service specific and they set out the direction for the Council as a whole. The principles will be refreshed as part of the Council's annual cycle. They will be monitored through the Project Management Framework by the Strategic Transformation Team and non-compliance will be challenged to ensure the Council moves forward in a consistent, efficient and effective manner.
- 3.12.15 Considerable work was undertaken to pursue integration of Blaenau Gwent Social Services with Caerphilly County Borough Council Social Services. Although this did not come to fruition, both parties have maintained commitment to working in partnership in specific service areas. While integration failed to progress, the directors of both social service departments provided input into a review of collaborative working which has resulted in the publication of key lessons learned and positive suggestions and advice for agencies working in partnership.
- 3.12.16 A South East Wales Education Achievement Service has been set up by five Welsh local authorities, including Blaenau Gwent, with effect from September 2012. The organisation has responsibility for delivering a wide range of improvement services to schools.
- 3.12.17 Blaenau Gwent and Merthyr Councils have entered into a collaborative arrangement for the provision of ICT services but this is no longer proceeding. In light of the anticipated recommendations of the Williams Review and the recommended footprints established by Welsh Government, Merthyr County Borough Council considered the arrangement not to be the most suitable option going forward. During 2014/2015 alternative collaborations are being considered.
- 3.12.18 The Authority's Leisure Services are expected to transfer to the Life Leisure Trust on 1st October 2014. The Authority will be represented on the trust board and has committed to an annual management fee for a five year period. The trust has a charitable status limited by guarantee and will continue to provide leisure services within the county borough whilst also achieving necessary savings. A funding review will be undertaken at the end of the five year period.
- 3.12.19 During 2013/2014 the Council has been working in partnership with PricewaterhouseCoopers (PwC), firstly to undertake an operating model assessment, secondly in developing business cases to finalise the budget for the financial year 2014/2015. More recently we have been working with them in developing the design principles.

#### 4. Review of Effectiveness

- 4.1 Blaenau Gwent County Borough 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 senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework include the following:
- 4.2.1 The Council has an adopted Code of Governance. This document is subject to an ongoing review process, with the latest review date being April 2014.
- 4.2.2 Corporate and Senior Management are consulted on and contribute to the development and review of policies, strategies and frameworks impacting on the Council's governance arrangements.



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- 4.2.3 The Authority's non-executive Committees carry out a number of regularity functions, including:
- Scrutiny Committees, which review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Authority's functions;
  - A Planning Committee to determine planning applications and related matters;
  - A Licensing Committee which monitors and reviews the effectiveness of the Authority's licensing policy and procedures (To be split for 2014/2015 into a General Licensing Committee and a Statutory Licensing Committee);
  - An Audit Committee, which addresses the wide range of governance issues, including the role, activities and recommendations of Internal Audit, corporate risk management arrangements, approving the Statement of Accounts, relationships with and recommendations of external bodies, particularly External Audit, and the procedures for and preparation of the Annual Governance Statement;
  - A Standards Committee which promotes, monitors and enforces probity and high ethical standards in the Authority; and
  - A Democratic Services Committee to ensure the effectiveness of the scrutiny role and member development.
- 4.2.4 Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate the audit plan which is reported for approval by the Audit Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director, Head of Service or Service Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by Managers. From 2014/2015, Internal Audit will no longer make recommendations, but will work with Service Managers and Heads of Service to provide appropriate actions to mitigate identified risks. The process includes reviews of recommendations after six months to ensure that they are acted upon. An escalation process is in place for instances where agreement cannot be reached. Internal Audit work includes consideration of the quality and effectiveness of financial management and compliance with the Authority's Financial Regulations, and an assessment in accordance with quantification and classification of internal control level definitions.
- 4.2.5 The Authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The Internal Audit Section is subject to regular review by the Authority's external auditors, who place reliance on the work carried out by the Section.
- 4.2.6 The Authority is subject to external regulation by the Wales Audit Office and other regulators who provide regular reports on its control environment. The most recent of these include the Corporate Assessment and its review (2011 and 2012), the Estyn inspections (2011 and 2013) CSSIW Inspection (2014), Service Based Budget Review (2013), Welsh Local Government Association Peer Assessment (2013) and the Annual Improvement Report (2013). Some of these reports highlighted significant concerns regarding aspects of the Authority's governance arrangements including the culture and leadership of the Authority. The Wales Audit Office proposals for improvement 2013/2014 are shown in Appendix 1. Work has been undertaken to make improvements in the above areas and this was highlighted by the Wales Audit Office in their audit letter dated December 2013, although they recognise that there is still a long way to go to make full improvements. The outcome of the CSSIW inspection into the review of commissioning in Adult Social Care with a focus on Dementia was balanced; highlighting both examples of good performance and best practice and also areas where we need to improve. We received a set of recommendations to improve on that will be taken forward in 2014/2015. A copy of the full report is accessible via <http://cssiw.org.uk/docs/cssiw/report/140416blaenaucommen>.
- 4.2.7 Concerns identified included inconsistencies in the application of the performance management framework, further development of business planning and self evaluation, the challenges to medium and long term sustainability of services in light of the Authority's budgetary position and the slow progress in addressing long standing cultural leadership issues. Details of these recommendations can be accessed by contacting the Corporate Services and Strategy Directorate together with action plans and progress to address these recommendations/issues. They are also available on the Wales Audit Office website (<http://www.wao.gov.uk/publications>). In relation to the Budget and Education, these were both identified as high priorities by the WLGA Peer Assessment undertaken in July 2013. Following their findings and the external auditor findings, the Council has drafted two Improvement Objectives to provide particular focus to these areas and to track progress. These Improvement Objectives are to be agreed at Special council in June 2014.
- 4.2.8 Education has developed a Post Inspection Action Plan to address recommendations from the Estyn Report dated January 2013 and this is being monitored on a monthly basis.
- 4.2.9 We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new action plans are outlined below.

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## 5. Significant Governance Issues

- 5.1 A full Corporate Assessment of the Authority was undertaken by the Wales Audit Office in 2011. In response to this a Corporate Recovery Programme was developed that encompassed proposed improvements to satisfy the findings of the Corporate Assessment and other regulators' findings. This programme has now been closed and has been superseded by the Transforming Blaenau Gwent Programme, which has monthly monitoring processes in place.
- 5.2 The financial outlook for the Authority continues to be austere. The 2014/2015 financial assessment presented the Council with the most significant challenge it has ever faced in setting a budget for 2014/2015. In its Annual Audit Letter issued in October 2013, the Appointed Auditor made a statutory recommendation to the Authority under S.25 (2) of the Public Audit Act 2004. This required the Authority to deliver a legal and balanced budget for 2014/2015 and to agree a sustainable Medium Term Financial Strategy to live within its means.
- 5.3 In addition to this, a statutory recommendation for improvement was made under S.19 of the Local Government Measure in the Wales Audit Office Improvement Assessment Letter, regarding weaknesses in financial planning. The Minister for Local Government and Government Business used her powers under the measure to provide support to the Council in the form of Welsh Government Advisors. Consequently the Authority has agreed its 2014/2015 budget, revised its Medium Term Financial Strategy and put in place savings plans to address the concerns raised.
- 5.4 The Welsh Local Government Association peer review has provided an impetus for the Council to take a two phase approach to identifying saving proposals. The initial proposals were identified in the early part of 2013/2014 with further savings (Phase Two) quickly following in the autumn. All these proposals were reported to Council in December 2013. Some savings proposals impacted on 2013/2014 and assisted with ongoing budget pressures. The remainder will impact future financial years.
- 5.5 The Executive function for Education was placed in the control of an Independent Commissioner following the outcomes of Estyn inspections conducted in 2011 and 2013. The outcomes of these inspections found the quality of the local authority education services to be unsatisfactory. A Post Inspection Action Plan was developed to address the key recommendations made by Estyn. Further to this a third direction was issued to the Authority in November 2013, which resulted in the establishment of a Recovery Board to exercise the Authority's Education functions. The board was appointed by Welsh Ministers and undertakes the decision making process for the Education Function. The Authority continues to monitor progress against the Post Inspection Action Plan through the Post Inspection Action Plan Implementation Board that is chaired by the Deputy Leader and attended by members of Corporate Management Team. Discussions are ongoing with Welsh Government regarding returning elements of the Council's powers for Education back to the Authority.

6. Areas Where Further Work was/is Required on Governance and Internal Control Issues, with Updates and Actions Taken

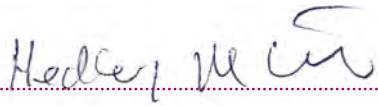
Source	Issues	Update on Action Taken
External Monitoring	Asset Management - need to accelerate progress with working group and appraisal of assets	The Council's Corporate Asset Management Group has continued to monitor the overall Asset Management Action Plan which includes the area review process. The Area Review process has been completed and the recommendations approved by the Executive. Asset action plans are being developed for each property on a prioritised basis and disposals are being accelerated through the Corporate Asset Management Working Group.
	Six Bells Renewal Scheme	A Wales Audit Office report indicated weaknesses in the project management and reporting information for the governance and management of major projects. A report was presented to Executive in September 2013 to agree a funding and work programme to take the Six Bells renewal area to its closure in 2014/2015.
	Budget Review	The Wales Audit Office Service Based Budget Review indicated that the Council continues to deliver essential services with less money, but approved savings targets are not effectively challenged, resulting in some local services becoming increasingly unsustainable. All directorates have been tasked to consider their services in terms of statutory and non statutory functions and to identify savings targets. In addition a full review of fees and charges has been undertaken. Savings targets are to be monitored by the Strategic Transformation Team and the Programme Steering Group, with progress reported to Members.
	Information Management	A draft Information Management Strategy has been developed along with a set of information governance procedures. An Information Governance Forum has been established which will review the Strategy and monitor progress against the Strategy Delivery Plan.
	Previous proposals for Improvement (Wales Audit Office)	Arrangements to monitor proposals are in place. Records are maintained which include progress position, supporting evidence and where monitored. A list of proposals is shown at Appendix 1.
"In house" Monitoring	Capital Contracts Tendering Weaknesses	Continuing monitoring including improved reporting arrangements and compliance with Standing Orders for Contracts. Training sessions were provided to Officers during September / October 2013.
	Attendance Management	To address variances between Payroll and departmental records. The introduction of the i-trent system has enabled one consistent central record. Phase 2 implementation, has been delayed. This phase will enable self service with real time updates eliminating variances in records.
	The Works (1) Monitoring of spend against funding approvals	(1) A financial reporting mechanism has been developed in conjunction with senior Welsh Government officials and has been reported on a monthly basis to the Works Programme Board. The Works Programme Board was dissolved in October 2013, as the main building projects on the Works site were completed and operational by this time. Since that time informal financial reports have been reported to Welsh Government in order to continue the established financial governance arrangements.
	(2) Relatively high levels of short-term borrowing	(2) Monthly funding claims have been agreed and paid by Welsh Government on a timely basis throughout the financial year meaning that reliance on short term borrowing to manage the works cash flow has been minimal.

Source	Issues	Update on Action Taken
"In house" Monitoring (continued)	(3) Contract variations and overspends	(3) These have been reported to the Works Programme Board and subsequently Welsh Government officials throughout the period as part of the agreed financial reporting mechanism on a monthly basis.
	(4) High level spends	(4) These have been reported to the Works Programme Board and subsequently Welsh Government officials throughout the period as part of the agreed financial reporting mechanism on a monthly basis.
	(5) Non adherence to Contract Standing Orders	(5) Reports on specific instances of non-adherence to Contract Standing Orders will be reported to the Audit Committee.
	Financial Position - sustainability	At the start of the financial year, the Authority identified significant financial pressures. Action plans were drawn up by each portfolio with cost pressures and these were monitored by Executive, Scrutiny Committees and a cost pressure sub-group of the Executive. These measures have proved successful as the draft out turn position is now an overall favourable variance against budget. This has meant that the draw from General Reserves was less than anticipated. As planned, the Authority also utilised specific reserves to fund identified cost pressures. In addition, working with Welsh Government advisors, the Authority was able to set a budget for 2014/2015 without drawing from reserves.
	Update and continuing development of a Medium Term Financial Strategy	Working with Welsh Government advisors, the Authority revamped its Medium Term Financial Strategy and was able to determine funding shortfalls in the medium term and identify a range of actions and associated timescales for dealing with them. The assumptions with revised Medium Term Financial Strategy were discussed at Corporate Management Team and Corporate Overview Scrutiny Committee before Council agreement in December 2013. Looking forward, the Council will demonstrate that it is able to provide a range of services within an agreed budget.
	IT systems: - lack of capacity - age of applications	Collaborative arrangements with Merthyr County Borough Council have ended. An Interim Service Manager for IT has been appointed to provide direction and increased expertise to the section. Consideration is being given to alternative collaborative arrangements for the service. The IT Corporate Infrastructure has been examined and the essential requirements are being included in the workplace transformation business case.
Collaboration arrangements	Direct and indirect impact on the Authority's systems and processes. Appropriate governance arrangements are being developed to best fit the individual services involved.	
Outstanding issues from unsatisfactory audit reports relating to immaterial issues	Action plans agreed within services and follow up audits to be conducted.	

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7. Conclusion

In conclusion we acknowledge that whilst there has been some positive movement for the Authority's Governance framework, there remain some significant weaknesses to be addressed as identified in Section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



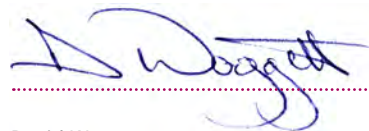
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Councillor Hedley McCarthy  
Leader of the Council  
September 2014



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David McAuliffe  
Chief Finance Officer  
September 2014



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David Waggett  
Chief Executive  
September 2014

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## Annual Governance Statement - Appendix 1

### Wales Audit Office Proposals for Improvement 2013/2014

#### *WAO Collaboration Report (Issued 01/2014 - Ref: 632A2013): WAO Proposals for Improvement*

1. Improve the approach to planning and managing collaborative projects.
2. Improve arrangements that support the Gwent Wide Integrated Community Equipment Services (GWICES) project.

#### *WAO Assessment of Performance Presentation (issued 01/2014): WAO Proposals for Improvement*

1. Align and embed improvement planning with other strategic planning activity.
2. Ensure that business planning is embedded and is clearly linked to delivery of high level Outcomes and Improvement Objectives.
3. Develop performance measures that enable the Council to evaluate, monitor and report progress against outcomes and improvement objectives.
4. The Executive needs to strengthen how it challenges and holds both Officers and Executive Member to account.
5. Need to improve arrangements Re: external regulator recommendations and proposals for improvement.
6. Embed performance coaching at all levels in the Council and ensure it supports delivery of Outcomes and Improvement Objectives.
7. Address the areas for improvement identified from the learning process e.g. develop internal peer challenge approach, amend to the self evaluation template to capture information more robustly and begin cycle of self evaluation earlier.
8. Scrutiny committees should seek assurance that the information they are provided with is appropriate to effectively challenge e.g. accurate and timely.
9. Reporting to executive to be timely to enable assessment of performance to be made and reported.
10. Implement consistent arrangements to report regulator recommendations and proposals for improvement within both officer and member structures including Audit Committee.
11. Performance Report
  - Ensure that evaluations are balanced and fully explain performance information
  - Clearly present performance against the improvement objectives for the appropriate financial year
  - Use information from peer reviews, scrutiny assessments, benchmarking data and other more qualitative information such as customer satisfaction
  - Set out clearly the intended benefits and outcomes of these collaborations and partnerships.

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*WAO Improvement Assessment Letter 2 (issued 12/2013 - Ref: 605A2013): WAO Proposals for Improvement*

1. The Council should ensure it has robust information collection systems in place for performance measures that it will use to manage, assess and report progress against Improvement Objectives
2. If the Council produces a summary of its assessment of performance (stage 2), it should ensure that the summary presents a clear and balanced picture of performance in respect of the improvement objectives during relevant reporting period.

*Final Information Management Follow Up Feedback (Issued 12/2013 - Ref: 602A2013) (Original Report Issued 5/2012 - Ref: 537A2012): WAO Proposals for Improvement*

1. Develop an Information Strategy to ensure future information management plans accurately reflect the national and local context.
2. Develop a set of supporting policy and guidance documents to ensure governance arrangements, staff structures, and roles and responsibilities are clearly defined.
3. Develop and implement an Information Strategy delivery plan to drive information issues forward within the organisation.
4. Ensure the Senior Information Risk Officer (SIRO) is fully briefed on all aspects of information governance to provide corporate oversight of, and responsibility for information issues.
5. Establish a central register of all Information Sharing Protocols (ISPs), and develop a plan to mitigate all existing sharing protocols to the Wales Accord for the Sharing of Personal Information (WASPI) standard; once complete the Council must put processes in place to monitor compliance with this standard.
6. Pause and review the implementation of the Electronic Document and Records Management System (EDRMS) to assess progress and direction, in particular consider the Council's aims for EDRMS to ensure that the current approach will deliver these aims effectively.
7. Ensure that sufficient data is held outside the recommended nine-mile limit to enable a full restoration of service information in the event of a disaster.
8. Review and refresh the FOI content, including the Council's publication scheme that the Council makes available on its external website.

*WAO Annual Audit letter (Issued 10/2013 - Ref: 1031.mju.waggot): Statutory Recommendation under S25(2) of the Public Audit Act 2004*

1. The Council must act immediately to identify and approve the actions required to deliver a legal balanced budget for 2014/2015, and agree a sustainable Medium Term Financial Strategy that will enable the Council to live within its means. In drawing up robust plans for service transformation and change, and in taking properly informed judgements on the future design and delivery of its services, the Council must assess the impact that its decisions will have on the citizens of Blaenau Gwent

*WAO Improvement Assessment Letter (Issued 10/2013 - Ref: 452A2013): Statutory Recommendations for improvement under section 19 of the Local Government (Wales) Measure 2009*

1. Address weaknesses in financial planning by improving the quality of reports to members on budget savings proposals by clearly setting out:
  - The anticipated impact of decisions
  - The timescale for delivery
  - The amount of savings that will be achieved and by when
  - Who is accountable for delivering savings; and
  - How the delivery of savings will be monitored.



- 
2. Improve performance management by:
    - Strengthening corporate capacity to drive improvement;
    - Agreeing strategic responsibilities for performance management; and
    - Developing and introducing more joined-up, coherent and robust arrangements to manage, report, evaluate and improve performance.
  3. Ensure all services have effective arrangements to manage, report, evaluate and improve performance which are consistently reported against agreed minimum standards and are subject to robust scrutiny and challenge.
  4. Improvement planning - Undertake an Equality Impact Assessment in line with the Equality Act 2010 when revising the Forward Facing Plan on the Improvement Objectives and address the conclusions that arise from this exercise.
  5. Medium Term Financial Planning - Improve the quality of information used to identify the likely financial impact of increasing demand for services, changing demographics and an assessment of the Council's statutory and non-statutory service provision.
  6. Revise the Medium Term Financial strategy to include an action plan showing how the predicted deficits will be addressed and how service based pressures will be managed going forward.

*WAO Annual Improvement Report (Recommendation) (issued 01/2012 - Ref: 136A2012): WAO Proposals for Improvement*

1. Develop and agree an action plan which addresses the issues raised in the Corporate Assessment Report, issued November 2011, in consultation with key stakeholders including the Welsh Local Government Association (WLGA) and the Welsh Government.

*WAO Annual Improvement Report (Proposals) (issued 01/2012 - Ref: 136A2012): WAO Proposals for Improvement*

1. Apply the approach to setting Improvement Objectives focused on achieving improved outcomes for citizens to planning, delivering, monitoring and reporting the full range of the Council's functions and activities.
2. The Council should continue to address the proposals and actions for improvement identified in previous external audit and regulation reports.
3. Improve information on unit costs, activity costs, benchmarks and other financial performance measures to support informed financial decision making.
4. Continue to improve compliance with the Measure and accompanying guidance, strengthen self-assessment arrangements and improve performance reporting.

*Six Bells Renewal Area Project Management (Issued 07/2012 - Ref: 416A2012): WAO Proposals for Improvement*

1. Address weaknesses in the range and coverage of project reports through the inclusion of:
  - Across-year budget performance information that shows total project cost, sources of funding, commitments, unallocated monies and funding yet to be secured;
  - Project risks and mitigation activity to address these risks; and
  - An assessment of progress against the project action plan targets and actions including individual project milestones.

- 
2. Review the current range of project performance data and ensure a comprehensive range of appropriate outcome-focused performance measures are in place for major projects which will allow an assessment of impact and outcomes to be made.
  3. Regularly report performance on major projects to the Executive and Scrutiny on a quarterly cycle updating performance and progress on project action plans so as to strengthen accountability for the project.

*Human Resources (Issued 06/2012 - Ref: 366A2012): WAO Proposals for Improvement*

1. The Council needs to:
  - Determine and then work towards implementing a distinct HR vision;
  - Assess HR capacity issues as the Council's service delivery agenda changes;
  - Prioritise its HR agenda accordingly;
  - Complete implementation of Single status agreement, which is currently being concluded, and conclude future arrangements for transport allowances and discretionary redundancy provisions; and
  - Manage proactively the HR risks of merging services and working within service consortia.

*ICT (Issued 2011 - Ref: 402A2011): WAO Proposals for Improvement*

1. Finalise the ICT Strategy and establish arrangements to monitor and report on progress.
2. Ensure the ICT Governance group puts open and transparent decision-making and reporting processes in place.
3. Ensure that the Council has the capacity and skills to deliver and support transformation plans without impacting on the quality of the ICT service provided.
4. Review and collect information relating to the cost and risks of developing and supporting in-house solutions and evaluate this service in terms of cost-effectiveness and sustainability.
5. Fully exploit the investment in technology by ensuring that the functionality is fully utilised and ensure that the staff are adequately trained enabling them to effectively use technology e.g. enforce the use of central storage and electronic calendar.
6. The Council needs to review ICT funding arrangements treating desktop technology as a corporate commodity funded centrally linked to a refresh programme and medium-term financial plans to reduce the total cost of ownership and ensure that desktop technology is fit for purpose.
7. The Council needs to establish programme management arrangements to deliver its transformation programme and incorporate technology based projects into this framework.
8. The Council needs to routinely review performance information relating to the usage and understand the cost of transactions across the different access channels:
  - To establish a baseline;
  - Regularly monitor the usage and cost; and
  - Use this to inform its Customer Access Strategy, decision making and prioritisation,

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*WAO Annual Improvement Report 2011/2012 (Issued): WAO Proposals for Improvement*

1. Evaluate and report on the impact of reduced budgets on frontline services to identify and deal with risks that emerge from disinvestment decisions.

*WAO Annual Improvement Report 2011/2012 (Issued 01/2011 - No Ref): WAO Proposals for Improvement*

1. Publish its improvement objectives sooner in future years, according to the Assembly Government's requirements.
2. Set out how citizens will benefit from the improvements set out in its objectives, and ensure they are achievable in the context of reduced resources.
3. Develop success measures which are supported by information about how the Council performs now, what its targets are, an analysis of cost and how its performance compares with other councils.
4. Identify minimum service standards for all service areas against which performance can be monitored.
5. Apply the approach to setting improvement objectives focused on achieving improved outcomes for citizens to planning, delivering, monitoring and reporting the full range of the Council's functions and activities.

Details of progress against these proposals can be obtained from the Corporate Services and Strategy Directorate.



**Independent Auditor's Report to the Members of Blaenau Gwent County Borough Council**

I have audited the accounting statements and related notes of:

- Blaenau Gwent County Borough Council; and
- Blaenau Gwent County Borough Council Group

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

Blaenau Gwent 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.

Blaenau Gwent County Borough Council's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group 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 2013/2014 based on International Financial Reporting Standards (IFRSs).

**Respective Responsibilities of the Responsible Financial Officer and the Independent Auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18 the responsible financial officer is responsible for the preparation of the Statement of Accounts, including Blaenau Gwent County Borough Council's Group accounting statements, which gives a true and fair view.

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

**Scope of the Audit of the Accounting Statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Blaenau Gwent County Borough Council's and Blaenau Gwent County Borough Council Group's circumstances and have been consistently applied and adequately disclosed; and
- 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 and the Annual Governance Statement to identify material inconsistencies with the audited accounting statements and related notes to identify any information that is 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.

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### Opinion on the Accounting Statements of Blaenau Gwent County Borough Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Blaenau Gwent County Borough Council as at 31 March 2014 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 2013-2014.

### Opinion on the Accounting Statements of Blaenau Gwent County Borough Council Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Blaenau Gwent County Borough Council Group as at 31 March 2014 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 2013-2014.

### Opinion on Other Matters

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

### Matters on Which I Report by Exception

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

### Certificate of completion of audit

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



8 October 2014

Appointed Auditor

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

**Note:** The maintenance and integrity of the Authority's website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



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*...the Statement of Accounts comprise the financial statements and the notes to the accounts, including the summary of significant accounting policies...*



Cyngor Bwrdeisdref Sirol

**Blaenau Gwent**

County Borough Council





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## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The *(Surplus) or Deficit on the Provision of Services* line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This cost is different from the statutory amount required to be charged to the Council Fund and the Housing Revenue Account for Council Tax and dwellings rent setting purposes respectively. The *Net (Increase)/Decrease before Transfers to Earmarked Reserves* line shows the statutory Council Fund and Housing Revenue Account Balances before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Movement in Reserves Statement 2012/2013 Restated	Fund Balances		Earmarked Council Fund Reserves £000	Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note	Page
	Council Fund	Housing Revenue Account £000		Capital Receipts Reserve £000	Capital Grants Unapplied £000					
	£000	£000		£000	£000					
Balance at 31 March 2012	(2,259)	(4,209)	(21,437)	(11,146)	(7,364)	(46,415)	39,003	(7,412)		
(Surplus)/Deficit on the Provision of Services	(17,200)	6,877	0	0	0	(10,323)	0	(10,323)	CIES	43
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	22,763	22,763	8	69
Total Comprehensive Income and Expenditure	(17,200)	6,877	0	0	0	(10,323)	22,763	12,440	CIES	43
Adjustments between accounting basis & funding basis under regulations	19,448	(2,668)	0	568	6,106	23,454	(23,454)	0	9	72-74
Net (Increase)/Decrease before transfers to Earmarked Reserves	2,248	4,209	0	568	6,106	13,131	(691)	12,440		
Transfers to/from Earmarked Reserves	(6,357)	0	6,357	0	0	0	0	0	10	75
(Increase)/Decrease in 2012/2013	(4,109)	4,209	6,357	568	6,106	13,131	(691)	12,440		
Balance at 31 March 2013	(6,368)	0	(15,080)	(10,578)	(1,258)	(33,284)	38,312	5,028		

Movement in Reserves Statement 2013/2014	Fund Balances		Earmarked Council Fund Reserves £000	Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note	Page
	Council Fund	Housing Revenue Account		Capital Receipts Reserve	Capital Grants Unapplied					
	£000	£000		£000	£000					
Balance at 31 March 2013	(6,368)	0	(15,080)	(10,578)	(1,258)	(33,284)	38,312	5,028		
(Surplus)/Deficit on the Provision of Services	15,684	0	0	0	0	15,684	0	15,684	CIES	43
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(29,134)	(29,134)	8	69
Total Comprehensive Income and Expenditure	15,684	0	0	0	0	15,684	(29,134)	(13,450)	CIES	43
Adjustments between accounting basis & funding basis under regulations	(10,767)	0	0	128	107	(10,532)	10,532	0	9	69-71
Net (Increase)/Decrease before transfers to Earmarked Reserves	4,917	0	0	128	107	5,152	(18,602)	(13,450)		
Transfers to/from Earmarked Reserves	(4,338)	0	4,338	0	0	0	0	0	10	75
(Increase)/Decrease in 2013/2014	579	0	4,338	128	107	5,152	(18,602)	(13,450)		
Balance at 31 March 2014	(5,789)	0	(10,742)	(10,450)	(1,151)	(28,132)	19,710	(8,422)		

## 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. The Authority raises taxation to cover expenditure in accordance with regulations; this differs from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Comprehensive Income & Expenditure Statement	2013/2014			2012/2013 Restated			Note:	Page:
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
	£000	£000	£000	£000	£000	£000		
<b>Continuing Operations</b>								
Central Services	14,244	(3,643)	10,601	6,744	(3,942)	2,802	23	91
Cultural & Related Services	16,238	(3,810)	12,428	11,818	(3,725)	8,093	49	158
Environmental & Regulatory Services	14,740	(3,730)	11,010	14,758	(3,820)	10,938		
Planning Services	14,925	(4,167)	10,758	37,026	(4,030)	32,996		
Children's & Education Services	94,494	(14,755)	79,739	81,422	(16,365)	65,057		
Highways & Transport Services	9,501	(1,994)	7,507	9,328	(2,336)	6,992		
Housing Services	30,774	(28,903)	1,871	31,216	(36,213)	(4,997)		
Adult Social Care	38,358	(10,339)	28,019	38,178	(9,588)	28,590	17	84-85
Corporate & Democratic Core	4,641	(12)	4,629	4,115	(26)	4,089		
Non-Distributed Costs	2,323	0	2,323	1,611	0	1,611		
<b>Cost of Services (excluding transferred services)</b>	<b>240,238</b>	<b>(71,353)</b>	<b>168,885</b>	<b>236,216</b>	<b>(80,045)</b>	<b>156,171</b>		
<b>Transferred Services</b>								
Housing Revenue Account	0	0	0	6,911	(33)	6,878	15	83
<b>Sub Total: Transferred Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,911</b>	<b>(33)</b>	<b>6,878</b>		
<b>Total Deficit on Continuing Services</b>	<b>240,238</b>	<b>(71,353)</b>	<b>168,885</b>	<b>243,127</b>	<b>(80,078)</b>	<b>163,049</b>	<b>11</b>	<b>76-81</b>

Comprehensive Income & Expenditure Statement (Continued)	2013/2014			2012/2013 Restated			Note:	Page:
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
	£000	£000	£000	£000	£000	£000		
Total Deficit on Continuing Services	240,238	(71,353)	168,885	243,127	(80,078)	163,049		
Other Operating Income and Expenditure	8,891	(669)	8,222	8,073	(1,039)	7,034	12, 26	81, 94-95
Financing and Investment Income and Expenditure	22,572	(10,876)	11,696	22,617	(11,067)	11,550	13	82
Taxation and Non-Specific Grant Income	0	(173,119)	(173,119)	0	(191,956)	(191,956)	14, 27	82, 95
(Surplus)/Deficit on Provision of Services	271,701	(256,017)	15,684	273,817	(284,140)	(10,323)	MiRS, 11	40-41, 76-81
(Surplus)/Deficit Arising on the Revaluation of Non-Current Assets			2,976			(2,008)	8	69
Net Pensions Asset/Liability Remeasurement (Gains)/Losses			(32,110)			24,771	8, 43	69, 129
Other Comprehensive Income & Expenditure			(29,134)			22,763	8	69
Total Comprehensive Income & Expenditure			(13,450)			12,440		

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held, reported in two categories:

- Usable reserves are those reserves that the Authority may use to provide services, subject to any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt) and the need to maintain a prudent level of reserves.
- Unusable reserves are those that the Authority is not able to use to provide services. This category 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' (e.g. the Capital Adjustment Account, Pensions Reserve and Accumulated Absences Account).

Balance Sheet	31 March 2014		31 March 2013 (Restated)		01 April 2012 (Restated)		Note:	Page:
	£000	£000	£000	£000	£000	£000		
Property, Plant & Equipment	303,037		296,739		261,725		29	99-105
Heritage Assets	413		413		413		30	106-107
Intangible Assets	9		27		47			
Assets Held for Sale	0		195		330		34	112
Non-Current Investments	250		250		250		3, 32	65, 110
Non-Current Debtors	4,491		4,576		3,975		33	111
<b>Sub Total: Non-Current Assets</b>		<b>308,200</b>		<b>302,200</b>		<b>266,740</b>		
Current Investments	4		4		4		40	120
Inventories	1,799		2,026		1,680		35	113
Current Debtors	28,433		35,929		49,960		36	114-115
Cash and Cash Equivalents	2,264		1,808		6,348		47	153
<b>Sub Total: Current Assets</b>		<b>32,500</b>		<b>39,767</b>		<b>57,992</b>		

Balance Sheet (Continued)	31 March 2014		31 March 2013 (Restated)		01 April 2012 (Restated)		Note:	Page:
	£000	£000	£000	£000	£000	£000		
Current Borrowing	(33,094)		(33,272)		(45,197)		40, 41	120-125
Current Creditors	(15,537)		(17,683)		(18,875)		37	116
Current Provisions	(11,506)		(4,764)		(10,275)		38	117-118
<b>Sub Total: Current Liabilities</b>		<b>(60,137)</b>		<b>(55,719)</b>		<b>(74,347)</b>		
Non-Current Borrowing	(98,924)		(92,360)		(73,371)		40, 41	120-125
Non-Current Provisions	(477)		(1,006)		(834)		38	117-118
Other Non-Current Liabilities	(172,740)		(197,910)		(168,768)		3, 39	65, 119
<b>Sub Total: Non-Current Liabilities</b>		<b>(272,141)</b>		<b>(291,276)</b>		<b>(242,973)</b>		
<b>Total Net Assets</b>		<b>8,422</b>		<b>(5,028)</b>		<b>7,412</b>		
Usable Reserves	(28,132)		(33,284)		(46,415)		44	137-143
Unusable Reserves	19,710		38,312		39,003		44	144-149
<b>Total Reserves</b>		<b>(8,422)</b>		<b>5,028</b>		<b>(7,412)</b>		



## Cash Flow Statement

The Cash Flow Statement summarises the cash and cash equivalent transactions of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash inflows and (outflows) as operating, investing and financing activities.

- The amount of net cashflows 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.
- Investing activities represent cashflows relating to the acquisition, disposal and funding via capital grant of resources which are intended to contribute to the Authority's future service delivery, i.e. non-current assets.
- Cashflows arising from financing activities represent the extent to which borrowing and similar charges have increased/decreased during the year and are useful in predicting claims on future cash flows by providers of capital to the Authority.

Cash Flow Statement	2013/2014		2012/2013 Restated		Note:	Page:
	£000	£000	£000	£000		
Net (deficit) on the provision of services	(15,684)		10,323		CIES	43
Adjustments to the provision of services for non-cash movements	39,296		36,005		45.1	150
Adjustments for items included in the provision of services that are investing and financing activities	(26,715)		(60,380)		45.2	150
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>		(3,103)		(14,052)	46.1	151
Investing activities		(2,377)		2,884	46.2	152
Financing activities		5,936		6,628	46.3	152
Net increase or (decrease) in cash and cash equivalents		456		(4,540)		
Cash and cash equivalents at the beginning of the reporting period		1,808		6,348	47	153
Cash and cash equivalents at the end of the reporting period		2,264		1,808	47	153



## 1. Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/2014 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (Wales) Regulations 2005, as amended.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014 and the Service Reporting Code of Practice 2013/2014, supported by International Financial Reporting Standards (IFRS). Where there is no relevant IFRS or International Accounting Standard (IAS), reference is made to International Public Sector Accounting Standards (IPSASs); if there is no relevant IPSAS, domestic accounting standards (SSAPs and FRSS) are applied.

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.

### 1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings 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.

### 1.3 Acquisitions and Discontinued Operations

All operations were classified as continuing and there were no acquisitions or discontinuations of service (or transfers under machinery of government arrangements) during the financial year.

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#### 1.4 Back Pay Arising from Unequal Pay Claims

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred prior to the implementation of the Authority's equal pay strategy.

Provisions made in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended in 2014, give discretion to local authorities not to charge to revenue a provision for back pay arising from unequal pay claims until cash settlement takes place. The regulations currently apply to liabilities recognised before 1 April 2018 and have effect until 31 March 2023. The Authority has exercised its discretion in not charging equal pay claims to revenue accounts until the settlement has occurred. The provision for back pay is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the Council Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the Council Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

#### 1.5 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are held in call accounts 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.

#### 1.6 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 note 38.3, page 119 to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### 1.7 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 note 38.2, page 119 to the Accounts.

#### 1.8 Employee Benefits

##### 1.8.1 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, paid sick leave, bonuses and non-monetary benefits (e.g. cars) 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, e.g. time off in lieu) earned by employees but not taken before the year-end which can be carried 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 is expected to take the benefit. The accrual is charged to relevant service headings in the 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.

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## 1.8.2 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 relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. A provision has been established to charge services with termination (redundancy) costs known at the end of the financial year but not paid until the following year.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council 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.

## 1.8.3 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 Torfaen County Borough Council.

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

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

### *The Local Government Pension Scheme*

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

- The liabilities of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. 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, using a discount rate of 4.7% for duration profiles of over 25.5 years, 4.6% for duration profiles between 21 and 25.5 years, 4.5% for duration profiles between 18 and 21 years, 4.4% for duration profiles between 14.5 and 18 years and 4.3% for duration profiles up to 14.5 years. Discount rates have been derived for each duration profile at which payments may be due, based on AA-rated corporate bonds of currency and term appropriate to the currency and term of the Scheme's liabilities.
- The rate used to discount liabilities has also been used to determine the interest income on plan assets.
- The assets of Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.

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

#### *Service Costs*

- Current service cost - the increase in the present value of defined benefit obligations (liabilities) as a result of employee service in the current period. This also includes any interest attributable to current service costs - allocated in the CIES to the services for which the employees worked.
- Past service cost - the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs.
- Curtailments - the increase or decrease in liabilities arising from decisions made in the current year that significantly reduce the number of employees covered by the Scheme - debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- Gains or losses on settlements - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs.
- Net Interest on the net defined benefit liability - the net income or expenditure arising from the expected increase in the present value of liabilities during the year as they move one year closer to being paid, less interest income on Scheme assets - debited or credited to the Financing and Investment Income and Expenditure line in the CIES.
- Administration Costs - the costs of administering the portfolio of scheme assets - charged to Corporate Management (Corporate & Democratic Core) in the CIES.

#### *Remeasurements of the net defined benefit liability*

- Actuarial gains and losses - changes in the present value of the defined obligation resulting from changes in actuarial assumptions or the effects of differences between actuarial assumptions and actual events - debited or credited to the Remeasurement gains/losses line in the CIES.
- Return on plan assets, excluding amounts included in Net Interest on the net defined benefit liability - the sum of any interest, dividends and other income derived from plan assets, together with realised and unrealised gains or losses, less any costs of managing plan assets and tax payable by the plan. Interest on plan assets is determined by multiplying the fair value of plan assets by the rate used to discount liabilities - credited to the Remeasurement gains/losses line in the CIES.

#### *Other Items*

- Employer Contributions - 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 Council 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 Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **1.8.4 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.

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## 1.9 Events After the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the date of the Balance Sheet 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.

## 1.10 Exceptional Items

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

## 1.11 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, i.e. 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.

## 1.12 Financial Instruments

### *Valuation of Assets and Liabilities Carried at Amortised Cost*

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that will take place over the remaining terms of the instruments, using the following assumptions:

- The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender. This is the rate applicable in the market on the date of valuation (31 March 2014) for an instrument with the same duration, i.e. equal to the outstanding period from valuation date to maturity. For Public Works Loan Board (PWL) borrowing the new PWLB borrowing rate has been used.
- Interest is calculated using the most common market convention (actual number of days/365).
- For fixed term deposits it is assumed that interest is received on maturity.

Fair value disclosures have not been calculated for short term receivables (debtors) or short term payables (creditors) since the carrying amount is a reasonable approximation of fair value.

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### Premiums/Discounts

1. Where premiums/discounts arising before April 2006 could be attributed to the replacement debt, then they were amortised using an effective interest basis and were included as part of the replacement loan carrying amount as at 31 March 2007. The additional interest resulting from the effective interest method is charged to the Comprehensive Income & Expenditure Statement.
2. Where premiums/discounts arising before 1 April 2006 could not be attributed to identifiable loan debt on the closing 2006/2007 Balance Sheet, then they were derecognised by writing off the balance as at 31 March 2007 to the Council Fund/HRA balance and then reversing out through the Financial Instruments Adjustment Account. The premium/discount write down for future years is charged/(credited) to the Movement in Reserves Statement.
3. Where premiums/discounts have arisen after 1 April 2006, then the accounting treatment depends upon whether it can be classified as a modification or an extinguishment. In order to be classified as a modification, then the repayment and replacement must be on the same day and must meet the 10% test. If the modification test cannot be met then it is treated as an extinguishment. All post April 2006 premiums/discounts do not meet the modification test and therefore have been accounted for as extinguishments, with the accounting treatment being the same as for (2) above.

### Interest

The interest expense & income disclosed in the Comprehensive Income & Expenditure Statement is calculated as follows:

- PWLB debt - on a nominal basis, with the exception of loans where premiums/discounts are included as part of the carrying amount, where interest is calculated using an effective interest basis.
- LOBO debt - on an amortised cost basis using an effective interest basis.
- Market loans - on a nominal basis.
- Newport City Council Debt & Investment - on a nominal basis.
- Temporary Loans & Investments - on a nominal basis.

### 1.13 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 conditions attached to the payments have been complied with, and
- The grants or contributions have been, or will be, received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). 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 Council 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.

Where only restrictions exist in relation to grants and contributions (i.e. there is no term specifying repayment of the amount), the grant has been recognised immediately as income in the CIES. Subsequently, where appropriate, transfers have been made to the Revenue or Capital Grants Unapplied Reserves to earmark the sums involved until matched with the relevant expenditure.



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## 1.14 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 (e.g. 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.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 1.15 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using last known cost.

## 1.16 Leases

Leases held by the Authority are defined as being finance leases or operating leases in accordance with the requirements of the Code and IAS17.

A Finance Lease is a lease that transfers substantially all the risks and rewards incidental to ownership to the lessee. The Code does not provide definitive guidance as to the meaning of 'substantially all' and the Authority has therefore exercised judgement in determining the status of each lease according to context.

The following accounting treatment applies to each type of lease:

### *Finance Lease*

Where the Authority is lessee, the asset is recognised in the Authority's Balance Sheet, together with matching liabilities in respect of rentals. The asset is then accounted for in accordance with the capital accounting process:

- Depreciation is charged to the service revenue account over the useful life of the asset (or the lease term of the lease if shorter);
- The principal element of the lease rental writes down the liability;
- The interest element of the lease rental is charged to the revenue account;
- MRP equal to the principal element of the finance lease rental is charged to the revenue account; and
- Adjusting entries are made to ensure that the revenue accounts are only charged with the annual lease rentals.

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Where the Authority is lessor, the asset is not on the Authority's Balance Sheet, as substantially all the risks & rewards of ownership have been transferred to the third party. The accounting process is as follows:

- A long term lease debtor is set up for the principal amount outstanding (the net investment in the lease)
- Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, the Deferred Capital Receipts Reserve is credited with the total value of the lease asset due.
- Lease income received from the third party is split into principal and interest. The principal element is treated as a capital receipt and will write down the long term lease debtor.
- The interest element is credited to the Comprehensive Income & Expenditure Statement as financing and investment income.
- For leases entered into prior to 31 March 2010, the capital accounting regulations allow mitigating accounting entries that enable the principal element to continue to be treated as revenue income.

### *Operating Lease*

Where the Authority is lessee, operating lease payments are charged to revenue as they become payable. No asset is created in the Authority's Balance Sheet.

Where the Authority is lessor, the asset is recognised in the Authority's Balance Sheet, depreciation is charged to the service revenue account over the useful life of the asset and lease income received from the third party is credited to the revenue account.

### *Service Concessions and Arrangements Containing Leases*

The Authority currently has no such arrangements.

## **1.17 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 Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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 surplus 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.

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The following criteria have to be satisfied in order to classify an asset as held for sale:

- The asset must be available for immediate sale;
- The sale must be highly probable & there must be an active programme to locate a buyer;
- The asset must be marketed for sale at a price that is reasonable in relation to its fair value; and
- The sale should be anticipated to be completed within one year from the date of classification.

All Assets Held for Sale are included in the Balance Sheet as Non-Current Assets.

#### 1.18 Surplus Fixed Assets Under PPE

Assets that have been declared surplus that do not meet the criteria above are reclassified as surplus assets under PPE and valued at fair value at the point they are declared surplus. This will be its existing use value (or depreciated replacement cost for specialist assets). Where an asset is being held for disposal or in the absence of any decision as to the future use of the asset, then the assets fair value is assessed on the basis of its last use in providing services.

#### 1.19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/2014 (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 multifunctional, 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.

The total actual costs of central departments are recharged as central support charges to services on the basis of estimated staff time. Office accommodation charges are pooled and allocated on the basis of floor area. I.T. recharges are made on the basis of hardware and software usage.

#### 1.20 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.

##### 1.20.1 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Only expenditure in excess of £50,000 has been capitalised, with amounts below this threshold being charged directly to revenue. The exception to this are highways assets that individually fall below this de-minimus level but are capitalised because they are treated as one single item of expenditure in the year.

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## 1.20.2 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; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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 (i.e. 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.

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

- Infrastructure assets - depreciated historical cost. Not all roads and infrastructure assets are included in the Balance Sheet as the asset valuation reflects historic expenditure incurred on such assets from a point in time. Any roads provided by private developers that are adopted by the Authority are not individually recognised on the Balance Sheet and are effectively recorded at nil value;
- Community assets and assets under construction - depreciated historical cost;
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH); and
- 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 have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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; as a minimum, all assets are revalued 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, the accounting treatment is:

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

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

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### 1.20.3 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:

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

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.

### 1.20.4 Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- 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.

### 1.20.5 Disposals

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 any) are credited to the same line in the Comprehensive Income and Expenditure Statement (i.e. 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. These are 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the Council 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

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### 1.20.6 Componentisation

The following policy has been adopted for the componentisation of assets and applied to assets as acquired, enhanced and revalued:

- A material component is defined as one that has a gross replacement cost in excess of 25% or the total gross replacement cost for the asset;
- Where material components have been identified the current carrying amount of that component is reflected as a separate asset and depreciated over the life of that component.

All assets incurring significant expenditure in 2013/2014 have been considered for componentisation. This has resulted in four assets within the Education & Leisure Portfolio being revalued and assessed for material components. Assets componentised in previous years continue to be componentised.

Future componentisation will be carried out in 2015/2016, or sooner if assets are acquired or enhanced.

### 1.21 Heritage Assets

Tangible heritage assets are defined as having historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Intangible heritage assets are defined as having cultural, environmental, or historical significance.

The Authority has identified two monuments meeting the definition of heritage assets and has reclassified these from Community Assets. The assets have been revalued using insurance replacement cost and these valuations will be updated annually. Where significant physical deterioration or damage has occurred to the assets, this will be recognised as an impairment charge. The useful lives of these assets have been assessed as 'indefinite' and therefore no depreciation is charged.

The acquisition of heritage assets is a rare occurrence; in the event a new asset is acquired or identified it will be valued using an appropriate basis (where the expected value is estimated to be significant). Given the nature of heritage assets identified for inclusion in the accounts, disposal is also a rare occurrence. On disposal, proceeds would be accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts as outlined in section 1.20.

The Authority has an Heritage Section, within the Education and Leisure Department which aims to protect and promote the area's unique heritage, archaeology and museums, including those assets identified as heritage assets for the purposes of the Statement of Accounts. The Heritage Section maintains an Heritage Assets Register which details qualifying assets within the boundaries of the County Borough.

Both monuments identified as heritage assets are located in areas with free and open public access.

### 1.22 Minimum Revenue Provision

Local Authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This is referred to as Minimum Revenue Provision (MRP).

The Welsh Government issued regulations for the making of MRP with effect from the 2008/2009 financial year, requiring Local Authorities to make a prudent provision for MRP. Four calculation options are available:

1. Regulatory Method
2. Capital Financing Requirement Method
3. Asset Life Method
4. Depreciation Method

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The MRP for 2013/2014 has been calculated in accordance with the Authority's 2013/2014 MRP statement which was approved by full Council in March 2013, utilising the following options:

- Option 1 (Regulatory Method) is used in relation to supported borrowing. (Option 1 states that for capital expenditure financed from supported borrowing, MRP can be determined in accordance with the old regulations i.e. writing off debt over 25 years). This is consistent with the methodology adopted for Housing Revenue Account debt and ensures that the Authority will not be left in a future position where it is making debt repayments that are receiving no revenue support from central government.
- Option 3 (Asset Life Method) is used in relation to unsupported borrowing. (Option 3 states that for capital expenditure financed from unsupported borrowing, MRP is made in equal instalments over the life of the asset). Prudential borrowing financing can be applied to assets according to their lives in order to achieve the most cost effective MRP charge.
- For finance leases, Option 3 (Asset Life Method) applies in a modified form, to ensure that the MRP for finance leases is equal to the rental payable each year. This will result in a higher MRP than under previous regulations, as typically finance leases are undertaken for a period of significantly less than 25 years (i.e. the previous 4% charge).

### 1.23 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 (e.g. 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.

### 1.24 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 Council 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 Council 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.

### 1.25 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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 Council 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.

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## 1.26 Value Added Tax

In the absence of specific IFRS or IPSAS provisions relating to Value Added Tax (VAT), the Authority accounts for VAT in accordance with SSAP 5 *Accounting for Value Added Tax*.

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

## 1.27 Tax Income (Council Tax and National Non Domestic Rates (NNDR))

The Authority follows the principles in IPSAS 23 *Revenue from Non-Exchange transactions (Taxes and Transfers)* in respect of accounting for tax income collected, except where interpretations or adaptations to fit the public sector are detailed in the Code.

### *Council Tax*

The Authority collects and distributes Council Tax on behalf of Gwent Police and four town or community councils. The precept for each of these bodies is paid in full during the financial year and is not affected by the level of Council Tax actually collected. As payment is made in full, there are no debtor or creditor balances recognised for precepting bodies on the Balance Sheet.

The Comprehensive Income & Expenditure Statement recognises the amount due to the Authority for the year. Any surplus or deficit arising on collection is also included in Taxation and Non-Specific Grant Income.

### *National Non-Domestic Rates (NNDR)*

The Authority collects National Non-Domestic Rates (NNDR) under an agency arrangement with the Welsh Government. Cash collected from non-domestic ratepayers is not the income of the Authority and is therefore not included in its Accounting Statements. Debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not the assets and liabilities of the Authority and are therefore not recognised in the Balance Sheet.

A debtor or creditor is included for cash collected on an agency basis that has been under or overpaid to the Welsh Government at the Balance Sheet date. The Comprehensive Income and Expenditure Statement includes the Authority's contribution due from the NNDR Pool, the cost of collection allowance for the year and accrued amounts billed in pursuit of unpaid NNDR debts.

## 1.28 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers 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 venturers, with the assets being used to obtain benefits for the venturers. 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.

## 1.29 Accounting for Maintained Schools

There are currently 5 voluntary controlled schools (St Marys Church in Wales Primary, All Saints Roman Catholic, St Mary Roman Catholic, St Josephs Roman Catholic and Brynmawr Comprehensive) within the boundary of the Local Authority. The Authority does not own these assets and does not have access to them for valuation purposes and therefore has not included them in the Balance Sheet and associated disclosures. For those maintained schools not controlled by the Authority, any transactions made on their behalf have been included in the Comprehensive Income & Expenditure Statement and related notes under the appropriate Service Code of Practice standard subjective grouping, or exceptionally as third party payments.



### 1.30 Group Accounts

In addition to the preparation of single entity financial statements, the Authority is required to prepare Group Accounts where it has interests in subsidiaries, associates and/or joint ventures (jointly controlled entities), unless those interests are considered not material.

The group boundary has been determined as including the Authority and Silent Valley Waste Services Ltd., a wholly owned subsidiary over which it has control through the appointment of the majority of the company's board of directors.

The Authority's interest in the Education Achievement Service for South-East Wales has not been consolidated in the Group Accounts as the transactions and balances of this joint entity are not considered material.

### 2. Impact of changes in Accounting Policies

The Accounting Statements and associated disclosures have been restated for the impact in 2012/2013 arising from the implementation of changes to IAS19 *Employee Benefits*. Restated figures have been provided by the fund actuary and impact on the Local Government Pension Scheme (discretionary Teachers unfunded pensions have not been affected). There has been no change to pension asset or liability balances as a result of the restatement of transactions in 2012/2013, and there has also been no bottom-line impact on the Comprehensive Income & Expenditure Statement or Movement in Reserves Statement. The following table summarises the transactions that have been adjusted, and the reason for the adjustment:

Prior Year Adjustments - IAS19	Adjustment to CIES £000	Description
Current Service Cost	194	Current Service Costs have been increased by related interest costs, previously included in 'Interest on Pension Liabilities'.
Interest on Plan Assets	2,339	The calculation of Interest on Plan Assets has been amended due to the requirement to utilise the same discount rate specified to calculate interest on pension liabilities. Consequently, calculated interest has reduced by £2.339m.
Interest on Pension Liabilities	(194)	Interest on Pension Liabilities have been reduced by related interest costs, now recorded as part of 'Current Service Cost'.
Administration Expenses	186	Administration expenses are now recognised as a separate item within pension cost. Investment expenses are treated as a loss on assets (as a reduction in investment return). Due to the immaterial nature of the sum involved, this amount has been included as a Corporate Management cost, within Corporate and Democratic Core.
Remeasurement of Plan Assets	(2,525)	As a result of the above changes to the calculation of pension assets and liabilities, the plan assets have been remeasured. This effectively compensates for the adjustments made and ensures that asset/liability balances are unaffected, and that there is no net impact on Total Comprehensive Income & Expenditure reported in the CIES.

The impact of restating IAS19 transactions in the Movement in Reserve Statement is as follows:

Movement in Reserves Statement:	Fund Balances		Earmarked Council Fund Reserves	Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Council Fund	Housing Revenue Account		Capital Receipts Reserve	Capital Grants Unapplied			
2012/2013 Restatement	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	(2,259)	(4,209)	(21,437)	(11,146)	(7,364)	(46,415)	39,003	(7,412)
(Surplus)/Deficit on the Provision of Services	(19,725)	6,877	0	0	0	(12,848)	0	(12,848)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	25,288	25,288
Restatement of Other Comprehensive Income and Expenditure (IAS19)	2,525	0	0	0	0	2,525	(2,525)	0
Total Comprehensive Income and Expenditure (Restated)	(17,200)	6,877	0	0	0	(10,323)	22,763	12,440
Adjustments between accounting basis & funding basis under regulations	21,973	(2,668)	0	568	6,106	25,979	(25,979)	0
Restatement of Adjustments between accounting basis & funding basis under regulations (IAS19)	(2,525)	0	0	0	0	(2,525)	2,525	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	2,248	4,209	0	568	6,106	13,131	(691)	12,440
Transfers to/from Earmarked Reserves	(6,357)	0	6,357	0	0	0	0	0
Transfers to/from Council Fund	0	0	0	0	0	0	0	0
(Increase)/Decrease in 2012/2013	(4,109)	4,209	6,357	568	6,106	13,131	(691)	12,440
Balance at 31 March 2013	(6,368)	0	(15,080)	(10,578)	(1,258)	(33,284)	38,312	5,028

The impact of restating IAS19 transactions in the Comprehensive Income & Expenditure Statement is as follows:

Comprehensive Income & Expenditure Statement: 2012/2013 Restatement	2012/2013	IAS19 Restatement				Restated
	Net Expenditure	Current Service Cost	Administration Expenses	Net Interest Cost	Remeasurement Assets/Liabilities	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Continuing Operations</b>						
Central Services	2,733	69	0	0	0	2,802
Cultural & Related Services	8,078	15	0	0	0	8,093
Environmental & Regulatory Services	10,929	9	0	0	0	10,938
Planning Services	32,993	3	0	0	0	32,996
Children's & Education Services	64,996	61	0	0	0	65,057
Highways & Transport Services	6,989	3	0	0	0	6,992
Housing Services	(4,998)	1	0	0	0	(4,997)
Adult Social Care	28,559	31	0	0	0	28,590
Corporate & Democratic Core	3,901	2	186	0	0	4,089
Non-Distributed Costs	1,611	0	0	0	0	1,611
<b>Cost of Services (excluding transferred services)</b>	<b>155,791</b>	<b>194</b>	<b>186</b>	<b>0</b>	<b>0</b>	<b>156,171</b>
<b>Transferred Services</b>						
Housing Revenue Account	6,878	0	0	0	0	6,878
<b>Sub Total: Transferred Services</b>	<b>6,878</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,878</b>
<b>Total Deficit on Continuing Services</b>	<b>162,669</b>	<b>194</b>	<b>186</b>	<b>0</b>	<b>0</b>	<b>163,049</b>

Comprehensive Income & Expenditure Statement: 2012/2013 Restatement (Continued)	2012/2013	IAS19 Restatement				Restated
	Net	Current	Administration	Net	Remeasurement	Net
	Expenditure	Service Cost	Expenses	Interest Cost	Assets/Liabilities	Expenditure
	£000	£000	£000	£000	£000	£000
Total Deficit on Continuing Services	162,669	194	186	0	0	163,049
Other Operating Income and Expenditure	7,034	0	0	0	0	7,034
Financing and Investment Income and Expenditure	9,405	0	0	2,145	0	11,550
Taxation and Non-Specific Grant Income	(191,956)	0	0	0	0	(191,956)
(Surplus)/Deficit on Provision of Services	(12,848)	194	186	2,145	0	(10,323)
(Surplus) Arising on the Revaluation of Non-Current Assets	(2,008)	0	0	0	0	(2,008)
Remeasurements of the net pensions liability	27,296	0	0	0	(2,525)	24,771
Other Comprehensive Income & Expenditure	25,288	0	0	0	(2,525)	22,763
Total Comprehensive Income & Expenditure	12,440	194	186	2,145	(2,525)	12,440

The impact of restating IAS19 transactions in the Cash Flow Statement is as follows:

Cash Flow Statement:		IAS19	Restated
2012/2013 Restatement	2012/2013	Restatement	2012/2013
	£000	£000	£000
Net (deficit) on the provision of services	12,848	(2,525)	10,323
Adjustments to the provision of services for non-cash movements	33,480	2,525	36,005
Adjustments for items included in the provision of services that are investing and financing activities	(60,380)	0	(60,380)
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	<b>(14,052)</b>	<b>0</b>	<b>(14,052)</b>
Investing activities	2,884	0	2,884
Financing activities	6,628	0	6,628
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(4,540)</b>	<b>0</b>	<b>(4,540)</b>
Cash and cash equivalents at the beginning of the reporting period	6,348	0	6,348
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,808</b>	<b>0</b>	<b>1,808</b>

### 3. Impact of Correction of Prior Period Errors

Previous accounting practice has been to disclose the Pension Scheme Assets and Liabilities separately on the face of the Balance Sheet. This has been corrected in 2013/2014 to disclose the Net Pension Scheme Liabilities, as required by IAS19 and the Accounting Code of Practice. The impact of this change has been a reduction in Non-Current Investments and a corresponding reduction in Non-Current Liabilities. Bottom-line figures for Total Net Assets and Total Reserves have not been adjusted as a result of this correction.

The following adjustments have been made to the opening and closing balance sheets for 2012/2013:

Balance Sheet: Non-Current Assets	31 March 2013 £000	01 April 2012 £000	Balance Sheet: Non-Current Liabilities	31 March 2013 £000	01 April 2012 £000
Non-Current Assets, as previously disclosed	252,816	217,494	Non-Current Liabilities, as previously disclosed	(450,476)	(386,012)
Correction	(252,566)	(217,244)	Correction	252,566	217,244
Restated Non-Current Assets	250	250	Restated Non-Current Liabilities	(197,910)	(168,768)

#### 4. Accounting Standards Issued but not yet Adopted

The 2014/2015 Accounting Code of Practice includes the following new or revised accounting standards. These have effect from 1 April 2014 and will be adopted, where required, by this Authority when preparing the 2014/2015 Statement of Accounts.

Accounting Standard	Requirement and Potential Impact
IFRS10 <i>Consolidated Financial Statements</i>	<p>The definition of 'Control' has been amended, which determines whether subsidiaries should be consolidated and Group Accounts prepared. The 2014/2015 Code also requires the preparation of Group Accounts where the Authority has investments in associates and/or joint ventures, but no interest in subsidiaries.</p> <p>Group Accounts are already prepared, consolidating the accounts of the Authority's wholly-owned subsidiary. At this stage, the Authority has no material associate or joint venture undertakings. Implementation of IFRS10 should therefore have no impact.</p>
IFRS11 <i>Joint Arrangements</i>	<p>Joint arrangements are classified as either joint operations or joint ventures, distinguished by the level of rights and obligations the controlling parties have to the assets and liabilities of the arrangement. Joint ventures have to be consolidated on an equity basis.</p> <p>The Authority is a controlling party in a number of joint arrangements, none of which is currently considered material. Each arrangement will need to be classified as a joint operation or joint venture and assessed for materiality. The Education Achievement Service (the largest of the arrangements and currently classed as a joint entity) may need to be consolidated in Group Accounts, with appropriate restatement of the 2013/2014 Group Statements.</p>
IFRS12 <i>Disclosure of Interests in Other Entities</i>	<p>Disclosure of significant judgements and assumptions made in determining the nature of interests in other entities or arrangements. Significant additional information must be disclosed about interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.</p> <p>The Authority presently makes significant disclosures concerning its subsidiary undertaking (Silent Valley Waste Services Ltd.). Additional disclosure will be required for all other joint arrangements.</p>
IAS27 <i>Separate Financial Statements (as amended 2011)</i>	<p>Amended due to the implementation of new standards (IFRS10, IFRS11 and IFRS12).</p> <p>No impact on the Authority's Accounts beyond the changes implemented by IFRS10, IFRS11 and IFRS12 (above).</p>
	(Continued)

Accounting Standard	Requirement and Potential Impact
IAS28 <i>Investments in Associates and Joint Ventures (as amended 2011)</i>	Amended due to the implementation of new standards (IFRS10, IFRS11 and IFRS12).  No impact on the Authority's Accounts beyond the changes implemented by IFRS10, IFRS11 and IFRS12 (above).
IAS32 <i>Financial Instruments: Presentation</i>	Financial assets and financial liabilities shall be offset and the net amount presented in the Balance Sheet only when the Authority has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.  This amendment will have no impact on the 2013/2014 accounts as the Authority has no offsetting arrangements.
IAS 1 <i>Presentation of Financial Statements</i>	Inclusion of all Statements that are relevant to the Authority; inclusion of comparative information for the preceding period (except where permitted otherwise); and inclusion of comparative Balance Sheet at the beginning of the preceding period if a retrospective adjustment is made to the Accounts.  The Authority currently provides all relevant Statements and comparative information. Where required, Balance Sheets at the beginning of the preceding period are also included. Therefore the impact of this amendment to IAS 1 will be minimal.

## 5. Critical Judgements in Applying Accounting Policies

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

- i. These accounts have been prepared on a going concern basis, which assumes that the functions and services provided by the Authority will continue in operational existence for the foreseeable future, although there will be significant financial challenges to be met (see also notes 7.2 and 12.1 to the Explanatory Foreword, pages 9-11 and 15).
- ii. The Welsh Government has provided Aggregate External Finance (AEF) figures for 2013/2014 to 2014/2015 and indicative figures for 2015/2016. This has provided a degree of certainty and will enable forward planning.
- iii. The Authority has reviewed all property assets in accordance with the relevant accounting policies and has made appropriate reclassifications for assets that are held for sale.
- iv. The Authority has determined that assets used for economic development purposes, e.g. industrial estates, are not held solely for the purpose of income generation or capital appreciation and therefore do not meet the definition of investment properties. These assets have been treated as Property, Plant and Equipment in the Balance Sheet.
- v. The Authority has classified its leases as finance or operating in accordance with IFRS. The definition of finance leases is not definitive and therefore an element of judgement has been required in assessing each lease arrangement. The impact of this assessment process has been that some leases previously treated as operating leases have been reclassified as finance leases and some leases previously treated as finance leases have been reclassified as operating leases.
- vi. Capital and revenue grants and contributions continue to be reviewed to determine the existence of any conditions requiring repayment of sums involved to the awarding body, and the extent to which any conditions have been fulfilled. There has been a consequential impact on sums retained on the Balance Sheet and credited to the Comprehensive Income and Expenditure Statement.
- vii. Where disclosure notes required by the Accounting Code are insignificant or immaterial in value and their omission has been determined not to have a detrimental impact on the presentation of the financial position or performance of the Authority, these disclosures have not been presented.

## 6. 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 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Local Government Scheme 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 is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The fund actuary has advised that a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £7.600m, with a corresponding reduction in current service costs of £0.281m (see page 135 for further sensitivity analysis). However, the assumptions interact in complex ways. During 2013/2014, the Authority's actuaries advised that the net pensions liability had increased by £35.316m as a result of remeasurements of pension assets and liabilities. This increase comprised a £11.027m gain on assets (representing the difference between actual and expected asset return for the year) and a £24.289m gain on liabilities (being the difference in liability valuations arising from experience changes and changes in financial and demographic assumptions applied at the beginning and end of the financial year (see pages 130-131)).

## 7. Events After the Reporting Period

The Statement of Accounts was authorised for issue by Mr. D. McAuliffe BSc., CPFA, Chief Finance Officer, on 8 October 2014.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 30 September 2014, the Council agreed to the transfer of leisure, cultural and community education services to the Life Leisure Trust, with effect from 1 October 2014. This is a non-adjusting event, the estimated financial implications of which are as follows:

- In 2013/2014, the net expenditure relating to those services that have been transferred amounted to £4.483m. Transferred services will be delivered on behalf of the Council for a negotiated management fee.
- Council facilities will be utilised to provide services, with these assets being leased to the Trust for a 20 year period but remaining under Council ownership.
- The authority has agreed to act as guarantor in order that the Trust can enter the Greater Gwent (Torfaen) Pension Fund as an admitted body. In the event that the Trust defaults on any or all of its payments in relation to its pension obligations, the Authority has agreed to act as guarantor. On transfer, the Actuary estimated these liabilities to be £1.370m. There is an expectation that after an initial 3 year period, the Life Leisure Trust will source a bond in order to mitigate its liabilities.
- The Pension Fund Actuary has assessed past service pension liabilities related to staff transferring to the Trust as being £14.3m. These liabilities have been retained by the Authority and will be settled as part of the employer pension contributions made to the Fund in future years.



*Movements in Reserves Notes*

**8. Other Comprehensive Income and Expenditure**

The following unrealised gains or losses and pension remeasurement gains or losses arose during the year:

	2013/2014	2012/2013
	£000	(Restated) £000
Other Comprehensive Income and Expenditure		
(Surplus)/Deficit arising on the revaluation of non-current assets	2,976	(2,008)
Surplus on revaluation of available for sale financial assets	0	0
Net Pensions Asset/Liability Remeasurement (Gains)/Losses	(32,110)	24,771
Other Comprehensive Income and Expenditure	(29,134)	22,763

**9. 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. These adjustments include transactions relating to depreciation and impairment, pensions provision, employee accruals, unequal pay and capital grants. The following transactions were made in 2013/2014:

Adjustments between Accounting Basis and Funding Basis under Regulations 2013/2014	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Transactions between Funds & Usable Reserves:					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,380	0	0	(2,380)	0
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income & Expenditure Statement	669	0	(669)	0	0
Contribution from the Capital Receipts Reserve towards funding of prudential borrowing schemes	(44)	0	44	0	0

Adjustments between Accounting Basis and Funding Basis under Regulations 2013/2014	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Transactions involving Unusable Reserves:					
Adjustments to/from Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation & impairment of non-current assets	(15,509)	0	0	0	15,509
Revaluation losses on Property, Plant & Equipment	(16,270)	0	0	0	16,270
Amortisation of intangible assets	(18)	0	0	0	18
Capital grants & contributions applied	24,361	0	0	0	(24,361)
Revenue expenditure funded from capital under statute	(3,569)	0	0	0	3,569
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income & Expenditure Statement	(1,215)	0	0	0	1,215
Items not debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment	4,783	0	0	0	(4,783)
Capital expenditure charged against the Council Fund	541	0	0	0	(541)
Items involving Usable Capital Reserves:					
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	2,487	(2,487)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	806	0	(806)

Note: Additional transactions occur between the Capital Adjustment Account and the Revaluation Reserve. These are detailed in note 44.2 on pages 144-146.

Adjustments between Accounting Basis and Funding Basis under Regulations 2013/2014	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to/from the Deferred Capital Receipts Reserve:</b>					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(53)	0	53
Deferred Capital Receipts on Inception or Lessor Arrangement	0	0	0	0	0
<b>Adjustments to/from the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	46	0	0	0	(46)
<b>Adjustments to/from the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(20,131)	0	0	0	20,131
Employer's pensions contributions and direct payments to pensioners payable in the year	13,247	0	0	0	(13,247)
<b>Adjustment to/from the Unequal Pay Back Pay Adjustment Account:</b>					
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	347	0	0	0	(347)
<b>Adjustment to/from the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(385)	0	0	0	385
<b>Total Adjustments between Accounting Basis and Funding Basis under Regulations</b>	<b>(10,767)</b>	<b>0</b>	<b>128</b>	<b>107</b>	<b>10,532</b>

The following transactions adjusting between accounting basis and funding basis were made in 2012/2013:

Adjustments between Accounting Basis and Funding Basis under Regulations 2012/2013	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Transactions between Funds & Usable Reserves:					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(1,689)	0	0	1,689	0
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income & Expenditure Statement	410	0	(410)	0	0
Contribution from the Capital Receipts Reserve towards funding of prudential borrowing schemes	(30)	0	30	0	0
Transfer of Capital Receipts from HRA using Item 10 Direction	2,668	(2,668)	0	0	0

Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2012/2013	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Transactions Involving Unusable Reserves:</b>					
<b>Adjustments to/from the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation & impairment of non-current assets	(9,662)	0	0	0	9,662
Revaluation losses on Property Plant & Equipment	(28,509)	0	0	0	28,509
Amortisation of intangible assets	(20)	0	0	0	20
Capital grants & contributions applied	57,901	0	0	0	(57,901)
Revenue expenditure funded from capital under statute	(5,230)	0	0	0	5,230
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(473)	0	0	0	473
<b>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	4,589	0	0	0	(4,589)
Capital expenditure charged against the Council Fund & HRA balances	621	0	0	0	(621)
<b>Items involving Usable Capital Reserves:</b>					
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	4,417	(4,417)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	989	0	(989)

Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2012/2013 Restated	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to/from the Deferred Capital Receipts Reserve:</b>					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(41)	0	41
Deferred Capital Receipts on Inception or Lessor Arrangement	629	0	0	0	(629)
<b>Adjustment to/from the Financial Instruments Adjustment Account:</b>					
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	46	0	0	0	(46)
<b>Adjustments to/from the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(17,704)	0	0	0	17,704
Employer's pensions contributions and direct payments to pensioners payable in the year	13,493	0	0	0	(13,493)
<b>Adjustment to/from the Unequal Pay Back Pay Adjustment Account:</b>					
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	1,802	0	0	0	(1,802)
<b>Adjustment to/from the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	606	0	0	0	(606)
<b>Total Adjustments between Accounting Basis and Funding Basis under Regulations</b>	<b>19,448</b>	<b>(2,668)</b>	<b>568</b>	<b>6,106</b>	<b>(23,454)</b>

## 10. Transfers to/from Earmarked Reserves

The following transactions with earmarked reserves took place in the financial year, representing amounts set aside from the Council Fund to provide financing for future expenditure plans and amounts posted back to meet expenditure incurred during the year.

Usable Reserves	1 April 2012	Transfers In 2012/2013	Transfers Out 2012/2013	Restated 31 March 2013	Transfers In 2013/2014	Transfers Out 2013/2014	31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Budget Contingency Fund	(803)	(707)	627	(883)	(875)	891	(867)
Downsizing, Redundancy & Transitional Costs	(303)	(679)	633	(349)	(2,204)	1,769	(784)
Insurance Liabilities	(2,848)	(1,346)	2,516	(1,678)	(1,585)	1,764	(1,499)
Invest to Save Fund	(742)	(500)	257	(985)	0	985	0
Job Evaluation / Pay Remodelling (Non Schools Staff)	(5,873)	0	4,031	(1,842)	0	1,342	(500)
Job Evaluation / Pay Remodelling (Schools Staff)	(1,048)	0	761	(287)	0	287	0
LMS Balances	(1,227)	(2,914)	2,634	(1,507)	(1,431)	1,492	(1,446)
Portfolio Reserves	(848)	(429)	746	(531)	(54)	585	0
Revenue Grants & Contributions Unapplied	(754)	(395)	243	(906)	(651)	192	(1,365)
Superannuation	(1,694)	0	236	(1,458)	0	750	(708)
Other Usable Revenue Reserves	(3,955)	(1,353)	2,178	(3,130)	(542)	1,030	(2,642)
<b>Sub-Total (Revenue Reserves):</b>	<b>(20,095)</b>	<b>(8,323)</b>	<b>14,862</b>	<b>(13,556)</b>	<b>(7,342)</b>	<b>11,087</b>	<b>(9,811)</b>
Earmarked for Capital Purposes	(1,342)	(205)	23	(1,524)	(49)	642	(931)
<b>Total:</b>	<b>(21,437)</b>	<b>(8,528)</b>	<b>14,885</b>	<b>(15,080)</b>	<b>(7,391)</b>	<b>11,729</b>	<b>(10,742)</b>

11. Segmental Reporting Analysis (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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

	Reported to Management	Statement of Accounts
Capital Charges	Capital charges reported to management are estimates, as calculated prior to the commencement of the financial year during the budget-setting process.	Actual charges.
Equal Pay and Job Evaluation	No estimates or actual costs are included in reports to Management.	Accrued amounts for settlement of equal pay claims are included. Provision is made for settlement of job evaluation compensation and back pay amounts that can properly be charged to the year of account.
IAS 19: Employee Benefits	For grant-funded expenditure, current service pension costs in the management reports is not on the basis of actuarially calculated liabilities, as required by IAS19, but on the basis of full cash cost.  Accruals for short term compensated absences are not included.	Current service costs are recorded against services at the actuarially calculated liability rate, as required by IAS19.  Accruals for short term compensated absences are included.
Past Service and Curtailment Costs	Service budgets report past service and curtailment costs against individual budgets.	In-year liabilities arising from past service or curtailments are included in Non-Distributed Costs; actual payments are charged to the council-tax payer by an adjustment to pensions reserves in the MiRS.



	Reported to Management	Statement of Accounts
Appropriations to/from Reserves	Transfers to or from Earmarked Reserves are included in the amounts reported to management as a cost of service.	Transfers to or from Earmarked Reserves are recorded on the appropriate line in the MiRS and are not included in the Net Cost of Services.
Revenue Contributions to Capital Expenditure	Reports to management include appropriations made to fund capital expenditure by revenue budgets.	Revenue contributions to capital expenditure are recorded as an adjustment under regulations in the MiRS.
Council Tax Surplus on Collections	Management Reports include the surplus on council tax collection as a credit against a service budget heading in the Resources Portfolio.	Surplus on council tax collection is included in taxation and non-specific grant income in the CIES.
Leasing Charges	The management reports include committed sums in respect of leasing charges.	Leasing charges are reversed out of service accounts and replaced with capital charges.
Provisions	Amounts are included for early termination redundancy costs on a case by case basis.	Those early termination redundancy costs that meet the definition of a provision are charged in full to the accounts.
Impairment of Debtors	No charge is reported for the impairment of sundry debtor accounts raised.	Service revenue accounts are charged with an impairment for sundry debtor accounts outstanding at year-end, based on the age of the debt.

The income and expenditure of the Authority's principal Portfolios recorded in the budget reports for the year is as follows:

Principal Portfolio Income & Expenditure 2013/2014	Skills & Work Preparation £000	Social Services £000	Waste Management & the Environment £000	Total £000
Fees, Charges & Other Service Income	(49,450)	(11,400)	(12,726)	(73,576)
Interest & Investment Income	0	0	0	0
Government Grants	(5,203)	(6,697)	(28,918)	(40,818)
<b>Total Income</b>	<b>(54,653)</b>	<b>(18,097)</b>	<b>(41,644)</b>	<b>(114,394)</b>
Employee Expenses	46,539	19,743	9,490	75,772
Other Service Expenses	57,142	29,675	37,388	124,205
Support Service Recharges	2,623	5,573	5,899	14,095
Depreciation, amortisation & impairment	2,834	126	529	3,489
Precepts and Levies	0	0	3,410	3,410
<b>Total Expenditure</b>	<b>109,138</b>	<b>55,117</b>	<b>56,716</b>	<b>220,971</b>
<b>Net Expenditure</b>	<b>54,485</b>	<b>37,020</b>	<b>15,072</b>	<b>106,577</b>

Principal Portfolio Income & Expenditure 2012/2013	Education £000	Social Services £000	Environmental Services £000	Regeneration £000	Total £000
Fees, Charges & Other Service Income	(51,731)	(11,584)	(40,392)	(4,041)	(107,748)
Interest & Investment Income	0	0	0	0	0
Government Grants	(9,591)	(3,371)	(1,538)	(1,883)	(16,383)
<b>Total Income</b>	<b>(61,322)</b>	<b>(14,955)</b>	<b>(41,930)</b>	<b>(5,924)</b>	<b>(124,131)</b>
Employee Expenses	50,316	17,476	8,445	3,549	79,786
Other Service Expenses	60,169	27,833	38,585	2,216	128,803
Support Service Recharges	3,019	5,590	6,434	2,390	17,433
Depreciation, amortisation & impairment	2,277	205	513	534	3,529
Precepts and Levies	0	0	3,323	0	3,323
<b>Total Expenditure</b>	<b>115,781</b>	<b>51,104</b>	<b>57,300</b>	<b>8,689</b>	<b>232,874</b>
<b>Net Expenditure</b>	<b>54,459</b>	<b>36,149</b>	<b>15,370</b>	<b>2,765</b>	<b>108,743</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio 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.

2013/2014	Principal Portfolio Analysis £000	Portfolios not included in Principal Portfolio Analysis £000	Included in Portfolio Statements but not included in NCS £000	Not included in Portfolio Statements but included in NCS £000	Allocation of Support Services Recharges £000	Net Cost of Services £000	Corporate Items £000	Total £000
Fees, Charges & Other Service Income	(73,576)	(31,730)	2,582	(1,548)	79,847	(24,425)	0	(24,425)
(Surplus)/Deficit on Trading Activities	0	0	0	0	0	0	0	0
Interest & Investment Income	0	0	0	0	0	0	(10,876)	(10,876)
Income from Council Tax	0	0	0	0	0	0	(31,209)	(31,209)
Government Grants & Contributions	(40,818)	(6,613)	9	494	0	(46,928)	(141,910)	(188,838)
Gains on Disposal of Non-Current Assets	0	0	0	0	0	0	(669)	(669)
<b>Total Income</b>	<b>(114,394)</b>	<b>(38,343)</b>	<b>2,591</b>	<b>(1,054)</b>	<b>79,847</b>	<b>(71,353)</b>	<b>(184,664)</b>	<b>(256,017)</b>
Employee Expenses	75,772	27,714	(1,393)	2,355	0	104,448	0	104,448
Other Service Expenses	124,205	26,330	(16)	1,443	0	151,962	0	151,962
Support Service Recharges	14,095	13,777	0	688	(79,847)	(51,287)	0	(51,287)
Depreciation, Amortisation & Impairment	3,489	3,862	(7,139)	34,903	0	35,115	0	35,115
Interest Payments	0	0	0	0	0	0	22,572	22,572
(Gains)/Losses on Disposal of Non-Current Assets	0	0	0	0	0	0	1,215	1,215
Precepts & Levies	3,410	35	(3,445)	0	0	0	7,676	7,676
<b>Total Expenditure</b>	<b>220,971</b>	<b>71,718</b>	<b>(11,993)</b>	<b>39,389</b>	<b>(79,847)</b>	<b>240,238</b>	<b>31,463</b>	<b>271,701</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>106,577</b>	<b>33,375</b>	<b>(9,402)</b>	<b>38,335</b>	<b>0</b>	<b>168,885</b>	<b>(153,201)</b>	<b>15,684</b>

2012/2013 Restated	Principal Portfolio Analysis £000	Portfolios not included in Principal Portfolio Analysis £000	Included in Portfolio Statements but not included in NCS £000	Not Included in Portfolio Statements but included in NCS £000	Allocation of Support Services Recharges £000	Net Cost of Services £000	Corporate Items £000	Total £000
Fees, Charges & Other Service Income	(107,748)	(26,757)	1,504	(6,260)	80,458	(58,803)	0	(58,803)
(Surplus)/Deficit on Trading Activities	0	0	0	0	0	0	0	0
Interest & Investment Income	0	0	0	0	0	0	(11,067)	(11,067)
Income from Council Tax	0	0	0	0	0	0	(30,049)	(30,049)
Government Grants & Contributions	(16,383)	(4,880)	(12)	0	0	(21,275)	(161,907)	(183,182)
Gains on disposal of Non Current Assets	0	0	0	0	0	0	(1,039)	(1,039)
<b>Total Income</b>	<b>(124,131)</b>	<b>(31,637)</b>	<b>1,492</b>	<b>(6,260)</b>	<b>80,458</b>	<b>(80,078)</b>	<b>(204,062)</b>	<b>(284,140)</b>
Employee Expenses	79,786	24,473	(2,507)	(287)	0	101,465	0	101,465
Other Service Expenses	128,803	15,742	(320)	7,592	0	151,817	0	151,817
Support Service Recharges	17,433	12,479	0	(1,390)	(80,458)	(51,936)	0	(51,936)
Depreciation, Amortisation & Impairment	3,529	3,036	(6,564)	41,780	0	41,781	0	41,781
Interest Payments	0	0	0	0	0	0	22,617	22,617
(Gains)/Losses on disposal of Non Current Assets	0	0	0	0	0	0	473	473
Precepts & Levies	3,323	35	(3,358)	0	0	0	7,600	7,600
<b>Total Expenditure</b>	<b>232,874</b>	<b>55,765</b>	<b>(12,749)</b>	<b>47,695</b>	<b>(80,458)</b>	<b>243,127</b>	<b>30,690</b>	<b>273,817</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>108,743</b>	<b>24,128</b>	<b>(11,257)</b>	<b>41,435</b>	<b>0</b>	<b>163,049</b>	<b>(173,372)</b>	<b>(10,323)</b>

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

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

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the CIES	2013/2014	2012/2013
	£000	Restated £000
Net Expenditure in the Principal Portfolio Analysis	106,577	108,743
Net Expenditure of Portfolios not Included in the Principal Analysis	33,375	24,128
Amounts Included in Portfolio Outturn Statements but not included in Net Cost of Services	(9,402)	(11,257)
Amounts not included in Portfolio Outturn Statements but included in Net Cost of Services	38,335	41,435
Allocation of Support Service Recharges	0	0
<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>168,885</b>	<b>163,049</b>
Corporate Items	(153,201)	(173,372)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>15,684</b>	<b>(10,323)</b>

**12. Other Operating Income and Expenditure**

Other operating income and expenditure in the Comprehensive Income and Expenditure Statement consists of the following:

Other Operating Income and Expenditure	2013/2014			2012/2013		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
(Gains)/losses on the Disposal of Non-Current Assets	1,215	(669)	546	473	(1,039)	(566)
Precepts & Levies:						
Gwent Police Authority Precept	3,891	0	3,891	3,826	0	3,826
Community Council Precepts	340	0	340	339	0	339
South Wales Fire Authority Levy	3,349	0	3,349	3,323	0	3,323
Other Levies	96	0	96	112	0	112
<b>Total</b>	<b>8,891</b>	<b>(669)</b>	<b>8,222</b>	<b>8,073</b>	<b>(1,039)</b>	<b>7,034</b>

### 13. Financing and Investment Income and Expenditure

Financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement consists of the following:

	2013/2014			2012/2013 (Restated)		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Financing and Investment Income and Expenditure						
Interest payable and similar charges	4,130	0	4,130	4,115	0	4,115
Interest receivable and similar Income	0	(298)	(298)	0	(392)	(392)
Net Pensions Interest Cost	18,442	(10,578)	7,864	18,502	(10,675)	7,827
Other Investment Income (Dividends)	0	0	0	0	0	0
<b>Total</b>	<b>22,572</b>	<b>(10,876)</b>	<b>11,696</b>	<b>22,617</b>	<b>(11,067)</b>	<b>11,550</b>

### 14. Taxation and Non-Specific Grant Income

This disclosure includes:

- Local taxation income, such as Council Tax receipts;
- Grants and contributions that are not attributable to specific services and are applied as general revenue funding; and
- Capital grants and contributions from a variety of funding bodies to cover expenditure on capital schemes.

Taxation & Non Specific Grant Income	2013/2014 £000	2012/2013 £000
<b>Taxation &amp; Non-Specific Revenue Grants</b>		
Council Tax Income	(31,209)	(30,049)
Non-Domestic Rates	(21,664)	(18,591)
Revenue Support Grant/OAG	(96,235)	(89,407)
<b>Total Taxation and Non-Specific Revenue Grants</b>	<b>(149,108)</b>	<b>(138,047)</b>
Capital grants and contributions	(24,011)	(53,909)
<b>Total</b>	<b>(173,119)</b>	<b>(191,956)</b>

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## 15. Material Items of Income or Expense

The following items of material income or expense have been recorded in the Accounting Statements.

### *Material Items of Income or Expense in 2013/2014:*

There were no material items of income or expense in 2013/2014.

### *Material Items of Income or Expense in 2012/2013:*

#### *Formal closure of the Housing Revenue Account*

In March 2013, the Authority received approval from Welsh Government to formally close the Housing Revenue Account on 31 March 2013. The following table summarises the balances and transactions remaining in the Housing Revenue Account.

Housing Revenue Accounts - Residual Balances	2012/2013 £000
Balances Brought Forward:	
HRA Reserve	(4,209)
Capital Receipts	(2,668)
<b>Total HRA Reserves</b>	<b>(6,877)</b>
In-Year Transactions	(15)
<b>Total Balance Transferred to Council Fund</b>	<b>(6,892)</b>

The residual balance of £6.892m was transferred to the Council Fund through the Housing Services line within Net Cost of Services. Of this sum, £2.668m was subsequently appropriated to the Council Fund Capital Receipts Reserve and the remaining £4.224m has increased the Council Fund General Reserve.

## 16. Acquired or Discontinued Operations

There were no material acquisitions or discontinuations of service during the financial year.

17. Partnership Schemes Under Section 33 of the NHS (Wales) Act 2006

17.1 The Gwent Wide Integrated Community Equipment Service (GWICES)

The Gwent Wide Integrated Community Equipment Service (GWICES) is a Section 33 Partnership Agreement between the five Local Authorities in the Gwent area and the Aneurin Bevan Local Health Board for the provision of an efficient and effective integrated community equipment service to users who are resident in the partner localities. This agreement came into effect on 1 October 2008. The Authority's transactions are included in the Adult Social Care line of the CIES. Income and expenditure for the pooled budget arrangements for the financial year ending 31 March 2014 is as follows.

Partnership Schemes: GWICES	2013/2014 £000	2012/2013 £000
<b>Expenditure</b>		
Staff	76	108
Non-Staff	2,861	2,780
<b>Total Expenditure</b>	<b>2,937</b>	<b>2,888</b>
<b>Funding</b>		
Blaenau Gwent County Borough Council	(303)	(305)
Caerphilly County Borough Council	(607)	(644)
Monmouthshire County Borough Council	(405)	(381)
Newport City Council	(424)	(439)
Torfaen County Borough Council	(491)	(396)
Aneurin Bevan Health Board	(558)	(574)
Contribution to Lead Commissioner - LAs	(54)	(76)
Contribution to Lead Commissioner - LHBs	(23)	(32)
Community Resource Team (Frailty Project)	(72)	(41)
<b>Total Funding</b>	<b>(2,937)</b>	<b>(2,888)</b>



## 17.2 The Gwent Frailty Programme

The Gwent Frailty Programme is a Section 33 Partnership Agreement between the five Local Authorities in the Gwent area and the Aneurin Bevan Local Health Board for the delivery of a range of services to avoid hospital admissions, facilitate early discharge and help individuals remain "happily independent". The Community Resource Teams (CRTs) provide integrated Urgent Response, Reablement and Falls services within each Locality in line with agreed Locality Annual Commissioning Plans (LCPs). This agreement came into effect on 4 April 2011. The Authority's transactions are included in the Adult Social Care line of the CIES. Income and expenditure for the pooled budget arrangements for the financial year ending 31 March 2014 is as follows.

Partnership Schemes Gwent Frailty	2013/2014 £000	2012/2013 £000
<b>Expenditure</b>		
Base Declarations	11,432	9,928
Invest to Save	1,954	2,100
Central Costs	423	376
<b>Total Expenditure</b>	<b>13,809</b>	<b>12,404</b>
<b>Funding</b>		
Blaenau Gwent County Borough Council	(464)	(442)
Caerphilly County Borough Council	(1,955)	(1,743)
Monmouthshire County Borough Council	(1,141)	(1,081)
Newport City Council	(1,506)	(1,298)
Torfaen County Borough Council	(604)	(501)
Aneurin Bevan Health Board	(7,134)	(5,475)
Welsh Government Invest to Save	0	(1,289)
<b>Total Funding</b>	<b>(12,804)</b>	<b>(11,829)</b>
<b>Net In-Year (Under) / Overspend</b>	<b>1,005</b>	<b>575</b>

## 18. Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £773,173 (2012/2013: £751,413), analysed as follows:

Members' Allowances	2013/2014 £000	2012/2013 £000
Allowances	767	747
Expenses	6	4
<b>Total:</b>	<b>773</b>	<b>751</b>

## 19. Officers' Remuneration

19.1 The number of employees whose remuneration, including termination benefits but excluding employer pension contributions, was £60,000 or more, was:

Officers Emoluments Remuneration Band	2013/2014					2012/2013				
	Teaching	Other	Total	Left During Year	Total excluding leavers	Teaching	Other	Total	Left During Year	Total excluding leavers
£60,000 - £64,999	6	5	11	4	7	6	0	6	2	4
£65,000 - £69,999	4	3	7	3	4	3	1	4	3	1
£70,000 - £74,999	2	2	4	2	2	1	3	4	2	2
£75,000 - £79,999	2	1	3	1	2	5	0	5	2	3
£80,000 - £84,999	1	0	1	1	0	1	1	2	2	0
£85,000 - £89,999	1	1	2	1	1	1	1	2	2	0
£90,000 - £94,999	0	1	1	1	0	1	0	1	0	1
£95,000 - £99,999	0	0	0	0	0	1	0	1	1	0
£100,000 - £104,999	0	0	0	0	0	0	0	0	0	0
£105,000 - £109,999	0	0	0	0	0	1	0	1	0	1
£110,000 - £114,999	1	0	1	0	1	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0	2	2	2	0
£120,000 - £124,999	0	0	0	0	0	1	0	1	1	0
£125,000 - £129,999	0	0	0	0	0	1	0	1	1	0
<b>Total</b>	<b>17</b>	<b>13</b>	<b>30</b>	<b>13</b>	<b>17</b>	<b>22</b>	<b>8</b>	<b>30</b>	<b>18</b>	<b>12</b>

Note: Employees that are included in the Senior Officers Remuneration disclosure have been excluded from the above table.

The 2013/2014 total of 30 includes 13 staff who would not have been included in the note if it were not for one-off severance payments. This comprises 4 in the Teaching category and 9 in the Other category. (The 2012/2013 total of 30 includes 11 staff who would not have been included in the note if it were not for one-off severance payments. This comprises 7 in the Teaching category and 4 in the Other category). Further details of termination benefits can be found in note 21 (pages 89-90).

## 19.2 Senior Officers' Remuneration

The following table sets out the remuneration in 2013/2014 for senior officers (as defined by statute) whose salary for the year was between £60,000 and £150,000. There were no senior officers whose salary exceeded £150,000.

Post Title	Notes	Salary (Including Fees & Allowances) £	Expense Allowances £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions 2013/2014 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2013/2014 £
Chief Executive	Notes 1 & 9	109,625	118	0	275	110,018	24,117	134,135
Corporate Director Social Services		81,334	46	0	194	81,574	17,893	99,467
Corporate Director of Environment & Regeneration	Note 2	77,643	17	0	202	77,862	17,082	94,944
Chief Finance Officer	Note 3	76,069	31	0	216	76,316	16,735	93,051
Corporate Director Strategy, Transformation & Culture	Note 4	48,500	0	0	89	48,589	10,670	59,259
Chief Legal Officer	Notes 5 & 9	26,265	0	67,700	237	94,202	70,795	164,997
Chief People & Performance Officer	Note 6	10,845	0	135,275	4,822	150,942	2,386	153,328
Chief Regeneration Officer	Note 7	26,265	25	66,490	262	93,042	97,123	190,165
Director of Environment / SRO The Works	Note 8	38,710	10	84,230	217	123,167	172,584	295,751
<b>Total</b>		<b>495,256</b>	<b>247</b>	<b>353,695</b>	<b>6,514</b>	<b>855,712</b>	<b>429,385</b>	<b>1,285,097</b>

Note 1: Salary includes £11,568.96 remuneration relating to directorship of Silent Valley Waste Services Ltd..

Note 2: Disclosure is for Interim Director of Environment post to 4 August 2013 and Director of Environment and Regeneration post subsequent to that date.

Note 3: Salary includes £11,568.96 remuneration relating to directorship of Silent Valley Waste Services Ltd..

Note 4: Post commenced 5 August 2013.

Note 5: Left 31 August 2013.

Note 6: Left 31 May 2013.

Note 7: Left 31 August 2013.

Note 8: Salary includes £4,820.40 relating to directorship of Silent Valley Waste Services Ltd.. Left 31 August 2013.

Note 9: The Chief Legal Officer's salary (to 31 August 2013) and the Chief Executive's salary (from 1 September 2013) do not include any payments in respect of the post-holders' duties as Returning Officer.

Note 10: For the period April 2013 to January 2014, £57,671 was paid to Newport City Council for a joint Chief Education Officer who was an employee of Newport City Council, but undertook work for both Authorities.

The following table sets out the remuneration in 2012/2013 for senior officers (as defined by statute) whose salary for the year was between £60,000 and £150,000. There were no senior officers whose salary exceeded £150,000.

Post Title	Notes	Salary				Total Remuneration excluding Pension Contributions 2012/2013 £	Employers Pension Contributions £	Total Remuneration including Pension Contributions 2012/2013 £
		(Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Office	Benefits in Kind			
		£	£	£	£			
Chief Executive	Note 1	107,347	164	0	884	108,395	23,080	131,475
Director of Education & Leisure	Note 2	35,417	0	20,000	350	55,767	16,614	72,381
Director of Social Services		81,334	36	0	881	82,251	17,487	99,738
Director of Environment & Regeneration / SRO The Works	Note 3	91,503	4	0	933	92,440	19,673	112,113
Corporate Director & Acting CO of Environment & Regeneration		75,801	28	0	901	76,730	16,297	93,027
Chief Finance Officer	Note 4	70,805	115	0	895	71,815	15,223	87,038
Chief People & Performance Officer		65,067	0	0	963	66,030	13,989	80,019
Chief Regeneration Officer		63,035	46	0	856	63,937	13,553	77,490
Chief Legal Officer	Note 5	63,035	7	0	959	64,001	13,553	77,554
<b>Total</b>		<b>653,344</b>	<b>400</b>	<b>20,000</b>	<b>7,622</b>	<b>681,366</b>	<b>149,469</b>	<b>830,835</b>

Note 1: Salary includes £11,568.96 remuneration relating to directorship of Silent Valley Waste Services Ltd..

Note 2: The Director of Education & Leisure left on 31 August 2012 and the disclosure includes only payments made to that post-holder. With effect from February 2013, a joint Chief Education Officer has been appointed, working in conjunction with Newport City Council. Payment of £8,349.87 has been made to Newport City Council in respect of this post for the period February - March 2013.

Note 3: Salary includes £10,169.49 remuneration relating to directorship of Silent Valley Waste Services Ltd., effective from 15 May 2012.

Note 4: Salary includes £10,169.49 remuneration relating to directorship of Silent Valley Waste Services Ltd., effective from 15 May 2012.

Note 5: The Chief Legal Officer's salary (including fees & allowances) does not include any payments in respect of the post-holder's duties as Returning Officer.

## 20. Benefits Payable During Employment

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay, but also covers entitlement to time-in-lieu and accrued flexitime balances.

Employees build up an entitlement to paid holidays as they work. As a result, the Authority is required to accrue for any annual leave, time-in-lieu and flexitime earned but not taken at 31 March each year.

The government has issued mitigation regulations that mean Local Authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Compensating amounts are therefore transferred to the Accumulated Absences Account until the benefits are used.

The following sums have been included for short-term accumulating compensated absences in the 2013/2014 financial statements:

Short-term Compensated Absences	2013/2014			2012/2013		
	Reversal of prior year accrual	Current Year Accrual	Net In-year Movement	Reversal of prior year accrual	Current Year Accrual	Net In-year Movement
	£000	£000	£000	£000	£000	£000
Central Services	(87)	110	23	(586)	87	(499)
Cultural and Related Services	(109)	91	(18)	(98)	109	11
Environmental and Regulatory Services	(122)	150	28	(50)	122	72
Planning Services	(95)	98	3	(42)	95	53
Children's & Education Services	(812)	1,171	359	(1,268)	812	(456)
Highways & Transport Services	(42)	54	12	(14)	42	28
Housing Services	(44)	58	14	(7)	44	37
Adult Social Care	(289)	204	(85)	(222)	289	67
Corporate & Democratic Core	(83)	132	49	(2)	83	81
Non-Distributed Costs	0	0	0	0	0	0
Housing Revenue Account	0	0	0	0	0	0
<b>Total - Provision of Services:</b>	<b>(1,683)</b>	<b>2,068</b>	<b>385</b>	<b>(2,289)</b>	<b>1,683</b>	<b>(606)</b>

## 21. Termination Benefits

Employment contracts may be terminated for a variety of reasons, including redundancy and retirement. On termination, the Authority incurs a range of liabilities including redundancy payments, pension lump sum payments and enhancements (e.g. added years). In 2013/2014, the contracts of 270 employees were terminated, incurring total liabilities of £5.862m (2012/2013: 123 employees, incurring liabilities of £2.556m). These payments can be disaggregate as follows:

Termination Benefits	2013/2014 £000	2012/2013 £000
Redundancy Costs	4,039	2,052
Pension Costs	1,823	504
<b>Total</b>	<b>5,862</b>	<b>2,556</b>

Of this total, the following were the significant causes of the terminations:

Termination Benefits	2013/2014		2012/2013	
	No	£000	No	£000
Budget Savings and Restructuring	90	1,238	7	100
Management Restructure	7	940	0	0
Closure of Facilities	4	50	15	147
Downsizing	0	0	3	29
Removal of Lunchtime Crossing Patrol Cover	17	8	7	23
School Downsizing	0	0	10	297
School Downsizing & Reorganisation - Crossmatching	36	1,010	29	1,104
6th Form Downsizing	11	524	7	241
Early Retirements/Efficiency/Flexible Retirements	21	238	0	0
Termination benefits arising for other reasons	84	1,854	45	615
<b>Total</b>	<b>270</b>	<b>5,862</b>	<b>123</b>	<b>2,556</b>

## 22. Exit Packages

The number and value of exit packages agreed by the Authority during the year were as follows:

Exit Package Cost Band (including special payments)	2013/2014				2012/2013			
	Number of Compulsory Redundancies	Number of Other Departures	Total Number of Exit Packages	Total Cost of Exit Packages £000	Number of Compulsory Redundancies	Number of Other Departures	Total Number of Exit Packages	Total Cost of Exit Packages £000
£0 - £19,999	12	162	174	1,338	21	60	81	498
£20,000 - £39,999	0	53	53	1,496	0	17	17	464
£40,000 - £59,999	0	21	21	1,057	1	13	14	706
£60,000 - £79,999	0	5	5	350	0	7	7	473
£80,000 - £99,999	0	11	11	992	0	0	0	0
£100,000 - £149,999	0	3	3	383	0	0	0	0
£150,000 - £249,999	0	3	3	566	0	4	4	490
<b>Total</b>	<b>12</b>	<b>258</b>	<b>270</b>	<b>6,182</b>	<b>22</b>	<b>101</b>	<b>123</b>	<b>2,631</b>

Note: Value bands have been combined where necessary in order to ensure that individual exit packages cannot be identified.

The variation between Termination Benefits (which records pension and redundancy payments to staff whose contracts have been terminated) and Exit Packages (which also covers staff leaving for other reasons, such as ill-health) can be analysed as follows:

Reconciliation between Exit Packages & Termination Benefits	2013/2014 £000	2012/2013 £000
Termination Benefits Total	5,862	2,556
Long Service Award	0	3
Pay in Lieu of Notice	81	37
Other Payments	239	35
Exit Packages Total	6,182	2,631

Included in the Authority's Early Terminations Provision are sums totalling £0.576m payable to 35 staff that have not been included in the exit packages disclosure, but for which the Authority has a legal or constructive obligation at the balance sheet date. (2012/2013: Early Terminations provision included £0.796m payable to 26 staff). Details of the Early Terminations Provision can be found in note 38.1, pages 117-118.

### 23. External Audit Fees

The Authority's appointed external auditors for the 2013/2014 financial year were the Wales Audit Office (WAO). The following fees, included in Central Services expenditure in CIES, were incurred in relation to external audit and inspection:

External Audit Fees	2013/2014 £000	2012/2013 £000
Fees payable in respect of:		
External audit services relating to audit of the accounts	191	166
External audit services relating to Local Government Measures	119	148
Certification of grant claims and returns	120	150
Other services	5	0
Total Audit Fees	435	464

In 2014-2015, Blaenau Gwent is to receive a payment of £63,922 as a result of a redistribution of reserves to local governments bodies. This one-off redistribution results from the new accounting regime for the Wales Audit Office under the Public Audit (Wales) Act 2013

## 24. National Non-Domestic Rates

Non-Domestic Rates are collected by the Authority based on local rateable values multiplied by a uniform rate. The total amount collected, less certain reliefs and deductions, is paid to a central pool (the NNDR pool) managed by the Welsh Government, which in turn pays back to authorities their share of the pool based on a statutory formula.

NNDR has been accounted for on an agency basis, i.e. Blaenau Gwent as a billing Authority acts as an agent of the Welsh Government in collecting non-domestic rates. Transactions with non-domestic ratepayers are typically not revenue activities of the agent and have therefore been excluded from the accounting statements.

Summary transactions in the Non-Domestic Ratepayers Accounts for the year were as follows:

Non-Domestic Ratepayers Account	2013/2014			2012/2013		
	Agency £000	Authority £000	Total £000	Agency £000	Authority £000	Total £000
Rate Debits including adjustments	15,653	0	15,653	15,001	0	15,001
Reliefs & Allowances	(3,746)	0	(3,746)	(2,956)	0	(2,956)
Refunds	861	0	861	557	0	557
Court Costs	0	3	3	0	2	2
Write Offs	(1,022)	0	(1,022)	(663)	0	(663)
	11,746	3	11,749	11,939	2	11,941
Cash Collected	(12,657)	(3)	(12,660)	(12,302)	(2)	(12,304)
Net In-Year NDR Transactions	(911)	0	(911)	(363)	0	(363)

- The total non-domestic rateable value at 31 March 2014 was £34,339,520 (31 March 2013: £33,502,690).
- The national non-domestic rate multiplier for the year 2013/2014 was 0.464 (2012/2013: 0.452).



## 25. Council Tax

The Council Tax is a local tax based upon 'banded' property values. The Council Tax requirement for the Authority is calculated by taking the budget requirement and dividing by the tax base expressed as a number of equivalent Band D properties. To this amount is added the elements precepted by Gwent Constabulary and Community Councils.

### 25.1 The following transactions occurred during the financial year related to Council Tax:

Council Tax Transactions	2013/2014		2012/2013	
	£000	£000	£000	£000
Council Tax Collected	(31,622)		(30,336)	
Less: Impairment of bad & doubtful debts	413		287	
<b>Net Total Proceeds from Council Tax</b>		<b>(31,209)</b>		<b>(30,049)</b>
Less: Gwent Police Authority Precept	3,891		3,826	
Community Council Precepts	339		339	
		<b>4,230</b>		<b>4,165</b>
<b>Council Tax attributable to this Authority:</b>		<b>(26,979)</b>		<b>(25,884)</b>

## 25.2 Council Tax Base

The Council Tax base is calculated with reference to the number of effective properties (i.e. properties net of specific exemptions, reliefs and discounts) in each of 10 property valuation bands, multiplied by a ratio related to that valuation band. For 2013/2014, the tax base, expressed as equivalent band D properties, has been calculated as follows:

	Band										Total
	A*	A	B	C	D	E	F	G	H	I	
Properties	55.00	18,381.00	7,728.00	2,392.00	1,500.00	788.00	286.00	45.00	16.00	8.00	31,199.00
Exemptions, Reliefs & Discounts	(5.25)	(2,331.00)	(700.00)	(180.50)	(87.00)	(39.00)	(12.75)	(2.50)	(7.00)	(2.50)	(3,367.50)
Effective Properties	49.75	16,050.00	7,028.00	2,211.50	1,413.00	749.00	273.25	42.50	9.00	5.50	27,831.50
Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	-
Band D Equivalents	27.64	10,700.01	5,466.22	1,965.78	1,413.00	915.44	394.69	70.83	18.00	12.83	20,984.44
Impairment											(1,355.32)
Council Tax Base											19,629.12

## 26. Precepts & Demands

### 26.1 Precepting Authorities

The bodies precepting on this Authority are Gwent Constabulary and the Community Councils of Abertillery, Brynmawr, Nantyglo & Blaina and Tredegar. The precepts for these bodies were:

Precepting Authorities	2013/2014 £000	2012/2013 £000
Gwent Constabulary	3,891	3,826
Abertillery & Llanhilleth Community Council	90	90
Brynmawr Town Council	43	43
Nantyglo & Blaina Town Council	68	68
Tredegar Town Council	138	138
<b>Total</b>	<b>4,230</b>	<b>4,165</b>

## 26.2 Levies & Demands by Joint Committees and Other Bodies

A number of services are operated by joint committees or organisations that operate across the boundaries of individual councils, to which this Authority makes a contribution. The following levies and demands have been made of the Authority:

Levies & Demands	2013/2014 £000	2012/2013 £000
Brecon Beacons National Park Authority	35	35
South Wales Fire Authority	3,349	3,323
Magistrates & Coroners Courts	61	77
<b>Total:</b>	<b>3,445</b>	<b>3,435</b>

## 27. Grants and Contributions

Capital grants and contributions from the following awarding bodies were credited by the Authority to the Comprehensive Income and Expenditure Statement:

Capital Grants Credited to Services	2013/2014 £000	2012/2013 £000
Welsh European Funding Office	(263)	(337)
Welsh Government	(1,915)	(1,641)
Other Grants & Contributions	(552)	(763)
<b>Total:</b>	<b>(2,730)</b>	<b>(2,741)</b>

Capital Grants Credited to taxation and non-specific grant income	2013/2014 £000	2012/2013 £000
Caerphilly County Borough Council	(631)	0
Torfaen County Borough Council	(644)	(84)
Welsh European Funding Office	(2,916)	(1,958)
Welsh Government	(19,618)	(51,638)
Other Grants & Contributions	(202)	(229)
<b>Total:</b>	<b>(24,011)</b>	<b>(53,909)</b>

Revenue grants and contributions from the following awarding bodies were credited by the Authority to the Comprehensive Income and Expenditure Statement:

Revenue Grants Credited to Services	2013/2014 £000	2012/2013 £000
Arts Council for Wales	(249)	(271)
Bridgend County Borough Council	(265)	(291)
Caerphilly County Borough Council	(3)	(38)
Coleg Gwent	(599)	(579)
Countryside Council for Wales	0	(65)
Department for Work and Pensions	(27,411)	(27,689)
Disability Sport Wales	(22)	(20)
European Social Fund	(449)	(408)
Home Office	(31)	(45)
Lottery Fund	(145)	(153)
<b>Sub-Total:</b>	<b>(29,174)</b>	<b>(29,559)</b>

Revenue Grants Credited to Services (continued)	2013/2014 £000	2012/2013 £000
<b>Sub-Total:</b>	<b>(29,174)</b>	<b>(29,559)</b>
Monmouthshire County Council	0	(30)
Natural Resources Wales	(53)	0
Sports Council for Wales	(344)	(332)
Tai Calon Community Housing Ltd.	(56)	(56)
Torfaen County Borough Council	(1,247)	(17)
Welsh Government	(16,000)	(19,305)
Welsh Local Government Association	(44)	(38)
Other Grants & Contributions	(188)	(310)
<b>Total:</b>	<b>(47,106)</b>	<b>(49,647)</b>

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the provider. The balances at the year-end, analysed by awarding body, are as follows:

Capital Receipts in Advance	2013/2014 £000	2012/2013 £000
Welsh European Funding Office	(1,285)	(2,246)
Welsh Government	(1,315)	(4,438)
Other Grants & Contributions	(243)	(26)
<b>Total:</b>	<b>(2,843)</b>	<b>(6,710)</b>

Revenue Receipts in Advance	2013/2014 £000	Restated 2012/2013 £000
Arts Council for Wales	(13)	(16)
Sports Council For Wales	0	(12)
Torfaen County Borough Council	(78)	(67)
Welsh Government	(366)	(496)
Other Grants & Contributions	(243)	(204)
<b>Total:</b>	<b>(700)</b>	<b>(795)</b>

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## 28. Related Parties

### 28.1 Central Government

Central Government has effective control over the general operations of the Authority and provides the statutory framework within which the Authority operates, 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. Details of the general and specific grants received in 2013/2014 can be found in note 27 (pages 95-96); details of the amounts owed to or from central government are included in notes 37 (page 116) and 36 (pages 114-115) respectively.

### 28.2 Silent Valley Waste Services Limited

The Authority is the sole shareholder of the waste disposal company Silent Valley Waste Services Limited (SVWS Ltd.). For the 2013/2014 financial year, the Authority's Chief Executive and Authority's Chief Finance Officer were non-executive directors of the company. The Director of Environment was also a non-executive director for the period April to August 2013. As at 31 March 2014, the Authority effectively holds 67% of the board membership. The following related party transactions took place with SVWS Ltd. during the year:

The Authority made payments to SVWS Ltd totalling £964,707 in 2013/2014 (2012/2013: £3,833,015), comprising the following:

- Payments totalling £964,707 in relation to the collection of waste, management of the Authority's civic amenity sites and haulage charges (2012/2013: £2,419,570). Of this amount, £387,110 was in respect of services provided in 2012/2013, and at 31 March 2014 the Authority owed £31,597 (2012/2013: £176,140 was in respect of services provided in 2011/2012 and £387,110 was owed at 31 March 2013).
- In 2013/2014 no payments were made towards the capping and restoration of the Silent Valley site (2012/2013: £908,049).
- In 2013/2014 no refunds were made in relation to NNDR (2012/2013: £71,703).

The Authority received income from SVWS Ltd. totalling £181,273 in 2013/2014 (2012/2013: £30,538), including the following:

- £11,569 was received in relation to services provided by the Authority's Chief Executive in his role as a director of SVWS Ltd (2012/2013: £11,569). At 31 March 2014 the Authority was owed £0 in relation to this income (2012/2013: £1,157);
- £11,569 was received in relation to services provided by the Authority's Chief Finance Officer in his role as a director of SVWS Ltd (2012/2013: £9,205). At 31 March 2014 the Authority was owed £0 in relation to this income (2012/2013: £1,157);
- £5,785 was received in relation to services provided by the Authority's Director of Environment for the period April to August 2013 (2012/2013 £9,205). At 31 March 2014 the Authority was owed £0 in relation to this income (2012/2013: £1,157);
- £150,000 was received as a contribution towards Leachate; and
- £2,350 was received as payment for Pest Control services provided by the Authority.
- At 31 March 2014 the authority was owed £995 in relation to scrap metal.

### 28.3 Members

The Authority made payments of £26,856 to Glenn Willis Plumbing Ltd. during 2013/2014 (2012/2013: £27,043). The Director of the company is the son of a Council Member.

The Authority made payments of £1,290,847 to Jim Davies Civil Engineering Limited during 2013/2014 in relation to the completion of Streetscape schemes within Ebbw Vale and Authority wide capital works such as retaining wall maintenance, drainage works, the construction of cycle routes and Safe Routes schemes (2012/2013: £628,154). A Member of the Council is the brother of one of the Directors of the company.

During 2013/2014 the Authority also received income of £55,615 from Jim Davies Civil Engineering Limited (2012/2013: £65,067). These amounts related to the installation of electric and lighting at sites where the company has undertaken works on behalf of the Authority. At 31 March 2014, £0 was owed to the Authority in relation to these charges (31 March 2013: £8,325).

During 2013/2014 the Authority did not award any commercial grants to Blaina Post Office (2012/2013: £4,814); the post master is a Member of the Council.

Payments of £1,044 were made to Deano's Sandwich Bar during 2013/2014 (2012/2013: £2,494), the proprietor is the daughter of a Council Member.

No payments were made to Abertillery Museum Society whilst a Member of the Council was a Director (2012/2013: £2,000 in the form of a Voluntary Sector Grant).

TJ Brown & Sons funeral directors carry out pauper burials on behalf of the Authority, the cost of these burials for 2013/2014 was £1,319 (2012/2013: £1,656). A Member of the Council has an interest in this company.

Elected Members of the Authority are appointed as governors of schools within the County Borough and also to a number of bodies with which financial transactions occur. These include: Gwent Police, South Wales Fire Authority, Aneurin Bevan Local Health Board, Tai Calon Community Housing Ltd and Local Development Trusts.

### 28.4 Education Achievement Service for South East Wales

The five local authorities of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen have formed an Education Achievement Service (EAS) which is designed to raise education standards in South East Wales. The EAS is a separate legal entity, established as a company limited by guarantee, which is wholly owned by the five local authorities and operates on a not for profit basis. There is no lead authority, each being represented equally with a 20% interest and possessing equal voting rights. Services are commissioned from the EAS on behalf of the five local authorities. The Collaboration Agreement commits the authority to participating in the EAS Company for a minimum period of four years.

The company board comprises the Director of the EAS and Elected Member representatives from the participating authorities.

In 2013/2014, net contributions of £0.361m were due to the EAS (2012/2013: £0.508m). The total summarised transactions of the Service were as follows:

Education Achievement Service	2013/2014 £000	2012/2013 £000
Expenditure	7,613	3,751
Income	(7,613)	(3,751)
Net Expenditure	0	0

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**Balance Sheet Notes**

**29. Property Plant & Equipment**

**29.1 Carrying Amount of Non-Current Assets**

The gross carrying amount and accumulated depreciation relating to Property, Plant and Equipment was:

Property, Plant & Equipment	31 March 2014	31 March 2013
	£000	£000
Gross Carrying Amount	341,344	330,749
Accumulated Depreciation	(38,307)	(34,010)
Net Book Value	303,037	296,739

Details of the transactions relating to the carrying amounts and depreciation of non-current assets are set out on pages 100-101.

Movements in 2013/2014:

Property, Plant & Equipment Movements							Total
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant & Equipment £000
Cost or Valuation as at 1 April 2013	191,773	10,697	84,108	132	4,202	39,837	330,749
Appropriations	37,781	0	12,131	0	4,173	(54,085)	0
Assets reclassified to/from held for sale	(263)	0	0	0	69	0	(194)
Additions	0	1,045	2,105	0	0	2,004	5,154
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,611)	0	0	0	(170)	0	(2,781)
Revaluation increases/(decreases) recognised in the Provision of Services	(18,379)	0	0	(1)	(137)	0	(18,517)
Capital expenditure written off	(7,854)	0	(94)	(52)	0	(14)	(8,014)
Derecognition - disposals	(754)	(1,200)	0	0	(17)	0	(1,971)
Other movements in cost or valuation *	7,854	0	4,579	52	0	24,433	36,918
Cost or Valuation as at 31 March 2014	207,547	10,542	102,829	131	8,120	12,175	341,344
Property, Plant & Equipment Depreciation							Total
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant & Equipment £000
Accumulated Depreciation & Impairment as at 1 April 2013	(9,837)	(8,103)	(16,063)	(6)	(1)	0	(34,010)
Depreciation charge	(4,771)	(776)	(2,328)	(1)	(55)	0	(7,931)
Depreciation written out to the Revaluation Reserve	242	0	0	0	0	0	242
Depreciation written out to the Surplus/Deficit on the Provision of Services	162	0	0	0	38	0	200
Impairment losses/(reversals) recognised in the Revaluation Reserve	1,853	189	0	0	5	0	2,047
Derecognition - disposals	161	984	0	0	0	0	1,145
Accumulated Depreciation & Impairment as at 31 March 2014	(12,190)	(7,706)	(18,391)	(7)	(13)	0	(38,307)
Net Book Value as at 31 March 2014	195,357	2,836	84,438	124	8,107	12,175	303,037
Net Book Value as at 31 March 2013	181,936	2,594	68,045	126	4,201	39,837	296,739
Net Book Value as at 31 March 2012	147,767	2,465	54,360	127	4,725	52,281	261,725



Movements in 2012/2013:

Property, Plant & Equipment Movements	Other Land	Vehicles, Plant	Infrastructure	Community	Surplus	Assets Under	Total
	and Buildings	and Equipment	Assets	Assets	Assets	Construction	Property,
	£000	£000	£000	£000	£000	£000	Plant & Equipment £000
Cost or Valuation as at 1 April 2012	153,527	9,902	68,566	132	4,760	52,281	289,168
Appropriations	62,827	0	10,213	0	1,189	(74,229)	0
Assets reclassified to/from held for sale	(12)	0	0	0	(75)	0	(87)
Additions	400	1,032	4,634	0	0	604	6,670
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,463	0	0	0	(141)	0	2,322
Revaluation increases/(decreases) recognised in the Provision of Services	(27,174)	0	0	0	(1,431)	0	(28,605)
Capital expenditure written off	(2,811)	(2)	(160)	(88)	0	(23)	(3,084)
Derecognition - disposals	(258)	(237)	0	0	(100)	0	(595)
Other movements in cost or valuation *	2,811	2	855	88	0	61,204	64,960
Cost or Valuation as at 31 March 2013	191,773	10,697	84,108	132	4,202	39,837	330,749

Property, Plant & Equipment Depreciation	Other Land	Vehicles, Plant	Infrastructure	Community	Surplus	Assets Under	Total
	and Buildings	and Equipment	Assets	Assets	Assets	Construction	Property,
	£000	£000	£000	£000	£000	£000	Plant & Equipment £000
Accumulated Depreciation & Impairment as at 1 April 2012	(5,760)	(7,437)	(14,206)	(5)	(35)	0	(27,443)
Depreciation charge	(4,205)	(903)	(1,857)	(1)	(49)	0	(7,015)
Depreciation written out to the Revaluation Reserve	0	0	0	0	8	0	8
Depreciation written out to the Surplus/Deficit on the Provision of Services	3	0	0	0	62	0	65
Appropriations	84	0	0	0	(84)	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	18	0	0	0	13	0	31
Derecognition - disposals	23	237	0	0	84	0	344
Accumulated Depreciation & Impairment as at 31 March 2013	(9,837)	(8,103)	(16,063)	(6)	(1)	0	(34,010)

\* Note: Amounts included in 'Other movements in cost or valuation' relates to capital expenditure incurred during the year, £28.9 million of which has been added to asset base and £8.014 million of which has been written off as no increase to the asset value has resulted. The majority of capital expenditure incurred during 2013/2014 was on assets at the Works site, such as the 3-16 School, the Learning Zone, the Multi-Storey Car Park, the Energy Centre, the Sports Centre and the associated road network and infrastructure. Other significant capital spend in the year was on Ebbw Vale and Abertillery Town Centre Regeneration and on Highways Improvements throughout the County Borough.

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## 29.2 Depreciation Methods and Useful Lives

Depreciation calculated on a straight-line basis has been charged on all operational assets, with the exception of assets under construction. Where qualifying assets have been acquired or disposed of part way through the year, depreciation has been charged on a daily basis.

For buildings, a technical assessment of the useful life of the asset is made by the Authority's Principal Quantity Surveyor.

For other asset-types, the following standard lives have been used to calculate depreciation amounts:

Asset Type	Standard Life (Years)
Vehicles	5
Equipment <sup>†</sup>	10
I.T. Equipment	5
Infrastructure Assets	40
Street Lighting	40

<sup>†</sup>: In some cases the relevant technical officer may provide a different assessment of the useful life.

## 29.3 Capital Commitments

Within the Authority's 2013/2014 capital programme, £18.494m relates to schemes that were contractually committed as at 31 March 2014 (£20.844m contractually committed as at 31 March 2013):

Capital Commitments	Commitment	Estimated	Commitment	Estimated
	Value	Timescale for	Value	Timescale for
	2013/2014	Completion	2012/2013	Completion
	£000	No of Years	£000	No of Years
General Offices	468	1	0	0
Learning Works - Learning Zone & Energy Centre (Leadbitter)	615	1	489	1
Regeneration of Former Steelworks Site	2,121	1	2,121	1
Replacement of Ysgol Gymraeg School	0	0	75	1
Learning Works - Leisure Centre (Willmott Dixon)	486	1	5,037	1
Learning Works - Multi Storey Car Park (Willmott Dixon)	89	1	89	1
Learning Works - 3-11 / SEN/ ICC (Leadbitter)	306	1	443	1
Highways Maintenance Works (Tarmac)	712	1	478	2
Learning Works - Various Infrastructure	1,288	1	1,376	1
Ebbw Fawr Learning Community Secondary Phase	802	1	7,102	1
Libanus Road	0	0	317	1
Cycle Routes	9	0	238	1
Learning Works - Hot Mill Southern Access Road	0	0	233	1
Car Park Mount Street Ebbw Vale	0	0	415	1
Local Government Borrowing Initiative - Trinant Hall	288	1	0	0
The Works - Station Square	275	1	0	0
Demolition Ebbw Vale Comprehensive	317	1	0	0
Flying Start Projects	1,386	1	0	0
Ebbw Vale Town Centre - Mechanical Link	2,369	1	0	0
Abertillery Multi Storey Car Park	1,978	1	0	0
Highways - Peripheral Distributor Road & Cemetery Road	718	1	0	0
Ebbw Vale Town Centre - Bus & Taxi Rank	720	1	0	0
Abertillery TC Prominent Buildings & Foundry Bridge	927	1	0	0
Other*	2,620	0	2,431	0
<b>Total</b>	<b>18,494</b>		<b>20,844</b>	

*Other\*: This includes various schemes e.g. Footway reconstruction works, Six Bells group repair scheme, Bowls Pavilion at Bedwellty Park, retentions outstanding on various infrastructure projects (2012/2013: Footway reconstruction works, Six Bells group repair scheme, Bowls Pavilion at Bedwellty Park, Pedestrian ramp at The Rookery, General Offices refurbishment).*

## 29.4 Revaluations

The Authority has adopted a rolling programme of revaluations to ensure that all assets are revalued at intervals of not more than 5 years.

In 2013/2014, the Authority's surplus assets, miscellaneous land assets and assets on the Works site were revalued by the Authority's Principal Estates Officer, P.J. Miles BSc. (Hons), MRICS.

Valuations were carried out using the bases outlined in the Accounting Policies (page 56), in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors and resulted in a net decrease in value to the Authority's assets of £19.06 million.

Assets (other than infrastructure and VPE) have been valued at fair value. Fair value is defined as the amount that would have to be paid for the asset in its existing use. This requirement is met by providing valuations on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards.

All assets subject to revaluation during 2013/2014, along with an asset from each different class of asset, have been assessed for material components. The revaluations of those components, where considered to be material are included in the figures below.

The following statement shows the total gross value of assets re-valued during each relevant financial year using historical cost and current valuation methods. This provides an indication of the progress of the Authority's 5-year rolling programme for the revaluation of fixed assets.

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	Total £000
<b>Non-Current Asset Valuations</b>						
Current Value:						
Heritage Assets	0	0	413	0	0	413
Other Land & Buildings	84,125	55,846	24,118	170,427	95,947	430,463
Community Assets	3	0	0	25	5	33
	84,128	55,846	24,531	170,452	95,952	430,909
Historic Cost:						
Infrastructure	0	0	0	0	0	0
Vehicles Plant & Equipment	622	513	142	206	516	1,999
	622	513	142	206	516	1,999
<b>Total cost or valuation:</b>	<b>84,750</b>	<b>56,359</b>	<b>24,673</b>	<b>170,658</b>	<b>96,468</b>	<b>432,908</b>

## 29.5 Capital Expenditure and Financing

Of the £37.988m capital investment made in 2013/2014, £28.195m was financed in-year through the application of capital receipts, government grants and contributions from revenue. The remaining £9.793m capital financing requirement has been funded through borrowing, as indicated below:

Capital Expenditure & Financing	2013/2014		2012/2013	
	£000	£000	£000	£000
Capital Investment: Property, Plant & Equipment	34,370		71,119	
Capitalisation Direction	115		1,519	
REFCUS	3,503		3,711	
		37,988		76,349
Sources of Finance:				
Revenue Provision	(541)		(621)	
Capital expenditure charged to the Council Fund	0		0	
Capital Receipts	(806)		(989)	
Government Grants & Other Contributions	(26,848)		(62,319)	
		(28,195)		(63,929)
Increase in capital financing requirement:		9,793		12,420
Explanation of in-year movements:				
Borrowing Supported by Government Financial Assistance		2,097		2,567
Borrowing Unsupported by Government Financial Assistance		7,696		9,853
Total borrowing:		9,793		12,420

### 30. Heritage Assets

The Authority owns the following heritage assets, classed as Monuments, preserved principally for their contribution to knowledge and culture:

Heritage Assets (On Balance Sheet)	Estimated Cost/Valuation £000	Description
The Guardian, Six Bells	259	'Guardian' is the largest mining memorial in Wales and commemorates the 1960 Six Bells mining disaster in which 45 men and boys lost their lives in an underground gas and coal dust explosion. The memorial is a 12.6 meter high statue of a miner, constructed from over 20,000 individual slices of 10mm thick steel and stands on a 7.4 meter high sandstone plinth.
Ebbw Vale War Memorial	154	Unveiled September 24th 1924 by Sir Frederick Mills. Listed as an unusually elaborate war memorial, in a prominent setting.

These monuments have been valued on an insurance replacement cost basis.

Reconciliation of the carrying amount of heritage assets held by the Authority is as follows:

Heritage Assets	2013/2014		2012/2013	
	Monuments	Total Assets	Monuments	Total Assets
	£'000	£'000	£'000	£'000
Valuation 1 April	413	413	413	413
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluation increase/decreases	0	0	0	0
Impairment losses recognised in the revaluation reserve	0	0	0	0
Impairment losses recognised in the surplus or deficit	0	0	0	0
Depreciation	0	0	0	0
Valuation 31 March	413	413	413	413

These heritage assets are not depreciated as their useful life is deemed to be indefinite.

The following assets meet the definition of 'heritage assets', but have not been included on the Authority's Balance Sheet:

Heritage Assets (Not Reported on Balance Sheet)	Description
Marine Colliery Pumping Engine	A steam pumping engine built by Hathorn Davey of Leeds in 1893 and formerly used at Marine Colliery. Regarded as of national importance as a rare colliery pumping engine surviving intact from the late 19th century. There is no cost or valuation information available for this asset and the cost of obtaining a valuation is likely to be prohibitive compared to the value.
Sirhowy Ironworks	The impressive remains at Sirhowy Ironworks is the only 18th century ironworking complex still visible in the County Borough. There is no cost or valuation information available for this asset and the cost of obtaining a valuation is likely to be prohibitive compared to the value.
Aneurin Bevan Stones	This monument commemorates Aneurin Bevan, born in Tredegar in 1897 and elected M.P. for the area in 1929. The central monolith represents Aneurin Bevan himself, whilst three satellite stones represents his constituents in Ebbw Vale, Tredegar and Rhymney. No cost or valuation information is available for this asset and the cost of obtaining a valuation is likely to be prohibitive compared to the value.
Clydach Coal Level	A pair of well preserved and dated coal levels with a tramroad connection to the Clydach Railroad. There is no cost or valuation information available for this asset and the cost of obtaining a valuation is likely to be prohibitive compared to the value.
Ebbw Vale Furnace Bank (aka 45 Yard)	Listed as an extremely scarce survival of a vast furnace bank, begun in the late 18th century, preserved largely intact. In size, only the furnace bank at Cyfarthfa may be a larger contemporary survival nationally and internationally. There is no cost or valuation information available for this asset and the cost of obtaining a valuation is likely to be prohibitive compared to the value.
Llandafal Colliery Ventilation Furnace	This ventilation furnace probably dates from mining developments in the 1840s or 1850s. Listed as an early air furnace colliery chimney, the only one of this typical form known to survive in South Wales. There is no cost or valuation information available for this asset and the cost of obtaining a valuation is likely to be prohibitive compared to the value.
Sirhowy Ironworks Boundary Stone	Dated 1818 and erected as boundary stone for Sirhowy Ironworks. Listed as a rare survival of an early 19th century industrial boundary stone with unusual history. There is no cost or valuation information available for this asset and the cost of obtaining a valuation is likely to be prohibitive compared to the value.
Civic Regalia	Comprising the Mayoral Chain, Mayoress Chain and Civic Mace. The Authority has an insurance valuation for this asset, which is lower than the £50,000 de minimus threshold for adding assets to the balance sheet.

A number of other assets were considered for inclusion as Heritage Assets, including Bedwelty House and Park, the Ebbw Vale Works General Offices, Llanhilleth Miners' Institute, Newtown Bridge and St. Illtyds Church, but these were assessed as being operational in nature and have been retained within their existing Balance Sheet asset classifications.

## 31. Leases

### 31.1 Authority as Lessee - Finance Leases

The Council has acquired a number of material assets under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Lessee: Finance Lease Acquisitions	31 March 2014 £000	31 March 2013 £000
Other Land & Buildings	0	0
Vehicles, Plant & Equipment	1,386	1,187
<b>Total</b>	<b>1,386</b>	<b>1,187</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the non-current liability for the asset 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:

Finance Lease Minimum Payments	31 March 2014 £000	31 March 2013 £000
Finance lease liability	1,090	875
Finance costs payable in future years	76	112
<b>Minimum lease payments</b>	<b>1,166</b>	<b>987</b>

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

Minimum Lease Payments	31 March 2014		31 March 2013	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£000	£000	£000	£000
Not later than one year	343	312	394	332
Later than 1 year and not later than 5 years	743	701	593	543
Later than 5 years	80	75	0	0
<b>Total</b>	<b>1,166</b>	<b>1,088</b>	<b>987</b>	<b>875</b>



### 31.2 Authority as Lessee - Operating Leases

The Authority has acquired various vehicles and equipment by entering into operating leases, with typical lives of 5 years. The future minimum lease payments due under non-cancellable leases in future years are:

Operating Lease Minimum Payments	31 March 2014		31 March 2013	
	Vehicles, plant & equipment	Other land & buildings	Vehicles, plant & equipment	Other land & buildings
	£000	£000	£000	£000
Not later than one year	196	257	231	269
Later than 1 year and not later than 5 years	207	1,028	324	1,032
Later than 5 years	0	2,407	0	2,664
<b>Total Minimum Lease Payments</b>	<b>403</b>	<b>3,692</b>	<b>555</b>	<b>3,965</b>

The expenditure charges to service revenue accounts in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

Operating Leases	2013/2014		2012/2013	
	Vehicles, plant & equipment	Other land & buildings	Vehicles, plant & equipment	Other land & buildings
	£000	£000	£000	£000
Minimum lease payments	264	257	282	269
<b>Total</b>	<b>264</b>	<b>257</b>	<b>282</b>	<b>269</b>

### 31.3 Authority as Lessor - Finance Leases

In 2011/2012, the Authority entered into a 50 year arrangement to lease part of the General Offices building in Ebbw Vale to the Gwent Joint Records Committee hosted by Torfaen CBC, for housing of the Gwent County Archives facility.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining lease term. The lease has been calculated on the assumption that the asset will have no residual value at the end of the arrangement.

The gross investment in the lease is made up as follows:

Finance Lease Debtor	31 March 2014	31 March 2013
	Other land & buildings	Other land & buildings
	£000	£000
Current	46	44
Non Current	4,354	4,401
Unearned Finance Income	0	0
Unguaranteed Residual Value of Property	(566)	(566)
<b>Total</b>	<b>3,834</b>	<b>3,879</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in Lease		Minimum Lease Payments	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	Other land & buildings £000	Other land & buildings £000	Other land & buildings £000	Other land & buildings £000
Finance Leases - Lessor				
Not later than one year	46	44	269	269
Later than 1 year and not later than 5 years	210	200	1,074	1,074
Later than 5 years	3,579	3,635	8,687	8,955
<b>Total</b>	<b>3,835</b>	<b>3,879</b>	<b>10,030</b>	<b>10,298</b>

#### 31.4 Authority as Lessor - Operating Leases

The Authority leases out land and buildings under operating leases.

The minimum lease payments receivable under non-cancellable leases in future years are:

Operating Lease Minimum Payments	31 March 2014 £000	31 March 2013 £000
Not later than one year	212	155
Later than 1 year and not later than 5 years	777	382
Later than 5 years	497	416
<b>Total Minimum Lease Payments</b>	<b>1,486</b>	<b>953</b>

#### 32. Non-Current Investments

Non-current investments consist of investments related to the Authority's share of investments in the Local Government Pension Scheme and a 100% shareholding in Silent Valley Waste Services Ltd.

##### 32.1 Summary of Non-Current Investments in Balance Sheet

Non-Current Investments	31 March 2014 £000	31 March 2013 £000
Silent Valley Waste Services Ltd.	250	250
<b>Total Non-Current Investments</b>	<b>250</b>	<b>250</b>

### 32.2 Silent Valley Waste Services Ltd. (SVWS)

The Authority is the owner of the Local Authority waste disposal company - Silent Valley Waste Services Ltd.. The Authority is the sole shareholder, providing £250,000 share capital of 1,000 ordinary shares and 249,000 redeemable shares of £1 each. The latter are redeemable at the sole option of the Authority. The company was established in 1994 in accordance with Part V of the Local Government and Housing Act 1989.

In 2011 the Environment Agency Wales issued a closure notice for the landfill site at Cwm, Ebbw Vale. On 22 August 2011, the site stopped accepting waste to landfill. Silent Valley Waste Service Ltd. continues to manage the Waste Transfer Station and the associated bulking and transportation of the Authority's waste at this facility, the Authority's Civic Amenity Sites and the operations at the Leachate Lagoon.

Following a restructure in May 2012, the company had four registered directors, three of whom (D. Waggett, J. Parsons and D. McAuliffe) were senior employees of BGCBC. One of the stated purposes of this restructure was for the Authority to take control of activities at Silent Valley Waste Services. Consequently, Group Accounting statements are required for financial years commencing 1 April 2012. These have been included on pages 159-184, based on the company's final accounts, which were approved by the Silent Valley Board on 14 July 2014.

*The Company's Accounts and further information can be obtained from:*

D.C. James, Beechwood House, Cwm, Ebbw Vale, Gwent NP23 6PZ

### 33. Non-Current Debtors

Non-current debtors in the balance sheet consist of the following:

Non-Current Debtors	2013/2014 £000	2012/2013 £000
County Archives Lease Debtor	4,354	4,401
Newport City Council Managed Debt	131	157
Properties in Possession	3	2
Sale of Council Houses Advances	3	16
<b>Total Non-Current Debtors</b>	<b>4,491</b>	<b>4,576</b>

### 34. Assets Held for Sale

Assets Held for Sale are items of property, plant or equipment or a group of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the Authority. The asset must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value, and the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

Transactions relating to these assets were as follows:

	2013/2014 Non Current £000	2012/2013 Non Current £000
Assets Held for Sale		
Balance Outstanding at Start of Year	195	330
Assets newly classified as held for sale:		
Property, Plant & Equipment	263	12
Property, Plant & Equipment Surplus	51	75
Additions	0	0
Revaluation Losses	0	0
Revaluation Gains	0	0
Assets declassified as held for sale:		
Property, Plant & Equipment	(120)	0
Assets Sold:	(389)	(222)
Balance Outstanding at Year-end	0	195

In 2013/2014, the Comprehensive Income and Expenditure Statement net gain on disposal of assets included £0.389m of asset valuations written off on disposal together with associated capital receipts of £0.572m, giving a gain on disposal of assets held for sale of £0.183m. (In 2012/2013, the Comprehensive Income and Expenditure Statement net gain on disposal of assets included £0.222m of asset valuations written off on disposal together with associated capital receipts of £0.261m, giving a gain on disposal of assets held for sale of £0.039m).

### 35. Inventories

The following transactions occurred in respect of inventories (stocks and work-in-progress):

Inventories	General Stores £000	Transport Stores £000	Street Lighting £000	Monwel Hankinson £000	Catering & Cleaning Stocks £000	Theatres & Cinemas £000	Other £000	Total £000
Balance at 1 April 2012	497	405	530	86	143	9	10	1,680
Purchases	1,779	766	1,076	302	1,244	36	22	5,225
Recognised as an expense in the year	(1,463)	(786)	(1,001)	(305)	(1,267)	(39)	(18)	(4,879)
Written off balances	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2013</b>	<b>813</b>	<b>385</b>	<b>605</b>	<b>83</b>	<b>120</b>	<b>6</b>	<b>14</b>	<b>2,026</b>
Purchases	1,201	649	933	0	1,153	24	18	3,978
Recognised as an expense in the year	(1,411)	(589)	(908)	(83)	(1,167)	(27)	(20)	(4,205)
Written off balances	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>603</b>	<b>445</b>	<b>630</b>	<b>0</b>	<b>106</b>	<b>3</b>	<b>12</b>	<b>1,799</b>

### 36. Debtors

Amounts owing to the Authority, net of impairment, were as follows:

Debtors	31 March 2014		31 March 2013	
	£000	£000	£000	£000
<b>Central Government</b>				
Welsh Government	11,704		18,697	
European Funding Bodies	1,298		314	
HM Revenue & Customs	1,245		2,248	
Department of Work and Pensions	0		2,627	
Other	27		299	
		14,274		24,185
<b>Local Authorities</b>				
Caerphilly County Borough Council	407		196	
Monmouthshire County Council	557		976	
Newport City Council	161		237	
Torfaen County Borough Council	3,915		770	
Other	472		146	
		5,512		2,325
<b>NHS</b>				
Aneurin Bevan Local Health Board	164		592	
		164		592
<b>Other Debtors</b>				
Council Tax	1,897		2,257	
Other Entities and Individuals	6,586		6,570	
		8,483		8,827
<b>Total Debtors:</b>		28,433		35,929

Outstanding debtor balances can also be analysed as follows:

Debtors	31 March 2014	31 March 2013
	£000	£000
Prepayments	500	468
Related Parties	3	14
Trade Customers	1,144	797
Other Debtors	26,786	34,650
<b>Total Debtors:</b>	<b>28,433</b>	<b>35,929</b>

Where possible, debtor balances have been reduced to eliminate sums that have not been written off but are deemed to be irrecoverable. Impairment allowance accounts have been established for the following debtors, to provide for the calculated amount of bad or doubtful debts.

Debtor Impairment	31 March 2014			31 March 2013		
	Debtor	Impairment	Net	Debtor	Impairment	Net
	£000	£000	£000	£000	£000	£000
Land & Property Charges	1,368	(1,253)	115	1,397	(1,276)	121
Council Tax	3,647	(1,750)	1,897	4,102	(1,845)	2,257
Sundry Debtors	3,218	(496)	2,722	4,723	(1,138)	3,585
Dangerous Structures	163	(163)	0	163	(163)	0
Housing Benefits	312	(62)	250	259	(32)	227
<b>Total</b>	<b>8,708</b>	<b>(3,724)</b>	<b>4,984</b>	<b>10,644</b>	<b>(4,454)</b>	<b>6,190</b>

### 37. Creditors

Amounts owed by the Authority were as follows:

Creditors	31 March 2014		31 March 2013	
	£000	£000	£000	£000
<b>Central Government</b>				
Welsh Government	(2,221)		(5,320)	
European Funding Bodies	(1,297)		(2,246)	
Public Works Loan Board	(709)		(899)	
HM Revenue & Customs	(371)		(366)	
Department of Work and Pensions	(1,059)		(35)	
Other	(113)		(193)	
		(5,770)		(9,059)
<b>Local Authorities</b>				
Caerphilly County Borough Council	(477)		(176)	
Monmouthshire County Council	(102)		(44)	
Newport City Council	(199)		(45)	
Torfaen County Borough Council	(541)		(302)	
Other	(276)		(205)	
		(1,595)		(772)
<b>NHS</b>				
Aneurin Bevan Local Health Board	(80)		(35)	
		(80)		(35)
<b>Other Creditors</b>				
Capital Creditors	(1,372)		(50)	
Council Tax Payers Credits	(723)		(645)	
Other Entities and Individuals	(5,997)		(7,122)	
		(8,092)		(7,817)
<b>Total Creditors:</b>		<b>(15,537)</b>		<b>(17,683)</b>

Outstanding creditor balances can also be analysed as follows:

Creditors	31 March 2014	31 March 2013
	£000	£000
Receipts in Advance	(3,543)	(7,505)
Related Parties	(32)	(52)
Trade Customers	(759)	(808)
Other Creditors	(11,203)	(9,318)
<b>Total</b>	<b>(15,537)</b>	<b>(17,683)</b>



## 38. Provisions, Contingent Liabilities and Contingent Assets

### 38.1 Provisions

Provision	Purpose	Timescale for Utilisation	Uncertainties, Assumptions and Potential Reimbursement
Back Pay	To provide for outstanding amounts estimated in relation to back pay claims and associated tax and pension liabilities.	Inherently uncertain; from 2014/2015.	The sum included in the provision for back pay represents a reasonable estimate of the possible financial impact of the liability arising from these claims. There are diverging legal views and uncertainty regarding the need to recognise a provision in respect of pension contributions on equal pay settlements. The Authority has decided to include pension contributions, but future legal opinion may change this position.
Carbon Reduction Commitment	To provide for purchase of allowances arising from in year production of carbon emissions.	To be utilised in 2014/2015.	Provision is based on relevant utility readings for 2013/2014, some of which have been estimated.
Early Terminations	To provide for known sums in relation to early terminations where these had been approved prior to the end of the financial year.	Redundancy payments expected to be settled in 2014/2015.	The provision for early terminations comprises the known value of redundancy payments occurring after 31 March 2014 for which a legal or constructive obligation existed at that date. This obligation may have been through approval of the individual redundancies or through a decision that has a material impact on the structure or functions of the Authority. It is assumed that all employees included within the provision will have left during the next financial year.
Employment Tribunal	To pay amounts agreed by employment tribunal.	To be utilised in 2014/2015.	No uncertainties, assumptions or reimbursement relating to this provision.
Job Evaluation Back Pay & Compensation	To provide for the costs of back pay and compensation payable to employees as a result of the Job Evaluation Process.	Utilised in 2013/2014.	In the majority of cases, offers of compensation and back pay lapsed following the final COT3 signing sessions in August 2012. However, there were a number of ad-hoc signings when staff agreed to settle. It has been assumed that there are no further financial obligations relating to these declined offers.
Part 1 & Land Compensation Claims	To provide for claims under Part 1 of the Land Compensation Act 1973 in relation to depreciation of the value of an interest in land by physical factors caused by the use of public works.	There is uncertainty with regards to the timescale for agreement.	The sum provided is an estimate based on total proposed settlements, but is subject to change. Additional claims could become payable in respect of a number of other public works in the County Borough. It is assumed that all settlements will be as offered and no reimbursements will be expected.
Short Term Compensated Absences	To provide for known liabilities arising from the costs of accruing staff leave, flexi-time and lieu time balances at the end of the financial year.	To be utilised in 2014/2015.	In some cases the accrual is based on estimates of annual leave/ flexi leave entitlements. It has been assumed that entitlement data provided is accurate and up to date.
Silent Valley Capping Costs	To fund the future costs of capping the Silent Valley waste site.	Utilised in 2012/2013.	Capping works are substantially complete. Residual works are being funded by Silent Valley Waste Services Ltd.
Insurance	To provide for known insurance liabilities, including sums relating to the Municipal Mutual Insurance Scheme of Arrangement originally established in 1994 under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006).	To be utilised from 2013/2014 on settlement of claims.	The amount and timing of settlement of insurance claims are inherently uncertain. It has been assumed that the timing and value of the settlement of future claims will be similar to known claims history. As all known claims fall below the Authority's excess level(s) there is not expected to be any reimbursement by the Authority's insurers. In November 2012 the Directors and Board of Municipal Mutual Insurance agreed to the irrevocable triggering of the Scheme of Arrangement in order to avoid insolvent liquidation. As a result, the Authority has included £0.021m in the Insurance Provision, set at 15% of total outstanding claims. In addition, £0.023m has been included in respect of MMI claims for the former Gwent County Council.

Provision	Purpose	Timescale for Utilisation	Uncertainties, Assumptions and Potential Reimbursement
Reservoir Act	To provide for known costs of studies, investigations and remedial works arising from Environment Agency enforcement notices.	Completion of works in 2015.	This provision is for the estimated contract cost for works involved. The Authority is pursuing appropriate cost reimbursement from the owners.
Valuation of Contracts	Resolution of disputed final account contract valuations for works undertaken on The Works site.	Settlement in 2014.	There are no uncertainties, assumptions or reimbursements relating to this provision.

Movements in these provisions during 2013/2014 were as follows:

Provision Movements	Balance at	Net	Balance at	Additional	Amounts	Unused	Unwinding of	Balance at
	1 April 2012	Movements		1 April 2013	Provisions	Used in		
	£000	£000	£000	made in	2013/2014	Reversed in	2013/2014	£000
				2013/2014	£000	2013/2014	£000	£000
<b>Current Provisions</b>								
<b>Employee Provisions:</b>								
Back Pay	(2,295)	1,802	(493)	(98)	415	30	0	(146)
Early Terminations	(1,029)	(425)	(1,454)	(1,385)	1,339	115	0	(1,385)
Employment Tribunal	(201)	201	0	(8)	0	0	0	(8)
Job Evaluation Back Pay & Compensation	(2,633)	2,502	(131)	(239)	340	30	0	0
Short Term Compensated Absences	(2,289)	606	(1,683)	(2,068)	1,683	0	0	(2,068)
<b>Other Provisions:</b>								
Carbon Reduction Commitment	(167)	4	(163)	(169)	165	0	0	(167)
Insurance	(452)	29	(423)	(245)	57	91	0	(520)
Part 1 & Land Compensation Claims	0	(141)	(141)	(613)	0	0	0	(754)
Reservoir Act	(300)	24	(276)	(492)	18	0	0	(750)
Silent Valley Capping Costs	(909)	909	0	0	0	0	0	0
Valuation of Contracts	0	0	0	(5,708)	0	0	0	(5,708)
	(10,275)	5,511	(4,764)	(11,025)	4,017	266	0	(11,506)
<b>Non-Current Provisions</b>								
Insurance	(834)	(172)	(1,006)	(129)	375	283	0	(477)
	(834)	(172)	(1,006)	(129)	375	283	0	(477)
<b>Total Provisions:</b>	<b>(11,109)</b>	<b>5,339</b>	<b>(5,770)</b>	<b>(11,154)</b>	<b>4,392</b>	<b>549</b>	<b>0</b>	<b>(11,983)</b>

## 38.2 Contingent Liabilities

- Under the terms of the Municipal Mutual Insurance Scheme of Arrangement, the Authority is responsible for the payment of a percentage towards future claims, potentially for many years due to the inherent long-tail nature of the insured risks.
- As part of the legal agreements associated with the transfer of the Authority's Housing Stock to Tai Calon, a number of warranties and indemnities have been provided for a period of 32 years from the transfer date, covering areas including environmental, asbestos and redevelopment issues. The limit to claims made against these warranties is £15,000 for each property (uprated annually by RPI), with the exception of warranties for environmental pollution and asbestos, where the limits are £125m (environmental pollution and asbestos - works indemnity) and without limit (asbestos - personal injury and death). Claims are subject to an excess level below which the Authority is not liable to reimburse Tai Calon, these being £5,000 generally and £4.7625m for Asbestos works. Potential liabilities that could arise in respect of environmental pollution have been mitigated by means of insurance policies, providing aggregate cover of £30m. At this stage, there have been no claims associated with the warranties provided and it is not possible to determine the extent and value of claims that may arise in the future.
- Although not the owner of the site, the Authority has responsibilities under the Reservoirs Act 1975 and has been deemed jointly and severally liable with the owners of Waun Pond for works required under a Section 10 Inspection. The Authority & owners are the subject of Enforcement Notices served by the Environment Agency/Natural Resources Wales for completion of these works. It is the intention of the Authority to complete civil works during 2014/2015 in line with the respective enforcement notices and a provision of £0.750m has been established to cover the capital costs. The Authority is still investigating legal address to recover an appropriate share of the costs from the owners of the site.
- The Authority has received a number of Part 1 claims arising under the 1973 Land Compensation Act in relation to a number of public works projects. While it is not yet possible to determine the final number and value of these claims in compliance with the Act and the full extent to which settlement will be made, a provision has been included for those claims where offers have been made.
- The Authority will potentially have to make payments in settlement of a number of outstanding employee claims that could also involve disciplinary action or termination of employment.
- In 2002, Capita Gwent Consultancy was formed as a joint venture arrangement for the provision of transport consultancy, engineering and related services. The Capita Symonds group were the majority shareholders with a 51% stake, with Blaenau Gwent CBC, Caerphilly CBC, Monmouthshire CC and Torfaen CBC each having a minority shareholding of 12.25%. Capita Gwent was admitted into the Greater Gwent (Torfaen) Pension Fund in September 2002. This arrangement ended on 31 August 2012 at the end of the contract agreement and consequently Capita Gwent Consultancy left the pension fund. The former Gwent Local Authorities are currently negotiating the settlement of pension past service liabilities arising, which have been estimated by the Fund Actuary as £7.9m in total. The timing and value of payments to be made by this Authority to settle its share of these liabilities is not yet known.
- In transferring Monwel Hankinson from local authority control to a social enterprise (Monwel Limited), the authority agreed to act as guarantor in order that the enterprise could enter the Greater Gwent (Torfaen) Pension Fund as an admitted body. In the event that Monwel defaults on any or all of its payments in relation to its pension obligations, the Authority has agreed to act as guarantor of last resort. On transfer, the Actuary estimated these liabilities to be £0.110m. There is an expectation that after an initial 3 year period, Monwel will source a bond in order to mitigate its liabilities.

## 38.3 Contingent Assets

No contingent assets have been identified.

## 39. Non-Current Liabilities

The Authority holds the following balances as non-current liabilities.

Non Current Liabilities	2013/2014 £000	2012/2013 £000
Deferred Liabilities	(1,063)	(880)
Net Pensions Liability	(171,677)	(197,030)
<b>Total Non Current Liabilities</b>	<b>(172,740)</b>	<b>(197,910)</b>

#### 40. Financial Instruments

##### *Fair Value of Assets and Liabilities carried at Amortised Cost*

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value has been assessed as the net present value (NPV) of the cash flows that will take place over the remaining terms of the instruments.

Fair values calculated are as follows:

Financial Assets	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Temporary Investments - Cash Deposits	0	0	0	0
Temporary Investments - Fixed Term Deposits	0	0	0	0
War Bonds	4	4	4	4
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

Fair value disclosures have not been calculated for short term receivables (debtors) as the carrying amount is a reasonable approximation of fair value.

Financial Liabilities	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB loans	(80,352)	(86,012)	(88,279)	(99,667)
LOBO loan	(4,046)	(4,148)	(4,047)	(4,363)
Market	(23,000)	(22,972)	(8,000)	(7,988)
Newport Debt	0	0	(86)	(86)
Temporary Loans	(24,620)	(24,638)	(25,220)	(25,222)
<b>Total</b>	<b>(132,018)</b>	<b>(137,770)</b>	<b>(125,632)</b>	<b>(137,326)</b>

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans, namely PWLB annuity and Lender's Option Borrower's Option (LOBO), where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount the Authority would have to pay if the lender requested or agreed to early repayment of loans.

Fair value disclosures have not been calculated for short term payables (creditors) as the carrying amount is a reasonable approximation of fair value.

### Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Instrument Balances	31 March 2014		31 March 2013	
	Non-Current £000	Current £000	Non-Current £000	Current £000
<b>Financial Liabilities</b>				
Financial liabilities at amortised cost	(98,924)	(33,094)	(92,360)	(33,272)
<b>Total Borrowings</b>	<b>(98,924)</b>	<b>(33,094)</b>	<b>(92,360)</b>	<b>(33,272)</b>
<b>Financial Assets</b>				
Loans & receivables	0	4	0	4
Available for Sale - Unquoted equity investment at cost	250	0	250	0
<b>Total Investments</b>	<b>250</b>	<b>4</b>	<b>250</b>	<b>4</b>

#### Note: Silent Valley Waste Services Ltd.:

Where a reliable fair value cannot be established for an unquoted equity instrument then the investment should be measured at cost. In order to calculate a fair value for the investment in Silent Valley Waste Services, all future dividends receivable would need to be discounted to the value as at the Balance Sheet date. The time period for which such dividends would be receivable is undeterminable and therefore the asset has been measured at cost.

### Financial Instrument Gains/Losses

The gains and losses recognised in the Comprehensive Income & Expenditure Statement in relation to financial instruments are made up as follows:

Financial Instrument Gains/Losses	Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Total 2013/2014	Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Total 2012/2013
	£000	£000		£000	£000	
Interest payable and similar charges:						
Interest expense	4,021	0	4,021	3,992	0	3,992
Interest and investment income:						
Interest income	0	(28)	(28)	0	(37)	(37)
<b>Net gain/(loss) for the year:</b>	<b>4,021</b>	<b>(28)</b>	<b>3,993</b>	<b>3,992</b>	<b>(37)</b>	<b>3,955</b>

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### *Soft Loans*

Car loans are classified as soft loans and should be included in the Balance Sheet at fair value. Car loans have been included in the Balance Sheet at their carrying amount, as the difference between the fair value and carrying amount is considered to be immaterial. As at 31 March 2014, 260 car loans were outstanding with a total value of £0.997m (31 March 2013: 220 loans with a value of £1.058m).

#### **41. Disclosure of Nature and Extent of Risks Arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:

- Credit Risk - the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity Risk - the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market Risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

### *Overall Procedures for Managing Risk*

The Authority'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 defined through a legal framework set out in the Local Government Act 2003 and associated regulations and are managed by the Authority's Accountancy Division. These require compliance with the CIPFA Prudential Code of Practice, the CIPFA Treasury Management Code of Practice and investment guidance issued under the Local Government Act 2003. Overall, these procedures require the Authority 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 orders/constitution;
- by approving an Investment Strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance; and
- by approving annually in advance Prudential and Treasury Indicators for the following three years limiting:
  - the Authority'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; and
  - its maximum annual exposures to investments maturing beyond a year.

The above are required to be reported and approved at or before the Authority's annual Council Tax setting meeting 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 Authority'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 Prudential Indicators was approved by Council on 28 March 2013 and is available on the Authority's website.

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## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority'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 and Moody's Credit Rating 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 outlined above. Additional selection criteria are also applied after this initial criteria is applied by using Credit Default Swap (CDS) spread data and credit rating alerts. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term F1+, Long Term A+, Support 1 and Individual B/C (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- The Authority's Corporate Bank;
- Debt Management Office;
- Other local authorities.

The full Investment Strategy for 2013/2014 was approved by Council on 28 March 2013 and is available on the Authority's website.

The Authority's maximum exposure to credit risk in relation to its investments 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

However, all investments held by the Authority during the period are considered to be of low risk. No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance of any of its counterparties in relation to deposits.

## Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of Prudential Indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) and money markets for longer term funds. The Authority 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 finance to meet its commitments under financial instruments.

The source analysis of financial liabilities is as follows:

Financial Instruments	31 March 2014		31 March 2013	
	£000	%	£000	%
<b>Source of Loan</b>				
Public Works Loan Board	(81,172)	61.13	(89,138)	70.50
Newport CC Managed Debt	0	0.00	(86)	0.07
Lenders Option Borrowers Option (LOBO)	(4,000)	3.01	(4,000)	3.16
Market loans	(23,000)	17.32	(8,000)	6.33
Temporary Loans	(24,620)	18.54	(25,220)	19.94
<b>Total:</b>	<b>(132,792)</b>	<b>100.00</b>	<b>(126,444)</b>	<b>100.00</b>

The maturity analysis of financial liabilities is as follows:

Maturity of Loan	31 March 2014		31 March 2013	
	£000	%	£000	%
Maturing in less than 1 year	(33,094)	24.92	(33,273)	26.31
Maturing in 1-2 years	(8,260)	6.22	(8,474)	6.70
Maturing in 2-5 years	(18,436)	13.88	(8,756)	6.92
Maturing in 5-10 years	(13,619)	10.26	(15,795)	12.49
Maturing in more than 10 years	(59,383)	44.72	(60,146)	47.58
<b>Total:</b>	<b>(132,792)</b>	<b>100.00</b>	<b>(126,444)</b>	<b>100.00</b>

#### Market Risk

#### Interest Rate Risk

The Authority is exposed to risk in terms of exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income & Expenditure Statement will rise.
- Borrowings at fixed rates - the fair value of the liabilities will fall.
- Investments at variable rates - the interest income credited to the Comprehensive Income & Expenditure Statement will rise.
- Investments at fixed rates - the fair value of the assets will fall



Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact upon the Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income & Expenditure Statement and will affect the Council Fund Balance.

The Authority has a number of strategies for managing interest rate risk. The Treasury Management Strategy sets an upper limit on variable rate exposures at 30% of its net outstanding sums. During periods of falling interest rates, long term fixed rate borrowings will be postponed and potential rescheduling from fixed rate funding into short term funding will be considered, where economic circumstances make it favourable to do so. The risk of loss is partly ameliorated by the fact that the debt financing element of the Standard Spending Assessment, that determines the amount of Revenue Support Grant receivable for non-current debt financing costs, is based on Authorities' average borrowing costs for existing debt and statistical forecasts of future interest rates for in-year debt. Hence a proportion of any higher costs arising on non-current debt from increased interest rates would be met from the Revenue Support Grant in future years.

In setting the annual revenue budget, the Authority takes a prudent view when assessing interest rate exposure, so as to mitigate as far as possible any adverse implications upon the Comprehensive Income & Expenditure Statement.

Of the Authority's non-current debt, 95% is currently at fixed rates; only the LOBO is considered to be variable, although the chances of repayment being demanded are relatively small. The effect of a 1% increase in interest rates would therefore only affect the interest receivable and payable on its current investments and borrowings, and on the LOBO.

If interest rates had been 1% higher, with all other variables held constant, the financial effect would have been:

Interest Rate Risk	2013/2014 £000	2012/2013 £000
Increase in interest payable on current variable rate borrowings	154	211
Increase in interest receivable on current variable rate investments	(49)	(21)
Increase in interest payable on non-current variable rate borrowings	40	40
Share of overall impact debited to the HRA	0	0
<b>Net impact upon Comprehensive Income &amp; Expenditure Statement:</b>	<b>145</b>	<b>230</b>

The impact of a 1% fall in interest rates would have been as above but with the movements being reversed.

### Price Risk

The Authority does not invest in equity shares but does have a 100% shareholding to the value of £250,000 in Silent Valley Waste Services Ltd.. As the shareholding is unquoted the Authority is not exposed to losses arising from movements in the prices in the shares. The £250,000 shares are classified as unquoted investments at cost.

### Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to losses arising from movements in exchange rates.

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## 42. Post-Employment Benefits - Defined Contribution Plans (Teachers)

The Teachers' Pension Scheme is an unfunded scheme, in which pension benefit payments from the scheme are funded by current employee and employer contributions. The difference between these contributions and scheme expenditure are financed by the Exchequer. For 2013/2014, this net cash requirement was £3.361bn and total net scheme liabilities amounted to £250.3bn.

Employer contributions are set by the Secretary of State, on the advice of the fund actuary. The last formal actuarial valuation of the TPS was completed in 2004. Subsequently, formal valuations for unfunded public service pension schemes were suspended by HM Treasury on value for money grounds while reforms to these schemes, including employee and employer contribution rates, are considered. The contribution rate comprises two elements, a standard contribution rate that should defray the costs of benefits arising for current members of the scheme, and a supplementary contribution to fund the accumulated liabilities of past and present employees that are not covered by the standard contribution. For 2013/2014, the employers rate was set at 14.1% of employees pensionable pay (2012/2013: 14.1%).

The Authority is liable for other entities' obligations only to the extent that any deficit arising on the Teachers' Pension Scheme that is being recovered through the supplementary contribution element of the Employer Contribution rate may not have resulted from employees or former employees of the Authority.

The Authority is not required to include entries in its Balance Sheet relating to assets and liabilities for the Teachers' Pensions Scheme, as the liability for payment of these pensions rests ultimately with the Department for Education

Teachers employed by the Authority are members of the Teachers' Pension Scheme (a defined benefit scheme) administered by Capita Teachers' Pensions. The Authority contributes towards the costs of retirement benefits by making contributions based on a percentage of employees' pensionable salaries.

The TPS is a multi-employer scheme comprising 6,101 contributing employers that administers 1,119,945 active/deferred members and makes payments to 655,829 pensioners. Given the complexities involved in administering pension arrangements for this volume of employees, it is not possible to disaggregate the scheme liabilities for each employer. Consequently, there is insufficient information available to account for the TPS as a defined benefit plan and as a result it has been accounted for as a defined contribution scheme.

In 2013/2014, the Authority paid £2.790 million to Capita Teachers' Pensions in respect of teachers' pension costs, representing 14.1% of teachers' pensionable pay (2012/2013: £2.955 million, representing 14.1%). At 31 March 2014, £0.227 million remained payable to the Teachers' Pension Scheme relating to contributions arising in the March payroll (31 March 2013: £0.241m).

The total employers contributions to be made by the Authority to the Teachers' Pension Scheme in the year to 31 March 2015 is estimated at £2.790m.

The most recently available outturn figures for the TPS reported a deficit on net expenditure of £10.649bn and a total pension liability of £250.2bn (31 March 2014). In order to address this liability and the in-year funding deficit, the government has announced a range of changes to scheme benefits and contributions, effective from 2015. Employer contributions will increase to 16.4% and the impact of this change, assuming all other factors remain unchanged, would be an increase in payments by the Authority of £0.455m for a full financial year. This will be mitigated to some extent in 2015/2016 as the increase will take effect from September 2015.

The Authority made total contributions (employees and employers) to the TPS amounting to £4.584m in 2012/2013, which represented 0.09% of the total contributions receivable by the TPS.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement that fall outside of the terms of the Teachers' Scheme. These costs are accounted for on a defined benefit basis and are detailed in note 43.

#### 43. Post-Employment Benefits - Defined Benefit Plans

Retirement benefits are offered to the Authority's employees which, although not actually payable until employees retire, represent a commitment by the Authority that needs to be disclosed in the Accounts in the financial period in which the entitlement to benefits arises (i.e. when earned by employees through service provided).

The Authority participates in two formal schemes, the Local Government Pension Scheme (the Greater Gwent (Torfaen) Pension Fund), which is administered by Torfaen CBC, and the Teachers' Pensions Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education. Although technically a defined benefit scheme, the Teachers' Pensions Scheme is accounted for as a defined contribution scheme (note 42).

The Local Government Scheme is a funded defined benefit final salary scheme, in which the Authority and employees make contributions calculated at a level intended to balance pension liabilities arising with investment assets. The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last review being 31 March 2013.

Pension benefits under the LGPS are currently based on final pensionable pay and length of pensionable service and are summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80th of final pensionable salary.	Each year worked is worth 1/60th of final pensionable salary.
Lump Sum	Automatic lump sum of 3x annual pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

The Scheme is governed by the Superannuation Act 1972 and administered in accordance with the following secondary legislation:-

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended);
- the LGPS (Administration) Regulations 2008 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2009.

As administering authority, Torfaen County Borough Council is responsible for interpreting all pension laws, keeping accurate records, calculating and paying benefits, and providing information to employees, employers and other relevant bodies. Torfaen County Borough Council has established within its Constitution a Pensions Committee to discharge its duties as administering authority of the Fund. The Council has also established a Pension Fund Management Group to provide wider stakeholder representation and communication in matters relating to the Fund.

The Fund's primary long term risk is that its assets will fall short of its liabilities (i.e. its promised benefits payable to members). Investment risk management across the Fund is therefore aimed to minimise the risk of an overall reduction in the value of the Fund whilst maximising the opportunity for gains across the whole portfolio. Within its investment strategy the Fund aims to manage this primary overall risk by:-

- asset diversification to reduce exposure to market risk (asset price risk, interest rate risk and currency risk);
- managing credit risk via appropriate selection, diversification and monitoring of its counterparties; and
- managing liquidity risk by ensuring there are sufficient liquid funds to meet member benefit commitments as they fall due.

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To meet the requirements of the Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing basis including allowance for projected final pay. The funding objective as set out in the FSS (Funding Strategy Statement) is to achieve and maintain a funding level of 100% of liabilities (the Funding Target). In line with the FSS, where a shortfall exists at the effective date of the actuarial valuation (31 March 2013), a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. The maximum deficit recovery period has been set as 25 years.

The 2013 Actuarial Valuation reported the level of total fund assets compared to liabilities (the funding level) as 71% (2010 Valuation: 74%), although this had improved to 76% by 30 September 2013. As a result, employer contribution levels have been calculated for implementation from 1 April 2014 that will, subject to future revaluations, eliminate this deficit by 2039.

There have been no plan amendments, curtailments or settlements affecting the 2013/2014 financial year.

More detailed information regarding the nature of benefits provided, regulatory framework, governance arrangements, investment principles, funding strategy, actuarial valuation and pension fund performance can be obtained from the Chief Finance Officer, Torfaen County Borough Council, Civic Centre, Pontypool, NP4 6YB, or from the Greater Gwent Pensions Fund website:

<http://www.greatergwentpensionsfund.co.uk>.

### *Discretionary Benefits*

The Authority is responsible for all discretionary pension payments relating to added years awarded, together with related increases for both Local Government Scheme employees and teachers. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made but for which there are no investment assets built up to meet these pensions liabilities. Cash has to be generated to meet actual pensions payments as they fall due. For Local Government Scheme employees, liabilities are discharged within 5 years of awarding the discretionary payments; for Teachers' Scheme employees the liability is not discharged until the employee is deceased.

### *Accounting Treatment of Defined Benefit Transactions*

The cost of retirement benefits are recognised in the 'Net Cost of Services' section of the Comprehensive Income & Expenditure Statement when those benefits are earned by employees, rather than when the benefits are actually paid as pensions. However, legislation requires that the pensions charge that falls for payment by Council Taxpayers is equal to the amounts payable for the year of account. Consequently adjustments are made in the Movement in Reserves Statement (Adjustments between accounting basis and funding basis under regulations) to ensure that the notional cost of retirement benefits is reversed out of the accounts and replaced with the amounts paid.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	2013/2014			2012/2013 (Restated)		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
<b>Pension Scheme Transactions</b>						
<b>Comprehensive Income &amp; Expenditure Statement:</b>						
Cost of Services:						
Current Service Cost	9,836	0	9,836	8,131	0	8,131
Past Service Costs	80	0	80	11	0	11
Settlements and Curtailments	1,424	746	2,170	522	1,027	1,549
Administration Expenses	181	0	181	186	0	186
<b>Total Service Cost:</b>	<b>11,521</b>	<b>746</b>	<b>12,267</b>	<b>8,850</b>	<b>1,027</b>	<b>9,877</b>
Financing and Investment Income and Expenditure:						
Interest on plan assets	(10,578)	0	(10,578)	(10,675)	0	(10,675)
Interest on defined benefit liabilities	17,459	983	18,442	17,437	1,065	18,502
<b>Net Interest:</b>	<b>6,881</b>	<b>983</b>	<b>7,864</b>	<b>6,762</b>	<b>1,065</b>	<b>7,827</b>
<b>Total Charged to the Surplus/Deficit on Provision of Services:</b>	<b>18,402</b>	<b>1,729</b>	<b>20,131</b>	<b>15,612</b>	<b>2,092</b>	<b>17,704</b>
Remeasurement of the Net Defined Liability, comprising:						
Return on plan assets (excluding amounts included in Net Interest)	(11,027)	0	(11,027)	(23,802)	0	(23,802)
Actuarial (Gains)/Losses arising from changes in demographic assumptions	10,722	1,700	12,422	3,969	326	4,295
Actuarial (Gains)/Losses arising from changes in financial assumptions	(34,587)	(1,813)	(36,400)	41,479	2,799	44,278
Experience (Gains)/Losses on defined benefit liabilities	(424)	3,319	2,895	0	0	0
<b>Total remeasurements recognised in Other Comprehensive Income &amp; Expenditure</b>	<b>(35,316)</b>	<b>3,206</b>	<b>(32,110)</b>	<b>21,646</b>	<b>3,125</b>	<b>24,771</b>
<b>Total Charged to the Comprehensive Income &amp; Expenditure Statement:</b>	<b>(16,914)</b>	<b>4,935</b>	<b>(11,979)</b>	<b>37,258</b>	<b>5,217</b>	<b>42,475</b>
<b>Movement in Reserves Statement:</b>						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,402)	(1,729)	(20,131)	(15,612)	(2,092)	(17,704)
Actual Amount Charged Against Council Tax for Pensions in year:						
Employers' Contributions Payable to Scheme	11,417	-	11,417	11,703	-	11,703
Retirement Benefits Payable to Pensioners	-	1,830	1,830	-	1,790	1,790

At 31 March 2014, £1.065m remained payable to the LGPS relating to contributions arising in the March payroll (31 March 2013: £1.192m). This amount has been excluded from the Pensions Asset in the Balance Sheet.

*Assets and Liabilities in Relation to Post-Employment Benefits*

Transactions in respect of the fair value of pension scheme assets are as follows:

	2013/2014			2012/2013 (Restated)		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
Reconciliation of the Movements in Fair Value of Scheme Assets						
Balance at 1 April:	252,566	0	252,566	217,244	0	217,244
Interest on Plan Assets	10,578	0	10,578	10,675	0	10,675
Administration Expenses	(181)	0	(181)	(186)	0	(186)
Employer Contributions	11,544	1,830	13,374	11,633	1,790	13,423
Member Contributions	2,865	0	2,865	2,943	0	2,943
Benefits Paid	(15,724)	(1,830)	(17,554)	(13,545)	(1,790)	(15,335)
Remeasurement Gains/(Losses):						
Return on Plan Assets (excluding amounts included in Interest)	11,027	0	11,027	23,802	0	23,802
Balance at 31 March:	272,675	0	272,675	252,566	0	252,566

Transactions in respect of the present value of pension scheme liabilities are as follows:

	2013/2014			2012/2013 (Restated)		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
Reconciliation of the Movements in Present Value of Scheme Liabilities						
Balance at 1 April:	(422,120)	(27,476)	(449,596)	(361,173)	(24,049)	(385,222)
Current Service Cost	(9,836)	0	(9,836)	(8,131)	0	(8,131)
Past Service Cost	(80)	0	(80)	(11)	0	(11)
Curtailments	(1,424)	(746)	(2,170)	(522)	(1,027)	(1,549)
Interest Cost	(17,459)	(983)	(18,442)	(17,437)	(1,065)	(18,502)
Member Contributions	(2,865)	0	(2,865)	(2,943)	0	(2,943)
Benefits Paid	15,724	1,830	17,554	13,545	1,790	15,335
Remeasurement Gains/(Losses):						
Experience Gains/(Losses)	424	(3,319)	(2,895)	0	0	0
Actuarial Gains/(Losses) arising from changes in demographic assumptions	(10,722)	(1,700)	(12,422)	(3,969)	(326)	(4,295)
Actuarial Gains/(Losses) arising from changes in financial assumptions	34,587	1,813	36,400	(41,479)	(2,799)	(44,278)
Balance at 31 March:	(413,771)	(30,581)	(444,352)	(422,120)	(27,476)	(449,596)

The net liability arising from defined benefit scheme obligations can be analysed as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2013/2014 £000	2012/2013 (Restated) £000
<b>Present Value of Scheme Liabilities:</b>		
Local Government Pension Scheme	(413,771)	(422,120)
Teachers' Unfunded Discretionary Pensions	(30,581)	(27,476)
<b>Total Present Value of Scheme Liabilities:</b>	<b>(444,352)</b>	<b>(449,596)</b>
<b>Fair Value of Scheme Assets:</b>		
Local Government Pension Scheme	272,675	252,566
Teachers' Unfunded Discretionary Pensions	0	0
<b>Total Fair Value of Scheme Assets:</b>	<b>272,675</b>	<b>252,566</b>
<b>Net Liability:</b>		
Local Government Pension Scheme	(141,096)	(169,554)
Teachers' Unfunded Discretionary Pensions	(30,581)	(27,476)
<b>Total Net Liability arising from Defined Benefit Scheme Obligations</b>	<b>(171,677)</b>	<b>(197,030)</b>



There are no assets to cover the discretionary benefits awarded to Teachers (Unfunded Teachers' Discretionary Pensions). Assets held by the Local Government Pension Scheme can be categorised as follows:

Local Government Pension Scheme Asset Categorisation		31 March 2014				31 March 2013			
		Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total		Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
		£000	£000	£000	%	£000	£000	£000	%
Equities:	UK Quoted	88,725	0	88,725	32.5	80,315	0	80,315	31.8
Investment Funds:	UK Equities	0	14,447	14,447	5.3	0	11,871	11,871	4.7
	US Equities	0	22,624	22,624	8.3	0	20,458	20,458	8.1
	European Equities	0	37,753	37,753	13.9	0	31,066	31,066	12.3
	Global Equities	0	23,715	23,715	8.7	0	24,246	24,246	9.6
	Japanese Equities	0	7,905	7,905	2.9	0	7,830	7,830	3.1
	Far East Equities	0	12,811	12,811	4.7	0	14,396	14,396	5.7
	Emerging Market Equities	0	5,452	5,452	2.0	0	6,314	6,314	2.5
	Government Bonds	0	19,898	19,898	7.3	0	20,458	20,458	8.1
	Corporate Bonds	0	20,444	20,444	7.5	0	19,953	19,953	7.9
Property:	UK Property Funds	0	7,087	7,087	2.6	0	5,304	5,304	2.1
Alternatives:	Global	0	7,905	7,905	2.9	0	7,577	7,577	3.0
	UK	0	1,363	1,363	0.5	0	1,263	1,263	0.5
Cash:	Cash Accounts	0	2,453	2,453	0.9	0	1,515	1,515	0.6
<b>Total:</b>		<b>88,725</b>	<b>183,857</b>	<b>272,582</b>	<b>100.0</b>	<b>80,315</b>	<b>172,251</b>	<b>252,566</b>	<b>100.0</b>

The Authority holds no investments in the Greater Gwent (Torfaen) Pension Scheme and does not occupy or otherwise utilise assets held by the Scheme.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on financial and demographic assumptions. Mercer Human Resource Consulting Ltd., the Actuary for the Greater Gwent Local Government Pension Scheme has calculated attributable assets and liabilities (including those for Unfunded Teachers' Discretionary Pensions) using the following principal assumptions:

Principal Assumptions	31 March 2014		31 March 2013		
	Local Government Pension Scheme	Teachers' Unfunded Discretionary Pensions	Local Government Pension Scheme	Teachers' Unfunded Discretionary Pensions	
<b>Financial Assumptions:</b>					
Rate of CPI Inflation	2.4%	2.4%	2.4%	2.4%	
Rate of Increase in Salaries	3.9%	-	3.9%	-	
Rate of Increase in Pensions	2.4%	2.4%	2.4%	2.4%	
Discount Rate	4.5%	4.3%	4.2%	3.7%	
<b>Mortality Assumptions:</b>					
Current Pensioners:	Males	98% S1PA_CMI_2012_1.5%	98% S1PA_CMI_2012_1.5%	108% S1PA_CMI_2009_1.25%	108% S1PA_CMI_2009_1.25%
	Females	97% S1PA_CMI_2012_1.5%	97% S1PA_CMI_2012_1.5%	107% S1PA_CMI_2009_1.25%	107% S1PA_CMI_2009_1.25%
Future Pensioners:	Males	98% S1PA_CMI_2012_1.5%	-	112% S1PA_CMI_2009_1.25%	-
	Females	97% S1PA_CMI_2012_1.5%	-	98% S1PA_CMI_2009_1.25%	-
<b>Life Expectancy:</b>					
Longevity of current pensioners aged 65:					
	Males	23.0	23.0	21.7	21.7
	Females	25.4	25.4	23.9	23.9
Longevity of future pensioners aged 65 in 20 years' time:					
	Males	25.2	-	23.2	-
	Females	27.8	-	26.5	-

The actuarial assumptions used in the calculation of year end Balance Sheet liabilities are based on the assumptions used in the last full valuation, other than those identified above. Liabilities for Teachers' Unfunded Discretionary Benefits are calculated on the same basis as the Local Government Scheme, except for those above.

The date of the last full actuarial valuation was 31 March 2013.

### Sensitivity Analysis

The impact of changes in the key actuarial assumptions has been calculated as follows:

Local Government Pension Scheme: Sensitivity Analysis	31 March 2014					31 March 2013			
		Discount	Inflation:	Pay	Life		Discount	Inflation:	Life
	Base	Rate:	+0.1% p.a.	Growth:	Expectancy:	Base	Rate:	+0.1% p.a.	+1 Year
	£000	+0.1% p.a.	+0.1% p.a.	+0.1% p.a.	+1 Year	£000	+0.1% p.a.	+0.1% p.a.	+1 Year
Liabilities	(413,768)	(406,168)	(421,510)	(415,856)	(421,707)	(422,193)	(415,019)	(429,505)	(430,782)
Assets	272,582	272,582	272,582	272,582	272,582	252,731	252,731	252,731	252,731
Net Deficit	(141,186)	(133,586)	(148,928)	(143,274)	(149,125)	(169,462)	(162,288)	(176,774)	(178,051)
Projected Service Cost for Next Year	8,443	8,162	8,736	8,443	8,634	10,065	9,750	10,388	10,297
Projected Net Interest Cost for Next Year	6,140	5,927	6,500	6,245	6,509	2,538	2,645	2,852	2,904

Teachers Unfunded Discretionary Benefits: Sensitivity Analysis	31 March 2014				31 March 2013			
		Discount	Inflation:	Life		Discount	Inflation:	Life
	Base	Rate:	+0.1% p.a.	Expectancy:	Base	Rate:	+0.1% p.a.	Expectancy:
	£000	+0.1% p.a.	+0.1% p.a.	+1 Year	£000	+0.1% p.a.	+0.1% p.a.	+1 Year
Liabilities	(30,581)	(30,263)	(30,904)	(31,380)	(27,476)	(27,166)	(27,789)	(28,296)
Projected Net Interest Cost for Next Year	1,276	1,291	1,290	1,310	983	998	995	1,014

The sensitivity analysis figures provided by the Actuary are approximate only. It has been assumed that there have been no changes in accounting policies, Scheme benefits, the age/sex/service profile of employees, levels of pay and contributions made. The figures should not therefore be construed as providing accurate outturn figures for future accounting periods.

### Impact on future cash flows

Entries are included in the Balance Sheet for this Authority's share of assets and liabilities of the Local Government Pension Scheme. Liabilities relating to Unfunded Teachers' Discretionary Pensions are also included. Disclosed liabilities show the underlying commitment that the Authority has in the long term to pay retirement benefits.

The scheme is financed by contributions paid by the employees, their employers and earnings from the investment of the Fund's money. The type of investment is decided by legislation and not by the local authorities. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007. Contributions are additionally made by Fund employers which are set by the Fund's triennial actuarial valuations. The last such valuation was at 31 March 2013

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In terms of funding via investment earnings then the Fund's assets are invested in accordance with its investment strategy, which is set out within the Fund's Funding Strategy Statement. Investment management policy, principles and arrangements are detailed within its Statement of Investment Principles.

To meet the requirements of the Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing basis including allowance for projected final pay. The funding objective as set out in the FSS (Funding Strategy Statement) is to achieve and maintain a funding level of 100% of liabilities (the Funding Target). In line with the FSS, where a shortfall exists at the effective date of the actuarial valuation (31 March 2013), a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. The maximum deficit recovery period has been set as 25 years.

The 2013 Actuarial Valuation reported the level of total fund assets compared to liabilities (the funding level) as 71% (2010 Valuation: 74%), although this had improved to 76% by 30 September 2013. As a result, employer contribution levels have been calculated for implementation from 1 April 2014 that will, subject to future revaluations, eliminate this deficit by 2039.

The Authority holds total usable reserves of £28.132m at 31 March 2014 (£33.284m at 31 March 2013). The effect of applying the net superannuation fund deficit of £171.677m to the Authority's usable reserves would be a deficit of £143.545m (2012/2013: the superannuation deficit of £197.030m exceeded usable reserves by £163.746m).

However, this deficit is dependent on a number of factors such as investment performance and retirement benefits payable. The long-term under-funding of the Local Government Scheme is currently being addressed over a number of years by staged increases to employer contributions. Consequently, the liability would not arise in total in one financial year. The overall financial standing of the Superannuation Fund is regularly reviewed by Actuaries on behalf of the administering Authority (Torfaen CBC).

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2015 is estimated at £9.463m. Estimated contributions in respect of Teachers Discretionary Benefits are £1.879m.

In the event that a contributing fund member became unable to pay contributions or make good future deficits, the level of Pension Scheme assets would be lower than expected and this would have a negative impact on the Funding Level. At that time, the Administering Authority (Torfaen) would seek to recover any debt outstanding from the employer. This type of risk can be mitigated by the use of guarantees and/or covenants. However, if an employer defaults on payment and these sums cannot be recovered, the shortfall would then become the responsibility of any guarantor or all other employers in the Fund. This could increase the level of employer contribution rates required to recover the overall Fund deficit.

During 2012/2013, the contract that enabled employees of Capita Gwent Consultancy to participate in the Pension Fund came to an end and, as a result, Capita Gwent Consultancy left the Fund. Negotiations are continuing in respect of the distribution and settlement of the past service liabilities; the timing and value of payments to be made by this Authority to settle its share of these liabilities is not yet known.

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#### 44. Reserves

##### 44.1 Usable Reserves

Fund balances and usable reserves are held by the Authority for the following purposes:

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###### Fund Balances:

Council Fund General Reserve	The cumulative amount available to meet the future costs of Council services.
Housing Revenue Account	The residual balance on the Authority's former Housing Revenue Account.

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###### Usable Earmarked Revenue Reserves:

Abertillery Blues Festival	To fund the costs of the blues festival held in the summer of 2011 and subsequent years.
Additional Learning Needs (ALN) Review	To fund the legal fees and consultation costs associated with implementing the findings of the ALN review.
Anvil Court	To meet future premises-related expenditure.
Budget Contingency Fund	To provide initial assistance in meeting new and emerging budget pressures.
Building Control Fees	To hold surpluses generated for future re-investment to improve the quality and performance of the Building Control Service.
Corporate Improvement Fund	To fund specific projects and service efficiency/improvement measures.
Cultural Olympiad	To provide funding towards the Cultural Olympiad projects.
Deposits & Bonds	To hold deposits and bonds (e.g. Highways s38, s278) prior to satisfactory completion of schemes.
Digital Inclusion	To match fund the Digital Inclusion project.
Downsizing, Redundancy & Transitional Costs	To fund specific identified salary, pension strain and redundancy costs arising from the Authority's service transformation and downsizing projects, on a short-term (transitional) basis.
Ebbw Vale Multi Storey Car Park	To meet anticipated rent increases for previous years, subject to rent review.

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Usable Earmarked Revenue Reserves (Continued):

Education Achievement Service	To enable the Education Achievement Service for South-East Wales to invest in one off items to assist in the delivery of the Welsh Government national model for school improvement.
E-Government	To bring the ICT service in line with other organisations as well as addressing new, emerging and future technologies that will provide long term efficiencies for the Authority in line with the recommendations of the WAO ICT Governance review.
Election Costs	To meet additional future costs of elections.
Electronic Committee Management System	To fund the initial purchase costs and running costs of the new electronic committee management system.
Enterprise and Development	To provide for future costs in relation to economic development initiatives, industrial units and enterprise facilitation projects.
General/Voluntary Sector Grants	To provide financial assistance to voluntary sector bodies.
I.C.T.	To meet the anticipated increase in capacity required for ICT in relation to staffing resources, licenses, equipment and training required to future proof the service.
I.C.T. for Elected Members	To enable elected members to access information & communication technology.
Implementation of IFRS	To meet costs associated with the implementation, embedding and ongoing requirements of International Financial Reporting Standards.
Insurance Liabilities	To protect against liabilities incurred but not settled. Such liabilities include insurance claims where an excess remains to be borne by the Authority and claims where no insurance cover exists.
Invest to Save Fund	To provide funding to budget holders for specific projects, leading to long term savings and greater efficiency.
Job Evaluation / Pay Remodelling - Non Schools Staff	The estimated negotiated settlement figure for implementing the Authority's proposed Job Evaluation/Pay Remodelling scheme including a contingency for negotiated transitional or detriment payments.
Job Evaluation / Pay Remodelling - Schools Staff	The estimated negotiated settlement figure, in relation to Individual Schools Budgets, for implementing the Authority's proposed Job Evaluation/Pay Remodelling scheme including a contingency for negotiated transitional or detriment payments.
Land & Property Charges	To mitigate the impact of establishing Land & Property charge debtors for Social Services, the actual income for which will not be received until indeterminate points in the future.
LMS Balances	The aggregate amount of balances held by individual schools.
Members Local Grants	To hold unallocated grant monies prior to distribution by Members.
New Ebbw Vale Sports Centre Prudential Borrowing	To fund the prudential borrowing costs in 2013/2014 for the new sports centre.

Usable Earmarked Revenue Reserves (Continued):

Occupational Health	To fund occupational health advisor and physician sessions.
Payroll Project Management	To fund the management aspects of the forthcoming replacement payroll system project.
Portfolio Reserves	To hold underspends on directly controllable budgets for use in future years.
Prudential Borrowing	To fund prudential borrowing costs related to highways infrastructure assets, with the aim of reducing future highways related insurance claims.
Rassau Ind. Est. Drainage	To fund future repair work to defective drainage runs.
Retaining Walls	To provide for major renovation or demolition/replacement of retaining walls across the county borough.
Revenue Grants & Contributions Unapplied	To hold earmarked sums relating to a range of revenue grants and contributions received for which no accounting liability exists (i.e. do not have to be repaid), until applied to match specific service expenditure.
Sports Centre - Leisure	To purchase equipment for the new sports centre.
Stock Condition Surveys	To fund the review of the Authority's asset management systems.
Stores & Purchasing Oncost	To maintain stable stores and purchasing oncost rates in future years.
Superannuation	To cover the shortfall in employer's contributions during previous years.
SW Fire Authority Levy	To meet future increases in the levy charged by South Wales Fire Authority.
Taxation	To meet any taxation liabilities that may arise.
Transport Oncost	To maintain a stable transport recharges oncost rate in future years.
Wayleaves	To hold unallocated wayleave income received from Western Power.
Welfare Reform	To assist the Benefits Section with the welfare reform charges were introduced during 2013/2014.

Usable Reserves Earmarked for Capital Purposes:

Accommodation Review	To fund future capital expenditure arising from the Accommodation Review.
Bryn Bach Park	To meet any future liabilities that may arise in respect of problems with the lake at Bryn Bach Park.
Bryn Serth	To meet future capital expenditure on the Bryn Serth culvert together with any clawback of grant.
Deminimus Capital Works	Receipts from minor land-related transactions to be utilised to fund associated land disposal fees that cannot be capitalised or off-set by regulation.
Energy Efficiency	To provide ring-fenced funding for proven energy saving projects with a payback of less than five years.
Flying Start	To fund capital expenditure on approved Flying Start projects.
Highways	To fund capital expenditure on Safer Routes and Regional Transport Consortia Grant projects.
Landfill Directive	To meet future expenditure in respect of the Landfill Directive targets.
Leisure Facilities Refurbishment	To fund future leisure capital assets.
Structural Maintenance Work	To fund expenditure on structural maintenance work in relation to education.
Victoria End Use	To fund future capital expenditure together with any future liabilities that may arise in respect of claims from developers.

Capital Accounting Reserves:

Capital Grants Unapplied	Representing the balance of capital grants received (or receivable) for which grant conditions have been met but which have yet to be applied to match relevant capital expenditure.
Usable Capital Receipts	The proceeds of fixed asset sales available to meet future capital investment.



Movements on fund balances and reserves were as follows:

Fund Balances	1 April 2012	Net transfers (to) or from Fund Balances	31 March 2013	Net transfers (to) or from Fund Balances	31 March 2014
	£000	£000	£000	£000	£000
Council Fund*	(2,259)	(4,109)	(6,368)	579	(5,789)
Housing Revenue Account	(4,209)	4,209	0	0	0
<b>Total: Fund Balances</b>	<b>(6,468)</b>	<b>100</b>	<b>(6,368)</b>	<b>579</b>	<b>(5,789)</b>

\*: The Council Fund General Reserve has been reduced by an appropriation of £1.385m to a specific provision for early termination, the budget for which is included within 2014/2015 estimates. The costs of these redundancies will be incurred in 2014/2015 and for statutory accounting purposes will be charged to the provision, rather than the General Reserve. Effectively, £7.174m remains available to fund services, being the aggregate of the General Reserve and the Early Termination Provision.

Usable Earmarked Revenue Reserves	1 April 2012	Net transfers (to) or from Reserves	31 March 2013	Net transfers (to) or from Reserves	31 March 2014
	£000	£000	£000	£000	£000
Abertillery Blues Festival	(3)	3	0	0	0
Additional Learning Needs Review	(20)	11	(9)	9	0
Anvil Court	(179)	0	(179)	0	(179)
Budget Contingency Fund	(803)	(80)	(883)	16	(867)
Building Control Fees	(455)	188	(267)	108	(159)
Corporate Improvement Fund	(41)	20	(21)	21	0
Cultural Olympiad	(10)	9	(1)	1	0
Deposits & Bonds	(244)	(1)	(245)	62	(183)
Digital Inclusion	0	(50)	(50)	23	(27)
Downsizing, Redundancy & Transitional Costs	(303)	(46)	(349)	(435)	(784)
Ebbw Vale Multi-Storey Car Park	(76)	0	(76)	50	(26)
Education Achievement Service	0	0	0	(63)	(63)
E-Government	(555)	150	(405)	0	(405)
Election Costs	(80)	50	(30)	0	(30)
Electronic Committee Management System	(11)	8	(3)	3	0
Enterprise & Development	(57)	57	0	0	0
General/Voluntary Sector Grants	(29)	0	(29)	29	0

Usable Earmarked Revenue Reserves (Continued)	Net transfers (to) or from			Net transfers (to) or from	
	1 April 2012 £000	Reserves £000	31 March 2013 £000	Reserves £000	31 March 2014 £000
I.C.T	(442)	173	(269)	(50)	(319)
I.C.T for Elected Members	(32)	0	(32)	8	(24)
Implementation of IFRS	(66)	25	(41)	41	0
Insurance Liabilities	(2,848)	1,170	(1,678)	179	(1,499)
Invest to Save Fund	(742)	(243)	(985)	985	0
Job Evaluation / Pay Remodelling (Non Schools Staff)	(5,873)	4,031	(1,842)	1,342	(500)
Job Evaluation / Pay Remodelling (Schools Staff)	(1,048)	761	(287)	287	0
Land & Property Charges	(422)	301	(121)	7	(114)
LMS Balances	(1,227)	(280)	(1,507)	61	(1,446)
Members Local Grants	(27)	(9)	(36)	4	(32)
New Ebbw Vale Sports Centre Prudential Borrowing	0	(121)	(121)	0	(121)
Occupational Health	(50)	50	0	0	0
Payroll Project Management	(50)	0	(50)	(44)	(94)
Portfolio Reserves	(848)	317	(531)	531	0
Prudential Borrowing	(200)	0	(200)	0	(200)
Rassau Ind. Est. Drainage	(30)	30	0	0	0
Retaining Walls	(58)	0	(58)	0	(58)
Revenue Grants & Contributions Unapplied	(754)	(152)	(906)	(459)	(1,365)
Sports Centre - Leisure	0	(75)	(75)	32	(43)
Stock Condition Surveys	(12)	0	(12)	0	(12)
Stores & Purchasing Oncost	(214)	16	(198)	198	0
Superannuation	(1,694)	236	(1,458)	750	(708)
SW Fire Authority Levy	(78)	0	(78)	40	(38)
Taxation	(386)	0	(386)	0	(386)
Transport Oncost	(101)	(13)	(114)	(15)	(129)
Wayleaves	(27)	27	0	0	0
Welfare Reform	0	(24)	(24)	24	0
<b>Total: Usable Earmarked Revenue Reserves</b>	<b>(20,095)</b>	<b>6,539</b>	<b>(13,556)</b>	<b>3,745</b>	<b>(9,811)</b>

Usable Revenue Reserves Earmarked for Capital Purposes	1 April 2012	Net transfers (to) or from Reserves	31 March 2013	Net transfers (to) or from Reserves	31 March 2014
	£000	£000	£000	£000	£000
Accommodation Review	(50)	0	(50)	0	(50)
Bryn Bach Park	(140)	0	(140)	0	(140)
Bryn Serth	(37)	0	(37)	37	0
Deminimus Capital Works	(162)	(25)	(187)	(19)	(206)
Energy Efficiency	(55)	12	(43)	41	(2)
Flying Start	0	0	0	(25)	(25)
Highways	0	0	0	(5)	(5)
Landfill Directive	(692)	0	(692)	475	(217)
Leisure Facilities Refurbishment	0	(140)	(140)	60	(80)
Structural Maintenance Work	0	(29)	(29)	29	0
Victoria End Use	(206)	0	(206)	0	(206)
<b>Total: Usable Revenue Reserves Earmarked for Capital Purposes</b>	<b>(1,342)</b>	<b>(182)</b>	<b>(1,524)</b>	<b>593</b>	<b>(931)</b>

Usable Capital Reserves	1 April 2012	Net transfers (to) or from Reserves	31 March 2013	Net transfers (to) or from Reserves	31 March 2014
	£000	£000	£000	£000	£000
Capital Grants Unapplied	(7,364)	6,106	(1,258)	107	(1,151)
Usable Capital Receipts	(11,146)	568	(10,578)	128	(10,450)
<b>Total: Usable Capital Reserves</b>	<b>(18,510)</b>	<b>6,674</b>	<b>(11,836)</b>	<b>235</b>	<b>(11,601)</b>

Summary: Usable Reserves	1 April 2012	Net Transfers 2012/2013	31 March 2013	Net Transfers 2013/2014	31 March 2014
	£000	£000	£000	£000	£000
Fund Balances	(6,468)	100	(6,368)	579	(5,789)
Earmarked Revenue Reserves	(20,095)	6,539	(13,556)	3,745	(9,811)
Revenue Reserves Earmarked for Capital Purposes	(1,342)	(182)	(1,524)	593	(931)
Capital Reserves	(18,510)	6,674	(11,836)	235	(11,601)
<b>Total: Usable Reserves</b>	<b>(46,415)</b>	<b>13,131</b>	<b>(33,284)</b>	<b>5,152</b>	<b>(28,132)</b>

## 44.2 Unusable Reserves

The Authority holds the following reserve balances that are classed as unusable:

Unusable Reserves	1 April 2012	Net transfers (to) or from		Net transfers (to) or from	
	£000	Reserves £000	31 March 2013 £000	Reserves £000	31 March 2014 £000
Revaluation Reserve	(18,279)	(1,399)	(19,678)	3,839	(15,839)
Capital Adjustment Account	(114,226)	(25,232)	(139,458)	2,740	(136,718)
Financial Instruments Adjustment Account	4,144	(46)	4,098	(46)	4,052
Deferred Capital Receipts Reserve	(4,077)	(588)	(4,665)	53	(4,612)
Pensions Reserve	166,857	28,982	195,839	(25,226)	170,613
Unequal Pay Back Pay Account	2,295	(1,802)	493	(347)	146
Accumulated Absences Account	2,289	(606)	1,683	385	2,068
<b>Total Unusable Reserves:</b>	<b>39,003</b>	<b>(691)</b>	<b>38,312</b>	<b>(18,602)</b>	<b>19,710</b>

### 44.2.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

Revaluation Reserve	2013/2014		2012/2013	
	£000	£000	£000	£000
Balance at 1 April		(19,678)		(18,279)
Upward revaluation of assets	(371)		(2,534)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,590		534	
Depreciation - write back revaluation reserve	(243)		(8)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		2,976		(2,008)
Difference between fair value depreciation and historical cost depreciation	370		402	
Accumulated gains on assets sold or scrapped	493		207	
Amount written off to the Capital Adjustment Account		863		609
<b>Balance at 31 March</b>		<b>(15,839)</b>		<b>(19,678)</b>

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

#### 44.2.2 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 an 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 contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 (pages 70 & 73) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2013/2014		2012/2013	
	£000	£000	£000	£000
Balance at 1 April		(139,458)		(114,226)
Reversal of items relating to capital expenditure debited or credited to the CIES:				
Charges for depreciation & impairment of non-current assets	15,509		9,662	
Revaluation losses on Property, Plant & Equipment	16,270		28,509	
Amortisation of intangible assets	18		20	
Revenue expenditure funded from capital under statute	3,569		5,230	
Non-current assets written off on disposal or sale as part of the gain/loss on disposal	1,215		473	
Capital grants and contributions applied to capital financing	(24,361)		(57,901)	
		12,220		(14,007)

Capital Adjustment Account (Continued)	2013/2014		2012/2013	
	£000	£000	£000	£000
<b>Items not debited or credited to the CIES:</b>				
Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(4,783)		(4,589)	
Capital expenditure charged against the Council Fund & HRA balances	(541)		(621)	
		(5,324)		(5,210)
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	(806)		(989)	
Use of the Major Repairs Reserve to finance new capital expenditure	0		0	
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,487)		(4,417)	
		(3,293)		(5,406)
<b>Sub-Total: Capital Adjustment Transactions included in the Movement in Reserves Statement:</b>		<b>3,603</b>		<b>(24,623)</b>
<b>Adjusting Amounts written out of the Revaluation Reserve:</b>				
Charges for depreciation & impairment of non-current assets	(370)		(402)	
Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(493)		(207)	
		(863)		(609)
<b>Balance at 31 March</b>		<b>(136,718)</b>		<b>(139,458)</b>

#### 44.2.3 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.

Financial Instruments Adjustment Account	2013/2014		2012/2013	
	£000	£000	£000	£000
Balance at 1 April		4,098		4,144
Premiums incurred in the year and charged to the Comprehensive Income & Expenditure Statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(46)		(46)	
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(46)		(46)
Balance at 31 March		4,052		4,098

#### 44.2.4 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.

Deferred Capital Receipts Reserve	2013/2014	2012/2013
	£000	£000
Balance at 1 April	(4,665)	(4,077)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal	0	(629)
Transfer to the Capital Receipts Reserve upon receipt of cash	53	41
Balance at 31 March	(4,612)	(4,665)

#### 44.2.5 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 ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2013/2014	Restated 2012/2013
	£000	£000
Balance at 1 April	195,839	166,857
Remeasurement of pensions assets & liabilities	(32,110)	24,771
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income & Expenditure Statement	20,131	17,704
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,247)	(13,493)
Balance at 31 March	170,613	195,839

#### 44.2.6 Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the Council Fund Balance until such time as cash might be paid out to claimants.

Unequal Pay Back Pay Account	2013/2014		2012/2013	
	£000	£000	£000	£000
Balance at 1 April		493		2,295
Increase/(Decrease) in provision for back pay in relation to Equal Pay cases	68		(283)	
Cash settlements paid in the year	(415)		(1,519)	
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		(347)		(1,802)
Balance at 31 March		146		493



#### 44.2.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from this Account.

Accumulated Absences Account	2013/2014		2012/2013	
	£000	£000	£000	£000
Balance at 1 April		1,683		2,289
Settlement or cancellation of accrual made at the end of the preceding year	(1,683)		(2,289)	
Amounts accrued at the end of the current year	2,068		1,683	
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		385		(606)
Balance at 31 March		2,068		1,683

*Cash Flow Notes*

**45. Reconciliation of the Deficit on the Provision of Services to Net Cash Flows from Operating Activities**

The following tables provide details of the adjustments made between the deficit on provision of services to arrive at a figure for operating activities cashflows.

**45.1 Non-Cash Movements**

Cash Flow - Adjustments for Non-Cash Movements	2013/2014		2012/2013 (Restated)	
	£000	£000	£000	£000
Depreciation & Impairment	31,779		38,171	
REFCUS (deferred charges)	3,569		3,711	
Intangible fixed asset write downs	18		20	
Effective interest adjustment	(38)		(36)	
Net IAS 19 charges made for Retirement Benefits	(20,131)		(11,242)	
IAS19 Employers Contributions Paid to Pension Fund	13,247		12,463	
		28,444		43,087
Increase/(Decrease) in Provisions		6,213		(5,339)
(Increase)/Decrease in Inventories		227		(346)
(Increase)/Decrease in Revenue Debtors		2,312		1,464
Increase/(Decrease) in Revenue Creditors		2,100		(2,861)
<b>Total</b>		<b>39,296</b>		<b>36,005</b>

**45.2 Investing or Financing Activities Included in the Deficit on Provision of Services**

Cash Flow - Adjustments for Investing & Financing Activities	2013/2014	2012/2013
	£000	£000
Gain/(Loss) on Disposal of fixed assets	546	64
Capital Grants credited to CIES	(27,261)	(60,444)
<b>Total</b>	<b>(26,715)</b>	<b>(60,380)</b>

46. Analysis of the Amounts of Major Classes of Gross Cash Receipts and Gross Cash Payments

46.1 Operating Activities

The cash flows for operating activities were as follows:

Cash Flow - Operating Activities	2013/2014			2012/2013		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Employee Costs	(98,226)			(100,268)		
Other Operating Costs	(92,438)			(92,774)		
Precepts Paid	(4,230)			(4,165)		
Housing Benefit Paid Out	(26,865)			(27,273)		
		(221,759)		(224,480)		
<b>Cash Inflows</b>						
Rents (after Rebates)	1			1		
Council Tax Income	22,952			21,543		
Receipts from NNDR Pool	21,664			18,591		
Revenue Support Grant	95,489			88,847		
DWP Grants for Rebates	29,933			23,481		
Other Government Grants	44,159			54,303		
Cash Received for Goods & Services	6,642			5,663		
Other Operating Cash Receipts	1,928			1,644		
		222,768		214,073		
<b>Net Cash inflow from Revenue Activities</b>			1,009			(10,407)
<b>Dividends from Subsidiaries</b>						
Dividends Received			0			0
<b>Returns on Investments &amp; Servicing of Finance</b>						
Interest Paid		(4,113)		(3,897)		
Interest Element of Finance Lease Rental Payments		(73)		(85)		
Interest Received		74		337		
			(4,112)			(3,645)
<b>Net Cash Inflow from Operating Activities</b>			(3,103)			(14,052)

## 46.2 Investing Activities

The cash flows for investing activities consist of the following:

Cash Flow - Investing Activities	2013/2014			2012/2013		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Purchase of Non-Current Assets	(30,883)			(68,393)		
Other Capital Cash Payments	0			0		
		(30,883)		(68,393)		
<b>Cash Inflows</b>						
Sale of Non-Current Assets	678			421		
Capital Grants Received	26,450			70,856		
Other Capital Cash Income	1,378			0		
		28,506		71,277		
<b>Total</b>			(2,377)			2,884

## 46.3 Financing Activities

The cash flows for financing activities consist of the following:

Cash Flow - Financing Activities	2013/2014			2012/2013		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Repayments of Amounts Borrowed	(123,452)			(210,573)		
Capital Element of Finance Lease Rental Payments	(438)			(425)		
		(123,890)		(210,998)		
<b>Cash Inflows</b>						
New Loans Raised	15,000			27,000		
New Short Term Loans	114,800			190,600		
Long Term Investments Repaid	26			26		
		129,826		217,626		
<b>Total</b>			5,936			6,628

#### 47. Cash and Cash Equivalents

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

Cash and Cash Equivalents	2013/2014	2012/2013
	£000	£000
Cash Held by the Authority	40	39
Bank Accounts	2,224	1,769
Short-term investments	0	0
<b>Total Cash &amp; Cash Equivalents</b>	<b>2,264</b>	<b>1,808</b>

#### Other Notes

#### 48. Jointly Controlled Operations

The Authority participates in a number of joint arrangements as a means of delivering services in a more efficient and cost-effective manner. The following transactions have been included against the relevant service line for expenditure and income incurred by the Authority for each arrangement.

Joint Arrangements	2013/2014			2012/2013		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Greater Gwent Cremation Joint Committee	0	(132)	(132)	0	(79)	(79)
Gwent Joint Records Committee	134	0	134	131	0	131
Gwent Transport Unit	1,560	0	1,560	1,483	0	1,483
South East Wales Transport Alliance	0	0	0	0	0	0
Welsh Purchasing Consortium	14	0	14	15	0	15
<b>Total</b>	<b>1,708</b>	<b>(132)</b>	<b>1,576</b>	<b>1,629</b>	<b>(79)</b>	<b>1,550</b>

#### 48.1 Gwent Transport Unit (GTU)

Of these arrangements, only the transactions with the Gwent Transport Unit (GTU) are material. The GTU is responsible for passenger transport co-ordination in Blaenau Gwent and Torfaen. The principal activities are procurement and monitoring of local bus services; provision of timetables, transport guides and leaflets; and administration of the concessionary fares scheme. Blaenau Gwent CBC is the lead Authority for the GTU.

The majority of transactions administered by the unit (98% in 2013/2014) are associated with concessionary fares, bus subsidies, local transport services grant and 'section 106', the costs of which are allocated based on direct spend relative to the use of each service within the relevant local authority area. Administration costs of the joint arrangement are apportioned between the two Authorities, with Blaenau Gwent being charged 49.54% of these costs. The share of balances apportioned to BGC for the GTU is also 49.54%.

Summarised accounting statements for the Gwent Transport Unit, highlighting this Authority's apportioned share of administrative costs and allocation of directly attributable costs, are as follows:

##### *Summary GTU Comprehensive Income & Expenditure Statement:*

Gwent Transport Unit Comprehensive Income and Expenditure Statement	GTU Total 2012/2013			Blaenau Gwent CBC 2012/2013		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Highways & Transport Services	5,158	(5,195)	(37)	1,465	(1,483)	(18)
Cost of Services	5,158	(5,195)	(37)	1,465	(1,483)	(18)
(Surplus) on Provision of Services			(37)			(18)
Other Comprehensive Income & Expenditure			0			0
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(37)</b>			<b>(18)</b>
Gwent Transport Unit Comprehensive Income and Expenditure Statement	GTU Total 2013/2014			Blaenau Gwent CBC 2013/2014		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Highways & Transport Services	5,391	(5,391)	0	1,560	(1,560)	0
Cost of Services	5,391	(5,391)	0	1,560	(1,560)	0
(Surplus) on Provision of Services			0			0
Other Comprehensive Income & Expenditure			0			0
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>0</b>			<b>0</b>

Summary GTU Movement in Reserves Statement:

Gwent Transport Unit Movement in Reserves Statement	Gwent Transport Unit: Total			Blaenau Gwent CBC		
	GTU Fund	Unusable	Total GTU	GTU Fund	Unusable	Total GTU
	Reserve £000	Reserves £000	Reserves £000	Reserve £000	Reserves £000	Reserves £000
Balance at 31 March 2012	0	(96)	(96)	0	(48)	(48)
Movement in Reserves 2012/2013						
Surplus on the Provision of Services	(37)	0	(37)	(18)	0	(18)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	(37)	0	(37)	(18)	0	(18)
Adjustments between Accounting basis & Funding basis under regulations	37	(37)	0	18	(18)	0
(Increase)/Decrease in 2012/2013	0	(37)	(37)	0	(18)	(18)
Balance at 31 March 2013	0	(133)	(133)	0	(66)	(66)
Movement in Reserves 2013/2014						
Surplus on the Provision of Services	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	0	0	0	0	0	0
Adjustments between Accounting basis & Funding basis under regulations	0	0	0	0	0	0
(Increase)/Decrease in 2013/2014	0	0	0	0	0	0
Balance at 31 March 2014	0	(133)	(133)	0	(66)	(66)

*Summary GTU Balance Sheet:*

Gwent Transport Unit Balance Sheet	2013/2014		2012/2013	
	Gwent	Apportioned	Gwent	Apportioned
	Transport Unit £000	Share £000	Transport Unit £000	Share £000
Non-Current Assets	0	0	360	178
Current Assets	1,159	574	219	108
Current Liabilities	(1,159)	(574)	(219)	(108)
Non-Current Liabilities	133	66	(227)	(112)
<b>Total Net Assets</b>	<b>133</b>	<b>66</b>	<b>133</b>	<b>66</b>
Usable Reserve	0	0	0	0
Unusable Reserve	(133)	(66)	(133)	(66)
<b>Total Reserves</b>	<b>(133)</b>	<b>(66)</b>	<b>(133)</b>	<b>(66)</b>

48.2 Greater Gwent Cremation Joint Committee (GGCJC)

The Cremation Joint Committee provides cremation services to the residents of the Greater Gwent area through a facility based at Croesyceiliog, Cwmbran. Further details of the arrangement can be obtained from the lead authority for the joint committee, Newport City Council.

48.3 Gwent Joint Records Committee (GJRC)

The Gwent Record Office provides the statutory archive service for 5 Local Authorities in the Greater Gwent area. It was founded as the Monmouthshire Record Office in 1938 and moved to Cwmbran in the 1970s. In 2010 a new Gwent Archives Joint Agreement was signed providing for the joint service for the next quarter century and for the construction of a new facility at the General Offices site in Ebbw Vale. This facility opened to the public in October 2011. Further details of the joint arrangement can be obtained from the lead authority, Torfaen CBC.



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#### 48.4 South East Wales Transport Alliance (SEWTA)

SEWTA (The South East Wales Transport Alliance), is a consortium established on 1 April 2003 by the 10 local authorities in South-East Wales to carry out their functions in respect of public transport and some other transport matters. SEWTA works in close liaison with partners representing public transport operators and users. The Board of SEWTA is formally constituted as a joint committee of the local authorities in the area. Newport City Council has the official role of Clerk and Legal Adviser to the Board.

The main functions of SEWTA are to:

- Prepare regional transportation strategies, plans and programmes;
- Apply for external funding to carry out those programmes;
- Act for the constituent Authorities in respect of programme actions resourced through that funding;
- Respond to consultation documents having a regional dimension; and
- Advise the constituent Authorities on transportation issues.

#### 48.5 Welsh Purchasing Consortium (WPC)

The Welsh Purchasing Consortium was created in 1974 to support its member authorities in providing joint, collaborative contracts and framework agreements for the procurement of goods and services which would deliver best value for money at all times and maximise efficiency savings. In 2008 the member authorities of the Welsh Purchasing Consortium agreed to provide funding over a three year period to support the setting up and operation of a central management team to be based in Cardiff Council. Since then, all sixteen member authorities have agreed to give twelve months notice of an intention to leave the consortium and on this basis funding is currently guaranteed to 31 March 2016.

During 2013/2014, Wrexham, Flintshire and Denbighshire joined the consortium, thus increasing member authorities to nineteen. Wales Probation Trust also joined as an associate member, increasing associate numbers to six.

#### 49. Charitable Trusts

The Authority acts as trustee for the following charitable trusts:

- Bedwellty House and Park
- Cwm, Ebbw Vale and Tredegar Recreation Grounds.

Bedwellty Park is a 26 acre historic park and landscape. It has 6 listed structures within its grounds including a Grade II listed ironmaster's dwelling. The site has recently been subject to a £5 million restoration project and is now a public open access space available for events such as weddings, art exhibitions and displays.

Cwm, Ebbw Vale and Tredegar recreation grounds are open access outdoor spaces used for sporting activities such as rugby, football, cricket and walking.

The summarised transactions for these charitable trusts are as follows:

Charitable Trusts	2013/2014			2012/2013		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Bedwellty House - Revenue	574	(323)	251	518	(277)	241
Bedwellty House - Capital	141	(1)	140	502	(502)	0
Cwm Recreation Ground	10	0	10	7	0	7
Ebbw Vale Recreation Ground	53	(3)	50	60	(2)	58
Tredegar Recreation Ground	13	0	13	12	0	12
<b>Total</b>	<b>791</b>	<b>(327)</b>	<b>464</b>	<b>1,099</b>	<b>(781)</b>	<b>318</b>



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*...the Statement of Group Accounts comprise the group financial statements and notes, including the summary of significant group accounting policies...*



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**Blaenau Gwent**

County Borough Council



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## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The *(Surplus) or Deficit on the Provision of Services* line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

Group Movement in Reserves Statement 2012/2013 Restated	Fund Balances		Earmarked Council Fund Reserves £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Reserves of Subsidiary £000	Total Group Reserves £000	Note	Page
	Housing Revenue Council Fund £000	Account £000									
	Balance at 31 March 2012	(6,162)									
(Surplus)/Deficit on the Provision of Services	(17,200)	6,877	0	0	(10,323)	0	(10,323)	(21)	(10,344)	GCIES	162
Other Comprehensive Income and Expenditure	0	0	0	0	0	22,763	22,763	98	22,861	5	169
Total Comprehensive Income and Expenditure	(17,200)	6,877	0	0	(10,323)	22,763	12,440	77	12,517	GCIES	162
Adjustments between Group Accounts and Authority Accounts	330	0	0	0	330	0	330	(330)	0		
Net (Increase)/Decrease before transfers	(16,870)	6,877	0	0	(9,993)	22,763	12,770	(253)	12,517		
Adjustments between Accounting basis & Funding basis under regulations	19,448	(2,668)	0	6,674	23,454	(23,454)	0	0	0		
Net (Increase)/Decrease before transfers to Earmarked Reserves	2,578	4,209	0	6,674	13,461	(691)	12,770	(253)	12,517		
Transfers to/from Earmarked Reserves	(6,357)	0	6,357	0	0	0	0	0	0		
(Increase)/Decrease in 2012/2013	(3,779)	4,209	6,357	6,674	13,461	(691)	12,770	(253)	12,517	17	181
Balance at 31 March 2013	(9,941)	0	(15,080)	(11,836)	(36,857)	38,312	1,455	(287)	1,168	17	181

Group Movement in Reserves Statement 2013/2014	Fund Balances		Earmarked Council Fund Reserves £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Reserves of Subsidiary £000	Total Group Reserves £000	Note	Page
	Council Fund	Housing Revenue Account									
	£000	£000									
Balance at 31 March 2013	(9,941)	0	(15,080)	(11,836)	(36,857)	38,312	1,455	(287)	1,168		
(Surplus)/Deficit on the Provision of Services	15,684	0	0	0	15,684	0	15,684	175	15,859	GCIES	162
Other Comprehensive Income and Expenditure	0	0	0	0	0	(29,134)	(29,134)	(199)	(29,333)	5	169
Total Comprehensive Income and Expenditure	15,684	0	0	0	15,684	(29,134)	(13,450)	(24)	(13,474)	GCIES	162
Adjustments between Group Accounts and Authority Accounts	2,682	0	0	0	2,682	0	2,682	(2,682)	0		
Net (Increase)/Decrease before transfers	18,366	0	0	0	18,366	(29,134)	(10,768)	(2,706)	(13,474)		
Adjustments between Accounting basis & Funding basis under regulations	(10,767)	0	0	235	(10,532)	10,532	0	0	0		
Net (Increase)/Decrease before transfers to Earmarked Reserves	7,599	0	0	235	7,834	(18,602)	(10,768)	(2,706)	(13,474)		
Transfers to/from Earmarked Reserves	(4,338)	0	4,338	0	0	0	0	0	0		
Transfers to/from Council Fund	0	0	0	0	0	0	0	0	0		
(Increase)/Decrease in 2013/2014	3,261	0	4,338	235	7,834	(18,602)	(10,768)	(2,706)	(13,474)	17	181
Balance at 31 March 2014	(6,680)	0	(10,742)	(11,601)	(29,023)	19,710	(9,313)	(2,993)	(12,306)	17	181

## Group 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.

Group Comprehensive Income & Expenditure Statement	2013/2014			2012/2013 Restated			Note:	Page:
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
	£000	£000	£000	£000	£000	£000		
<b>Continuing Operations</b>								
Central Services	14,273	(3,643)	10,630	6,774	(3,942)	2,832		
Cultural & Related Services	16,238	(3,810)	12,428	11,818	(3,725)	8,093		
Environmental & Regulatory Services	15,362	(3,897)	11,465	15,626	(4,374)	11,252		
Planning Services	14,925	(4,167)	10,758	37,026	(4,030)	32,996		
Children's & Education Services	94,494	(14,755)	79,739	81,422	(16,365)	65,057		
Highways & Transport Services	9,501	(1,994)	7,507	9,328	(2,336)	6,992		
Housing Services	30,774	(28,903)	1,871	31,216	(36,213)	(4,997)		
Adult Social Care	38,358	(10,339)	28,019	38,178	(9,588)	28,590		
Corporate & Democratic Core	4,641	(12)	4,629	4,115	(26)	4,089		
Non-Distributed Costs	2,323	0	2,323	1,611	0	1,611		
Past Service Gains	0	0	0	0	0	0		
<b>Cost of Services (excluding transferred services)</b>	<b>240,889</b>	<b>(71,520)</b>	<b>169,369</b>	<b>237,114</b>	<b>(80,599)</b>	<b>156,515</b>		
<b>Transferred Services</b>								
Housing Revenue Account	0	0	0	6,911	(33)	6,878		
Corporate & Democratic Core	0	0	0	0	0	0		
Non-Distributed Costs	0	0	0	0	0	0		
<b>Sub Total: Transferred Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,911</b>	<b>(33)</b>	<b>6,878</b>		
<b>Total Deficit on Continuing Services</b>	<b>240,889</b>	<b>(71,520)</b>	<b>169,369</b>	<b>244,025</b>	<b>(80,632)</b>	<b>163,393</b>		

Group Comprehensive Income & Expenditure Statement (Continued)	2013/2014			2012/2013 Restated			Note:	Page:
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
	£000	£000	£000	£000	£000	£000		
Total Deficit on Continuing Services	240,889	(71,520)	169,369	244,025	(80,632)	163,393		
Taxation	0	(27)	(27)	27	0	27	10	172
Other Operating Income and Expenditure	8,891	(818)	8,073	8,073	(1,229)	6,844	6	170
Financing and Investment Income and Expenditure	22,634	(11,071)	11,563	22,679	(11,331)	11,348	7	170
Taxation and Non-Specific Grant Income	0	(173,119)	(173,119)	0	(191,956)	(191,956)	8	171
Discontinued Operations	0	0	0	0	0	0	1.3	166
(Surplus)/Deficit on Provision of Services	272,414	(256,555)	15,859	274,804	(285,148)	(10,344)		
(Surplus) Arising on the Revaluation of Non-Current Assets			2,976			(2,008)		
Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(32,309)			24,869		
Other Comprehensive Income & Expenditure			(29,333)			22,861	5	169
Total Comprehensive Income & Expenditure			(13,474)			12,517		

## Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by reserves held, reported in two categories:

- Usable reserves are those reserves that the Group may use to provide services, subject to any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt) and the need to maintain a prudent level of reserves.
- Unusable reserves are those that the Group is not able to use to provide services. This category 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 Group Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (e.g. the Capital Adjustment Account, Pensions Reserve and Accumulated Absences Account).

Group Balance Sheet	31 March 2014		31 March 2013 (Restated)		01 April 2012 (Restated)		Note:	Page:
	£000	£000	£000	£000	£000	£000		
Property, Plant & Equipment	303,196		296,811		261,831		11	172-174
Heritage Assets	413		413		413			
Intangible Assets	9		27		47			
Assets Held for Sale	0		195		330			
Non-Current Investments	0		0		0		2	168
Non-Current Debtors	4,491		4,576		3,975			
<b>Sub Total: Non-Current Assets</b>		<b>308,109</b>		<b>302,022</b>		<b>266,596</b>		
Current Investments	4		4		4			
Inventories	1,799		2,026		1,680			
Current Debtors	28,624		36,326		50,342		12	175
Cash and Cash Equivalents	11,299		11,867		16,999		20	184
<b>Sub Total: Current Assets</b>		<b>41,726</b>		<b>50,223</b>		<b>69,025</b>		

Group Balance Sheet (Continued)	31 March 2014		31 March 2013 (Restated)		01 April 2012 (Restated)		Note:	Page:
	£000	£000	£000	£000	£000	£000		
Current Borrowing	(33,094)		(33,272)		(45,197)			
Current Creditors	(15,574)		(17,719)		(18,840)		13	175
Current Provisions	(11,543)		(4,801)		(10,312)		14	176
<b>Sub Total: Current Liabilities</b>		<b>(60,211)</b>		<b>(55,792)</b>		<b>(74,349)</b>		
Non-Current Borrowing	(98,924)		(92,360)		(73,371)			
Non-Current Provisions	(5,421)		(6,919)		(7,450)		14	176
Other Non-Current Liabilities	(172,973)		(198,342)		(169,102)		2, 15	168, 177
<b>Sub Total: Non-Current Liabilities</b>		<b>(277,318)</b>		<b>(297,621)</b>		<b>(249,923)</b>		
<b>Total Net Assets</b>		<b>12,306</b>		<b>(1,168)</b>		<b>11,349</b>		
Usable Reserves	(32,016)		(37,144)		(50,352)		17	181
Unusable Reserves	19,710		38,312		39,003		17	181
<b>Total Reserves</b>		<b>(12,306)</b>		<b>1,168</b>		<b>(11,349)</b>		



## Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash and cash equivalent transactions of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash inflows and (outflows) as operating, investing and financing activities.

- The amount of net cashflows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided.
- Investing activities represent cashflows relating to the acquisition, disposal and funding via capital grant of resources which are intended to contribute to the Group's future service delivery, i.e. non-current assets.
- Cashflows arising from financing activities represent the extent to which borrowing and similar charges have increased/decreased during the year and are useful in predicting claims on future cash flows by providers of capital to the Group.

Group Cash Flow Statement	2013/2014		2012/2013 Restated		Note:	Page:
	£000	£000	£000	£000		
Net (deficit) on the provision of services	(15,859)		10,344		GCIES	162
Adjustments to the provision of services for non-cash movements	38,447		35,184		18.1	182
Adjustments for items included in the provision of services that are investing and financing activities	(26,749)		(60,380)		18.2	182
<b>Net Cash Inflows from Operating Activities</b>		(4,161)		(14,852)		
Investing activities		(2,343)		3,092	19.1	183
Financing activities		5,936		6,628	19.2	183
<b>Net increase or (decrease) in cash and cash equivalents</b>		(568)		(5,132)		
Cash and cash equivalents at the beginning of the reporting period		11,867		16,999	20	184
<b>Cash and cash equivalents at the end of the reporting period</b>		11,299		11,867	20	184



**1. Group Accounting Policies**

**1.1 General Principles**

The Group Accounts summarise the transactions of the Authority and its Subsidiaries for the 2013/2014 financial year and its position at the year-end of 31 March 2014. The Accounts have been prepared in accordance with proper accounting practices as required by the Accounts and Audit (Wales) Regulations 2005, as amended.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014 and the Service Reporting Code of Practice 2013/2014, supported by International Financial Reporting Standards (IFRS). Where there is no relevant IFRS or International Accounting Standard (IAS), reference is made to International Public Sector Accounting Standards (IPSASs); if there is no relevant IPSAS, domestic accounting standards (SSAPs and FRSS) are applied.

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.

In preparing a set of Accounts for the Blaenau Gwent Group, it has been necessary to align the Accounting Policies adopted by the two constituent entities. The Group Policies are largely the same as those used in preparing the Accounts for the Parent Authority, as recorded on pages 47-61. However, where Policies differ, the Group Policy is included in this section.

**1.2 Intra Group Transactions and Balances**

To the extent that balances and transactions have been identified and agreed between Silent Valley Waste Services Ltd and Blaenau Gwent CBC, these have been eliminated as part of the consolidation process. As total transactions between the parties amount to £0.609m (2012/2013: £2.400m) and are therefore not considered to be material, any differences between identified and actual sums are therefore also not material.

**1.3 Acquisitions and Discontinued Operations**

The principal activities of Silent Valley Waste Services Ltd. are waste management, disposal and ancillary services such as recycling and waste collection.

All operations were classified as continuing in 2013/2014 and there were no acquisitions or discontinuations of service (or transfers under machinery of government arrangements) during the financial year.

**1.4 Employee Benefits**

**1.4.1 Benefits Payable During Employment**

The annual leave entitlement year for staff at SVWS Ltd. ends on 31 March with limited opportunity to carry forward unused balances. No staff carried forward leave at the end of 2013/2014 and consequently no short term compensated absences accrual has been calculated.

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## 1.5 Post Employment Benefits

Employees of Silent Valley Waste Services Ltd. are members of the following pension schemes:

- The Local Government Pensions Scheme, as an admitted body, administered by Torfaen County Borough Council; and
- Silent Valley Defined Contribution Scheme.

Both schemes provide benefits to members (retirement lump sums and pensions), earned as employees work for the company.

The required accounting treatments are as follows:

### *The Local Government Pension Scheme*

As required for a defined benefit scheme, the employers pension costs that are charged to the Group's accounts are equal to the actuarially-calculated liabilities arising as a result of the service effected by employees. Additional costs arising for discretionary benefits paid to staff on retirement have also been accounted for on a liability basis, with the full amount of any such payments being recorded in service accounts in the year of occurrence.

### *Silent Valley Defined Contribution Scheme*

In a defined contribution scheme, the employer has no obligation beyond payment of the agreed contributions. Therefore, the net cost of services in the Group Comprehensive Income and Expenditure Statement is charged with the amount of contributions payable for the year of account. Prepayments or accruals are recorded in the Group Balance Sheet if required.

Further details of the transactions undertaken and required disclosures for the Local Government Pension Scheme, Teachers Pension Scheme and Silent Valley Defined Contribution Scheme can be found in the notes to the Group Accounts.

## 1.6 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.

### 1.6.1 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Only expenditure in excess of £50,000 has been capitalised by the Parent Authority, with amounts below this threshold being charged directly to revenue. The exception to this are highways assets that individually fall below this de-minimus level but are capitalised because they are treated as one single item of expenditure in the year.

### 1.6.2 Measurement

Tangible Non-Current Assets attributable to the Subsidiary are recorded in the accounts on the basis of depreciated historic cost.

### 1.6.3 Depreciation

For assets held by Silent Valley Waste Services Ltd., the following standard lives are used in calculating depreciation:

- Leasehold land and buildings - 10 - 15 years and;
- Plant and Machinery - 5 - 13 years.

These standard lives are not significantly different from those used by the Parent Authority, and any differences in calculated depreciation sums are not expected to be material. Consequently, a completely uniform set of standard lives has not been introduced for Group Accounting purposes and no adjustments have been made to depreciation amounts in the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet or Group Cash Flow.

### 1.7 Deferred Taxation

Deferred Taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

### 1.8 Aftercare and Capping Provisions

Provision for the cost of aftercare and site capping was made by establishing a consumption factor which aimed to write off the estimated future costs over the anticipated useful life of the site. The Aftercare Provision is discounted at a rate of 2.5% p.a.

## 2. Impact of Correction of Prior Period Errors

Previous accounting practice has been to disclose the Pension Scheme Assets and Liabilities separately on the face of the Group Balance Sheet. This has been corrected in 2013/2014 to disclose the Net Pension Scheme Liabilities, as required by IAS19 and the Accounting Code of Practice. The impact of this change has been a reduction in Non-Current Investments and a corresponding reduction in Non-Current Liabilities. Bottom-line figures for Total Net Assets and Total Reserves have not been adjusted as a result of this correction.

The following adjustments have been made to the opening and closing group balance sheets for 2012/2013:

Group Balance Sheet: Non-Current Assets	31 March 2013 £000	01 April 2012 £000	Group Balance Sheet: Non-Current Liabilities	31 March 2013 £000	01 April 2012 £000
Non-Current Assets, as previously disclosed	253,664	218,175	Non-Current Liabilities, as previously disclosed	(452,006)	(387,277)
Correction	(253,664)	(218,175)	Correction	253,664	218,175
Restated Non-Current Assets	0	0	Restated Non-Current Liabilities	(198,342)	(169,102)

## 3. Notes to the Group Financial Statements

These notes should be read in conjunction with the notes to the Authority's Core Financial Statements. Notes have been included to the Group Financial Statements where:

- specifically required by the Accounting Code of Practice;
- a note to the single entity statements has been amended by the consolidation of the subsidiary undertaking; or
- the note relates solely to the activities of the subsidiary and has not been included in the Accounts of the Local Authority.

#### 4. Intra Group Transactions & Balances

Where necessary, transactions between the constituent parts of the Group have been eliminated from the Accounting Statements and Notes, so as not to overstate the level of income or expenditure. Similarly, balances owing to/from other Group members have been eliminated in the preparation of the Group Balance Sheet. From the perspective of the Parent, the following transactions and balances have been eliminated:

Comprehensive Income and Expenditure Statement	2013/2014 £000	2012/2013 £000	Balance Sheet	2013/2014 £000	2012/2013 £000
Sales to Blaenau Gwent CBC	609	2,420	Non current investment in SVWS	250	250
Payments to SVWS - leachate costs	0	434	Debtor balances	1	6
Payments to SVWS - NNDR refund	0	72	Creditor balances	(32)	(49)
Contribution - Leachate	(150)	0	Silent Valley Capping Costs Provision	0	0
Income pest control services	(2)	0	Usable Reserves: Dividends received	(725)	(725)
Income received from SVWS - Directors' Fees	(29)	(30)	Retained Profit	1,184	1,359

#### 5. Other Comprehensive Income and Expenditure

The following unrealised gains or losses and actuarial gains or losses arose during the year:

Other Comprehensive Income and Expenditure	2013/2014 £000	2012/2013 Restated £000
Surplus arising on the revaluation of Non-Current Assets	2,976	(2,008)
Surplus on revaluation of available for sale financial assets	0	0
Remeasurement of pension fund assets & liabilities	(32,309)	24,869
Other Comprehensive Income and Expenditure	(29,333)	22,861

## 6. Other Operating Income and Expenditure

Other Operating income and expenditure in the Group Comprehensive Income and Expenditure Statement consists of the following:

Other Operating Income and Expenditure	2013/2014			2012/2013		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(Gains)/losses on the Disposal of Non-Current Assets	1,215	(704)	511	473	(1,039)	(566)
Revaluations Downwards of Non-Current Assets	0	0	0	0	0	0
Precepts & Levies:						
Gwent Police Authority Precept	3,891	0	3,891	3,826	0	3,826
Community Council Precepts	340	0	340	339	0	339
South Wales Fire Authority Levy	3,349	0	3,349	3,323	0	3,323
Other Levies	96	0	96	112	0	112
Subsidiary's Other Operating Income	0	(114)	(114)	0	(190)	(190)
<b>Total</b>	<b>8,891</b>	<b>(818)</b>	<b>8,073</b>	<b>8,073</b>	<b>(1,229)</b>	<b>6,844</b>

## 7. Financing and Investment Income and Expenditure

Financing and investment income and expenditure in the Group Comprehensive Income and Expenditure Statement consists of the following:

Financing and Investment Income and Expenditure	2013/2014			2012/2013 Restated		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Interest payable and similar charges	4,130	0	4,130	4,115	0	4,115
Interest receivable and similar Income	0	(430)	(430)	0	(600)	(600)
Net Pensions Interest	18,504	(10,641)	7,863	18,564	(10,731)	7,833
Other Investment Income (Dividends)	0	0	0	0	0	0
<b>Total</b>	<b>22,634</b>	<b>(11,071)</b>	<b>11,563</b>	<b>22,679</b>	<b>(11,331)</b>	<b>11,348</b>

## 8. Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant income in the Group Comprehensive Income and Expenditure Statement consists of the following:

Taxation & Non Specific Grant Income	2013/2014 £000	2012/2013 £000
Non-Specific grants		
Council Tax Income	(31,209)	(30,049)
Non-Domestic Rates	(21,664)	(18,591)
Revenue Support Grant/OAG	(96,235)	(89,407)
<b>Total Non-Specific grants</b>	<b>(149,108)</b>	<b>(138,047)</b>
Capital grants and contributions	(24,011)	(53,909)
<b>Total</b>	<b>(173,119)</b>	<b>(191,956)</b>

## 9. External Audit Fees

The Group incurred the following fees relating to External Audit and inspection:

External Audit Fees	2013/2014 £000	2012/2013 £000
Fees payable in respect of:		
External audit services - Final Accounts	201	176
External audit services - Local Government Measures	119	148
Certification of grant claims and returns	120	150
Other services	5	0
<b>Total Audit Fees</b>	<b>445</b>	<b>474</b>

External Audit services for Blaenau Gwent CBC are provided by the Wales Audit Office; for Silent Valley Waste Services Ltd. by Broomfield & Alexander Limited.



## 10. Tax on Profit on Ordinary Activities

The Group's total tax liability on profits generated arises out of the activities of the subsidiary, Silent Valley Waste Services Ltd.. The charge for taxation in the accounts is made up as follows:

Tax on Profit on Ordinary Activities	2013/2014	2012/2013
	£000	£000
Current Tax		
UK Corporation Tax on profits for the year	(27)	21
Adjustments in respect of previous periods	0	6
<b>Total Tax on Profit on Ordinary Activities</b>	<b>(27)</b>	<b>27</b>

## 11. Property Plant & Equipment

The gross carrying amount and accumulated depreciation relating to Property, Plant and Equipment was:

Property, Plant & Equipment	31 March 2014	31 March 2013
	£000	£000
Gross Carrying Amount	342,499	331,932
Accumulated Depreciation	(39,303)	(35,121)
<b>Net Book Value</b>	<b>303,196</b>	<b>296,811</b>

Movements in 2013/2014:

Property, Plant & Equipment Movements	Operational Assets						Total Property, Plant & Equipment £000
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	
Cost or Valuation as at 1 April 2013	192,327	11,326	84,108	132	4,202	39,837	331,932
Appropriations	37,781	0	12,131	0	4,173	(54,085)	0
Assets reclassified to/from held for sale	(263)	0	0	0	69	0	(194)
Additions	96	921	2,105	0	0	2,004	5,126
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,611)	0	0	0	(170)	0	(2,781)
Revaluation increases/(decreases) recognised in the Provision of Services	(18,379)	0	0	(1)	(137)	0	(18,517)
Capital expenditure written off	(7,854)	0	(94)	(52)	0	(14)	(8,014)
Derecognition - disposals	(754)	(1,200)	0	0	(17)	0	(1,971)
Other movements in cost or valuation *	7,854	0	4,579	52	0	24,433	36,918
Cost or Valuation as at 31 March 2014	208,197	11,047	102,829	131	8,120	12,175	342,499

Property, Plant & Equipment Depreciation & Impairment	Operational Assets						Total Property, Plant & Equipment £000
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	
Accumulated Depreciation & Impairment as at 1 April 2013	(10,371)	(8,680)	(16,063)	(6)	(1)	0	(35,121)
Depreciation charge	(4,784)	(803)	(2,328)	(1)	(55)	0	(7,971)
Depreciation written out to the Revaluation Reserve	242	0	0	0	0	0	242
Depreciation written out to the Surplus/Deficit on the Provision of Services	162	0	0	0	38	0	200
Impairment losses/(reversals) recognised in the Revaluation Reserve	1,853	189	0	0	5	0	2,047
Derecognition - disposals	161	1,139	0	0	0	0	1,300
Accumulated Depreciation & Impairment as at 31 March 2014	(12,737)	(8,155)	(18,391)	(7)	(13)	0	(39,303)

Net Book Value as at 31 March 2014	195,460	2,892	84,438	124	8,107	12,175	303,196
Net Book Value as at 31 March 2013	181,956	2,646	68,045	126	4,201	39,837	296,811
Net Book Value as at 31 March 2012	147,791	2,547	54,360	127	4,725	52,281	261,831

Movements in 2012/2013:

Property, Plant & Equipment Movements	Operational Assets						Total Property, Plant & Equipment £000
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	
Cost or Valuation as at 1 April 2012	154,081	10,531	68,566	132	4,760	52,281	290,351
Appropriations	62,827	0	10,213	0	1,189	(74,229)	0
Assets reclassified to/from held for sale	(12)	0	0	0	(75)	0	(87)
Additions	400	1,032	4,634	0	0	604	6,670
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,463	0	0	0	(141)	0	2,322
Revaluation increases/(decreases) recognised in the Provision of Services	(27,174)	0	0	0	(1,431)	0	(28,605)
Capital expenditure written off	(2,811)	(2)	(160)	(88)	0	(23)	(3,084)
Derecognition - disposals	(258)	(237)	0	0	(100)	0	(595)
Other movements in cost or valuation *	2,811	2	855	88	0	61,204	64,960
Cost or Valuation as at 31 March 2013	192,327	11,326	84,108	132	4,202	39,837	331,932

Property, Plant & Equipment Depreciation & Impairment	Operational Assets						Total Property, Plant & Equipment £000
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	
Accumulated Depreciation & Impairment as at 1 April 2012	(6,290)	(7,984)	(14,206)	(5)	(35)	0	(28,520)
Depreciation charge	(4,209)	(933)	(1,857)	(1)	(49)	0	(7,049)
Depreciation written out to the Revaluation Reserve	0	0	0	0	8	0	8
Depreciation written out to the Surplus/Deficit on the Provision of Services	3	0	0	0	62	0	65
Appropriations	84	0	0	0	(84)	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	18	0	0	0	13	0	31
Derecognition - disposals	23	237	0	0	84	0	344
Accumulated Depreciation & Impairment as at 31 March 2013	(10,371)	(8,680)	(16,063)	(6)	(1)	0	(35,121)

\* Note: Amounts included in 'Other movements in cost or valuation' relate to capital expenditure incurred in the year.

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## 12. Debtors

Amounts owing to the Group, net of impairment, were as follows:

Debtors	31 March 2014	31 March 2013
	£000	£000
Central Government	14,274	24,185
Local Authorities	5,512	2,325
NHS	164	592
Other Debtors	8,674	9,224
<b>Total Debtors:</b>	<b>28,624</b>	<b>36,326</b>

## 13. Creditors

Amounts owed by the Group were as follows:

Creditors	31 March 2014	31 March 2013
	£000	£000
Central Government	(5,770)	(9,059)
Local Authorities	(1,595)	(772)
NHS	(80)	(35)
Other Creditors	(8,129)	(7,853)
<b>Total Creditors:</b>	<b>(15,574)</b>	<b>(17,719)</b>

## 14. Provisions

Details of the purposes of the Authority's provisions can be found in note 38.1, pages 117-118.

Silent Valley Waste Services Ltd. hold a provision for Aftercare to provide for estimated costs of maintaining the landfill site after capping works have been completed. The timescale for utilisation of the provision is over a period of 60 years following closure of the site. Due to the timescales involved there are inherent uncertainties regarding the level and value of aftercare works required.

Movements in the Group provisions during 2013/2014 were as follows:

Provision Movements	Balance at 1 April 2012 £000	Net Movements 2012/2013 £000	Balance at 1 April 2013 £000	Additional Provisions made in 2013/2014 £000	Amounts Used in 2013/2014 £000	Unused Amounts Reversed in 2013/2014 £000	Unwinding of Discount in 2013/2014 £000	Balance at 31 March 2014 £000
<b>Current Provisions</b>								
<b>Employee Provisions:</b>								
Back Pay	(2,295)	1,802	(493)	(98)	415	30	0	(146)
Early Terminations	(1,029)	(425)	(1,454)	(1,385)	1,339	115	0	(1,385)
Employment Tribunal	(201)	201	0	(8)	0	0	0	(8)
Job Evaluation Back Pay & Compensation	(2,633)	2,502	(131)	(239)	340	30	0	0
Short Term Compensated Absences	(2,289)	606	(1,683)	(2,068)	1,683	0	0	(2,068)
<b>Other Provisions:</b>								
Carbon Reduction Commitment	(167)	4	(163)	(169)	165	0	0	(167)
Insurance	(452)	29	(423)	(245)	57	91	0	(520)
Part 1 Compensation Claims	0	(141)	(141)	(613)	0	0	0	(754)
Reservoir Act	(300)	24	(276)	(492)	18	0	0	(750)
Silent Valley Capping Costs	(946)	909	(37)	0	0	0	0	(37)
Valuation of Contracts	0	0	0	(5,708)	0	0	0	(5,708)
	(10,312)	5,511	(4,801)	(11,025)	4,017	266	0	(11,543)
<b>Non-Current Provisions</b>								
Silent Valley Aftercare (Subsidiary)	(6,616)	703	(5,913)	0	969	0	0	(4,944)
Insurance	(834)	(172)	(1,006)	(129)	375	283	0	(477)
	(7,450)	531	(6,919)	(129)	1,344	283	0	(5,421)
<b>Total Provisions:</b>	<b>(17,762)</b>	<b>6,042</b>	<b>(11,720)</b>	<b>(11,154)</b>	<b>5,361</b>	<b>549</b>	<b>0</b>	<b>(16,964)</b>

## 15. Non-Current Liabilities

The Group holds the following balances as non-current liabilities:

Non-Current Liabilities	2013/2014 £000	2012/2013 £000
Deferred Liabilities	(1,063)	(880)
Net Pensions Liability	(171,910)	(197,462)
<b>Total Non-Current Liabilities</b>	<b>(172,973)</b>	<b>(198,342)</b>

## 16. Post-Employment Benefits

Retirement benefits are offered to the Group's employees which, although not actually payable until employees retire, represent a commitment by the Group that needs to be disclosed in the Accounts in the financial period in which the entitlement to benefits arises (i.e. when earned by employees through service provided).

The Group participates in three formal schemes: an independently administered defined contribution scheme for employees of Silent Valley Waste Services Ltd., the Teachers' Pension Scheme administered by Capita Teachers' Pensions and the Local Government Pension Scheme administered by Torfaen CBC. A number of employees of Silent Valley Waste Services Ltd. are members of the Local Government Pension Scheme, of which the company is an admitted body.

### 16.1 Defined Contribution Schemes

#### *Silent Valley*

A defined contribution scheme was established by the Company in November 1995. The assets of the scheme are held separately from the Company in independently administered funds. Employer contributions to this fund are at a rate of between 6% and 12% of members' pensionable earnings.

In 2013/2014, the total pension costs payable in respect of the defined contribution scheme was £0.043m (2012/2013: £0.039m). Outstanding contributions to the scheme at 31 March 2014 were £0.004m (2012/2013: £0.004m).

#### *Teachers' Pension Scheme*

Teachers employed by Blaenau Gwent CBC are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions.

Further details of this Scheme and the Authority's contributions can be found in the notes to the Single Entity Core Statements (notes 42&43, pages 126-136)

### 16.2 Defined Benefit Scheme

The Local Government Scheme is a funded defined benefit final salary scheme, in which the Group and employees make contributions calculated at a level intended to balance pension liabilities arising with investment assets. The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last review being 31 March 2013.

Further information can be found in the Greater Gwent (Torfaen) Pension Fund's Annual Report which is available upon request from the Chief Financial Officer, Torfaen County Borough Council, Civic Centre, Pontypool, NP4 6YB.

The cost of retirement benefits are recognised in the 'Net Cost of Services' section of the Group Comprehensive Income & Expenditure Statement when those benefits are earned by employees, rather than when the benefits are actually paid as pensions.

The following pension scheme transactions have been made in the Group Comprehensive Income and Expenditure Statement and the Group Movement in Reserves Statement during the year:

Pension Scheme Transactions	2013/2014			2012/2013 Restated		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
<b>Group Comprehensive Income &amp; Expenditure Statement:</b>						
Cost of Services:						
Current Service Cost	9,863	0	9,863	8,153	0	8,153
Past Service Costs	80	0	80	11	0	11
Settlements and Curtailments	1,424	746	2,170	522	1,027	1,549
Administration Expenses	181	0	181	186	0	186
<b>Total Service Cost:</b>	<b>11,548</b>	<b>746</b>	<b>12,294</b>	<b>8,872</b>	<b>1,027</b>	<b>9,899</b>
<b>Financing and Investment Income and Expenditure:</b>						
Interest on Plan Assets	(10,516)	0	(10,516)	(10,613)	0	(10,613)
Interest on Defined Benefit Liabilities	17,396	983	18,379	17,381	1,065	18,446
<b>Net Interest:</b>	<b>6,880</b>	<b>983</b>	<b>7,863</b>	<b>6,768</b>	<b>1,065</b>	<b>7,833</b>
<b>Total Charged to the Surplus/Deficit on Provision of Services:</b>	<b>18,428</b>	<b>1,729</b>	<b>20,157</b>	<b>15,640</b>	<b>2,092</b>	<b>17,732</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</b>						
Return on plan assets (excluding amounts included in Net Interest)	(11,027)	0	(11,027)	(23,802)	0	(23,802)
Actuarial Gains/(Losses) arising from changes in demographic assumptions	10,722	1,700	12,422	3,969	326	4,295
Actuarial Gains/(Losses) arising from changes in financial assumptions	(34,587)	(1,813)	(36,400)	41,479	2,799	44,278
Experience Gains/(Losses) on defined benefit liabilities	(623)	3,319	2,696	98	0	98
<b>Total remeasurement recognised in Other Comprehensive Income &amp; Expenditure</b>	<b>(35,515)</b>	<b>3,206</b>	<b>(32,309)</b>	<b>21,744</b>	<b>3,125</b>	<b>24,869</b>
<b>Total Charged to the Group Comprehensive Income &amp; Expenditure Statement:</b>	<b>(17,087)</b>	<b>4,935</b>	<b>(12,152)</b>	<b>37,384</b>	<b>5,217</b>	<b>42,601</b>
<b>Group Movement in Reserves Statement:</b>						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,402)	(1,729)	(20,131)	(15,612)	(2,092)	(17,704)
<b>Actual Amount Charged Against Council Tax for Pensions in year:</b>						
Employers' Contributions Payable to Scheme	11,417	-	11,417	11,703	-	11,703
Retirement Benefits Payable to Pensioners	-	1,830	1,830	-	1,790	1,790

Transactions in respect of the fair value of pension scheme assets and present value of scheme liabilities are as follows:

	2013/2014			2012/2013 Restated		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
Pension Scheme Assets						
Balance at 1 April:	253,664	0	253,664	218,175	0	218,175
Interest on Plan Assets	10,641	0	10,641	10,731	0	10,731
Administration Expenses	(181)	0	(181)	(186)	0	(186)
Employer Contributions	11,564	1,830	13,394	11,655	1,790	13,445
Member Contributions	2,871	0	2,871	2,949	0	2,949
Benefits Paid	(15,855)	(1,830)	(17,685)	(13,554)	(1,790)	(15,344)
Remeasurement Gains/(Losses):						
Return on Plan Assets (excluding amounts included in interest)	10,861	0	10,861	23,894	0	23,894
Balance at 31 March:	273,565	0	273,565	253,664	0	253,664

Reconciliation of the Movements in Present Value of Scheme Liabilities	£000	£000	£000	£000	£000	£000
Balance at 1 April:	(423,650)	(27,476)	(451,126)	(362,438)	(24,049)	(386,487)
Current Service Cost	(9,857)	0	(9,857)	(8,147)	0	(8,147)
Past Service Cost	(80)	0	(80)	(11)	0	(11)
Curtailments	(1,424)	(746)	(2,170)	(522)	(1,027)	(1,549)
Interest Cost	(17,521)	(983)	(18,504)	(17,499)	(1,065)	(18,564)
Member Contributions	(2,871)	0	(2,871)	(2,949)	0	(2,949)
Benefits Paid	15,855	1,830	17,685	13,554	1,790	15,344
Remeasurement Gains/(Losses):					0	
Experience Gains/(Losses)	789	(3,319)	(2,530)	(190)	(326)	(516)
Actuarial Gains/(Losses) arising from changes in demographic assumptions	(10,722)	(1,700)	(12,422)	(3,969)	(2,799)	(6,768)
Actuarial Gains/(Losses) arising from changes in financial assumptions	34,587	1,813	36,400	(41,479)	0	(41,479)
Balance at 31 March:	(414,894)	(30,581)	(445,475)	(423,650)	(27,476)	(451,126)



The Group's net liability arising from defined benefit scheme obligations can be analysed as follows:

Pension Assets & Liabilities Recognised in the Balance Sheet	2013/2014 £000	2012/2013 £000
<b>Present Value of Scheme Liabilities:</b>		
Local Government Pension Scheme	(414,894)	(423,650)
Teachers' Unfunded Discretionary Pensions	(30,581)	(27,476)
<b>Total Present Value of Scheme Liabilities:</b>	<b>(445,475)</b>	<b>(451,126)</b>
<b>Fair Value of Scheme Assets:</b>		
Local Government Pension Scheme	273,565	253,664
Teachers' Unfunded Discretionary Pensions	0	0
<b>Total Fair Value of Scheme Assets:</b>	<b>273,565</b>	<b>253,664</b>
<b>Net Liability:</b>		
Local Government Pension Scheme	(141,329)	(169,986)
Teachers' Unfunded Discretionary Pensions	(30,581)	(27,476)
<b>Total Net Liability arising from Defined Benefit Scheme Obligations:</b>	<b>(171,910)</b>	<b>(197,462)</b>

Entries are included in the Group Balance Sheet for the Group's share of assets and liabilities of the Local Government Pension Scheme. Liabilities relating to Unfunded Teachers' Discretionary Pensions are also included. Disclosed liabilities show the underlying commitment that the Group has in the long term to pay retirement benefits.

The Group holds total usable reserves of £32.016m at 31 March 2014 (£37.144m at 31 March 2013). The effect of applying the net superannuation fund deficit of £171.910m to the Authority's usable reserves would be a deficit of £139.894m (2012/2013 Restated: the superannuation deficit of £197.462m exceeded usable reserves by £160.318m).

However, this deficit is dependent on a number of factors such as investment performance and retirement benefits payable. The long-term under-funding of the Local Government Pension Scheme is being addressed over a number of years by staged increases to employer contributions. Consequently, the liability would not arise in total in one financial year. The overall financial standing of the Superannuation Fund is regularly reviewed by Actuaries on behalf of the administering Authority (Torfaen CBC).

## 17. Reserves

Details of the Authority's Reserves can be found in note 44, pages 137-149.

The Silent Valley Waste Services Ltd. Profit & Loss Reserve represents the balance of accumulated profit made on trading activities. The transactions and balances on this reserve in the Group Accounts have been adjusted to remove the profit element relating to the Parent.

Movements on the Group Reserves were as follows:

Summary: Group Reserves	Net Transfers			Net Transfers	
	1 April 2012 £000	2012/2013 £000	31 March 2013 £000	2013/2014 £000	31 March 2014 £000
Council Fund	(6,162)	(3,779)	(9,941)	3,261	(6,680)
Housing Revenue Account	(4,209)	4,209	0	0	0
Silent Valley Waste Services Profit & Loss Reserve	(34)	(253)	(287)	(2,706)	(2,993)
Parent's Usable Reserves	(39,947)	13,031	(26,916)	4,573	(22,343)
	(50,352)	13,208	(37,144)	5,128	(32,016)
Parent's Unusable Reserves	39,003	(691)	38,312	(18,602)	19,710
<b>Total: Reserves</b>	<b>(11,349)</b>	<b>12,517</b>	<b>1,168</b>	<b>(13,474)</b>	<b>(12,306)</b>

## 18. Reconciliation of the Deficit on the Provision of Services to Net Cash Flows from Operating Activities

The following tables provide details of the adjustments made between the deficit on provision of services to arrive at a figure for operating activities cashflows.

### 18.1 Non-Cash Movements

Cash Flow - Adjustments for Non-Cash Movements	2013/2014		2012/2013 Restated	
	£000	£000	£000	£000
Depreciation & Impairment	31,819		38,205	
REFCUS (deferred charges)	3,569		3,711	
Intangible fixed asset write downs	18		20	
Effective interest adjustment	(38)		(36)	
HRA Item 8 Credit	0		0	
Net IAS 19 charges made for Retirement Benefits	(20,131)		(11,242)	
IAS19 Employers Contributions Paid to Pension Fund	13,247		12,463	
		28,484		43,121
Increase/(Decrease) in Provisions		5,244		(6,042)
(Increase)/Decrease in Inventories		227		(346)
(Increase)/Decrease in Revenue Debtors		2,451		1,414
Increase/(Decrease) in Revenue Creditors		2,041		(2,963)
<b>Total</b>		<b>38,447</b>		<b>35,184</b>

### 18.2 Investing or Financing Activities included in the Deficit on Provision of Services

Cash Flow - Adjustments for Investing & Financing Activities	2013/2014	2012/2013
	£000	£000
Gain/(Loss) on Disposal of fixed assets	512	64
Capital Grants credited to CIES	(27,261)	(60,444)
HRA stock transfer premium paid	0	0
<b>Total</b>	<b>(26,749)</b>	<b>(60,380)</b>

## 19. Analysis of the Amounts of Major Classes of Gross Cash Receipts and Gross Cash Payments

### 19.1 Investing Activities

The cash flows for investing activities consist of the following:

Cash Flow - Investing Activities	2013/2014			2012/2013		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Purchase of Non-Current Assets	(31,010)			(68,393)		
Other Capital Cash Payments	(5)			0		
		(31,015)		(68,393)		
<b>Cash Inflows</b>						
Sale of Non-Current Assets	712			421		
Capital Grants Received	26,450			70,856		
Other Capital Cash Income	1,510			208		
		28,672		71,485		
<b>Total</b>			(2,343)			3,092

### 19.2 Financing Activities

The cash flows for financing activities consist of the following:

Cash Flow - Financing Activities	2013/2014			2012/2013		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Repayments of Amounts Borrowed	(123,452)			(210,573)		
Capital Element of Finance Lease Rental Payments	(438)			(425)		
		(123,890)		(210,998)		
<b>Cash Inflows</b>						
New Loans Raised	15,000			27,000		
New Short Term Loans	114,800			190,600		
Long Term Investments Repaid	26			26		
		129,826		217,626		
<b>Total</b>			5,936			6,628

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20. **Cash and Cash Equivalents**

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

Cash and Cash Equivalents	2013/2014	2012/2013
	£000	£000
Cash Held by the Authority	40	39
Bank Accounts	11,259	11,828
Short-term investments	0	0
<b>Total Cash &amp; Cash Equivalents</b>	<b>11,299</b>	<b>11,867</b>



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