Financial Accounts

For the year ended

31 March 2017

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CAERPHILLY COUNTY BOROUGH COUNCIL
CYNGOR BWRDEISTREF SIROL CAERFFILI

Financial Accounts for the year ended 31 March 2017

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Narrative Report

Introduction

Caerphilly County Borough is located in the South Wales valleys covering an area of approximately 278 square kilometres stretching from Cardiff in the south of the county to the start of the Brecon Beacons in the north of the county. Caerphilly County Borough Council ("the Authority") serves a population of 180,000.

The accounts on the following pages show the financial performance for the year of all activities undertaken by the Authority. Whilst the accounts have been presented as clearly as possible, local authority accounts are technical and complex. Consequently, the purpose of this Narrative Report is to offer a guide to the most significant matters appearing in the accounts and to provide a summary of the financial performance for the year.

Narrative Report (continued)

2016/2017 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Comprehensive Income and Expenditure Statement on page 15. The account is classified according to service expenditure areas.

In 2016/2017, the Authority's expenditure and income compared to budget was:

Service Area	Revised Estimate £000	Outturn £000	In Year use of Reserves £000	Revenue Contribution to capital £000	(Overspend) /Underspend £000
Education and Lifelong Learning	124,790	124,001	81	414	294
Social Services	75,899	74,176	655	830	238
Environment	49,833	47,760	158	676	1,239
Corporate Services	73,869	63,972	(5,696)	10,637	4,956
HRA	0	(19,584)	(8,431)	24,038	3,977
Total Service Expenditure	**324,391**	**290,325**	**(13,233)**	**36,595**	**10,704**
Funding Income	(322,991)	(324,633)	0	0	1,642
Budget Strategy Contribution from Reserves	(1,400)	0	(1,400)	0	0
(Surplus) / Deficit on Provision of Services	0	**(34,308)**	(14,633)	36,595	**12,346**
Transfer to Earmarked Reserves					5,411
Transfer to General Fund Reserves					6,935
Total Transfer to Balance Sheet					**12,346**
General Fund Reserves as at 31 March 2016					**(12,615)**
Budget Strategy Contribution					1,400
In Year Movement					317
Outturn Contribution					(6,935)
General Fund Reserves as at 31 March 2017					**(17,833)**

Further details of the Authority's outturn performance against budget can be found in the Acting Director of Corporate Services and S.151 Officer's Provisional Outturn Report 2016/2017 which was presented to Cabinet on 5 July 2017. The report may be obtained from the Authority's website.

The actual expenditure is compared in broad terms to the revised budget for the current financial year. However, the expenditure on individual Directorates does not mirror that shown in the Comprehensive Income and Expenditure Statement, because budget monitoring is carried out on a Directorate basis and re-categorised in the Comprehensive Income and Expenditure Statement to comply with recommended accounting practice. The Comprehensive Income and Expenditure Statement figures also include accounting adjustments in respect of depreciation, capital grants and contributions, IAS 19 pension costs and a number of items included within the directorates within the budget summary that are shown below the Cost of Service line within the Account.

Narrative Report (continued)

Funding Income

The following table details the main sources of income received by the Authority to fund service expenditure in 2016/2017:

	2016/2017			
Funding Income	**Original Estimate £000**	**Revised Estimate £000**	**Outturn £000**	**Variance £000**
Council Tax (net of Police Authority and Community Council Precepts)	59,690	59,690	61,332	(1,642)
Revenue Support Grant	210,117	210,117	210,117	0
Non Domestic Rates	53,184	53,184	53,184	0
Total Funding Income	**322,991**	**322,991**	**324,633**	**(1,642)**

Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 104 to 109. For 2016/2017, actual outturn compared to budget was as follows:

	2016/2017		
	Original Estimate £000	**Actual Outturn £000**	**Variance £000**
Expenditure	59,442	31,926	(27,516)
Income	(59,442)	(51,510)	7,932
(Surplus)/Deficit for the year on HRA Services	0	(19,584)	(19,584)
In year use of Reserves	0	0	0
HRA Outturn	**0**	**(19,584)**	**(19,584)**

Trading Operations

During the year, the Authority operated 2 Trading Operations at arm's length from the Service Departments in competition with companies in the private sector, which provide similar services. Whilst their accounts do not form a separate statement within these accounts, they form part of the Authority's Balance Sheet and Comprehensive Income and Expenditure Statement, and their performance is disclosed in note 10, in accordance with CIPFA's Service Reporting Code of Practice (SeRCOP).

Provisions

Movements upon provisions are detailed in note 29, together with explanations of what each provision is for.

	1 April 2016 £000	**Movement £000**	**31 March 2017 £000**
Short term provisions	(2,004)	209	(1,795)
Long term provisions	(2,812)	73	(2,739)
	(4,816)	**282**	**(4,534)**

Narrative Report (continued)

Reserves

The amounts shown as unusable reserves relate to capital and pension reserves, which do not constitute 'usable resources'. Further details of movements are detailed in note 22.

	1 April 2016 £000	Movement £000	31 March 2017 £000
Reserves - Usable	(122,622)	2,046	(120,576)
- Unusable	(484,681)	44,661	(440,020)
	(607,303)	**46,707**	**(560,596)**

Loan Debt

The total amount outstanding as at 31 March 2017 was £297.499m, as measured on an amortised cost basis, the majority being owed by the Authority to the PWLB. The balance comprises loans from the money market. Analysis of the loan debt is shown in the notes accompanying the Core Financial Statements on page 54 (note 12). The nominal value represents the principal amount outstanding at the Balance Sheet date.

	2015/2016 £000	2016/2017 £000
Amortised Cost of Loans:		
Loan debt repayable in one year	(7,678)	(14,064)
Loan debt repayable in more than one year	(287,507)	(282,317)
	(295,185)	**(296,381)**
Nominal Value of Loans:		
Loan debt repayable in one year	(4,406)	(5,194)
Loan debt repayable in more than one year	(287,111)	(283,045)
	(291,517)	**(288,239)**

Minimum Revenue Provision

Council approved a revised Minimum Revenue Provision policy on 24Th January 2017. This approved a change in the basis of charge with effect from the 1 April 2016 to an annuity basis. Further details can be found in Note 21 on page 79.

Policy on Payment of Creditors

The Late Payment of Commercial Debts (Interest) Act 1998 requires that creditors be paid without undue delay and within a 30-day settlement period. In 2016/2017, 94.88% of payments were made within 30 days (94.44% in 2015/2016).

However, it is the Authority's aim to pay undisputed invoices to local small and medium sized businesses within an average of 13 calendar days in order to have a positive effect on the local economy. In 2016/2017, invoices were settled within an average of 12.97 days (13.33 days in 2015/2016).

Narrative Report (continued)

Pension Liability

Following the adoption of IAS 19 “Employee Benefits” by local authorities, the Authority is required to recognise in its accounts, its share of the net assets/liabilities of any defined benefit pension scheme.

The net pensions asset/liability to be recognised is made up of two elements:

- Liabilities – the retirement benefits that have been promised under the formal terms of the pension scheme.
- Assets – the Authority’s attributable share of the investments held in the pension scheme to cover its liabilities, measured at fair value.

The total net liability included for 2016/2017 is £501.671m (£429.244m in 2015/2016). Although this liability has a substantial impact upon the net worth of the Authority, statutory arrangements exist to fund the deficit to ensure that the financial position of the Authority will remain healthy. The deficit will be made good by increased contributions over the remaining working lives of employees, as assessed by the scheme actuary.

Details of this liability are shown in the notes accompanying the Core Financial Statements in note 13.

2016/2017 Capital Expenditure

Capital expenditure during the year amounted to some £67.307m (2015/2016 - £136.981m), the major items within this figure being identified below:

	£000	£000
Housing:		
Repairs and Improvements	32,317	
Improvement Grants & Private Sites	3,388	
		35,705
Non Housing:		
Education	20,036	
Social Services	496	
Highways & Transportation and Land Reclamation	5,479	
Lifelong Learning	53	
Economic Development/Tourism	219	
Planning & Countryside	391	
Environmental Services	370	
Sports and Leisure	2,582	
Other	1,976	
		31,602
		67,307
Financed by:	Grants inc MRA	23,535
	Other	43,772
		67,307

Capital expenditure was financed by grants (£23.535m) and other sources (£43.772m). The Authority has also entered into a number of finance leases in previous years for buildings for use in its Social Services provision and computer equipment in schools.

Narrative Report (continued)

Cardiff City Region City Deal (CCRCD)

On 1 March 2017 the £1.2 billion Cardiff City Region City Deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Caerphilly, was formally ratified. The investment is over a 20 year period and the key aim of the fund is to create 25,000 new jobs by 2036 and lever £4 billion of private sector investment.

The CCRD Investment Fund comprises two distinct elements:-

- £734 million – METRO scheme. This will comprise £503 million of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125 million from UK Government. This element will be the sole responsibility of Welsh Government.

- £495 million – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period of the Investment Fund, together with £375 million from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 12% contribution to the £120 million based on its proportion of the regional population.

Future Financial Developments

Due to the ongoing programme of austerity and increasing demand for a number of services, the financial position for Local Government has been very challenging in recent years. During the period 2008/09 to 2016/17 Caerphilly CBC has delivered savings of £73.12m to address reductions in funding and inescapable cost pressures.

Caerphilly CBC's budget proposals for the 2017/18 financial year were approved by Council on the 22nd February 2017. Although there was a small increase of 0.12% in the funding received from the Welsh Government, further savings of £9.05m were still required to ensure that financial commitments can be met and a balanced budget can be achieved.

The agreed savings for 2017/18 will have limited impact on front-line services and wherever possible Council priorities are protected from cuts. Further information on the budget can be found on the Caerphilly County Borough Council Website www.caerphilly.gov.uk or by contacting Stephen Harris, Interim Head of Corporate Finance - Tel: 01443 863022 or email harrisr@caerphilly.gov.uk.

The funding situation for Local Government is unlikely to improve for some time so Caerphilly CBC has adopted a prudent approach of producing an indicative five-year Medium-Term Financial Plan. In addition to the approved savings of £9.05m for the 2017/18 financial year it is currently anticipated that further savings of circa £29m will be required for the four-year period 2018/19 to 2021/22. Given the extent of savings already delivered to date it is likely that difficult decisions will be required to ensure that balanced budgets can be delivered during this four-year period.

Significant work is already underway to identify further savings proposals to meet the projected financial shortfall for future years and the position will be kept under close review. Once firm savings proposals have been worked up there will be a consultation process that will allow members of the public to give their views before final budgets are approved.

Narrative Report (continued)

Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017

The above publication, (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) governs the items to be disclosed in these Financial Accounts, and makes certain changes for 2016/2017 that are applicable to the Authority:

- The Code has introduced a new note called the “Expenditure and Funding Analysis” following the “Telling the Story” review of the presentation of local authority financial statements. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority’s directorates.

- The Comprehensive Income and Expenditure Account is presented in a new format showing service segments based on the way local authorities operate and manage services. The new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed. This in turn makes the statement more meaningful for local authority members and users of the financial statements as it follows the budget and performance monitoring and other key documents such as council tax leaflets.

Statement of Responsibilities for the Statement of Accounts

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 Acting Director of Corporate Services;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

Responsibilities of the Acting Director of Corporate Services

The Acting Director of Corporate Services 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 of Practice').

In preparing this Statement of Accounts, the Acting Director of Corporate Services 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 Acting Director of Corporate Services has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Acting Director of Corporate Services

I certify that the accounts, set out on pages 12 to109, give a true and fair view of the financial position of the Authority as at 31 March 2017 and its income and expenditure for the year then ended.

N. Scammell
Acting Director of Corporate Services **Date**
and S.151 Officer

The accounts were approved by the Council on

Signed on behalf of Caerphilly County Borough Council:

Councillor J. Bevan, Mayor
Chair of Meeting Approving the Accounts **Date**

Auditor General for Wales' Report to Members of Caerphilly County Borough Council

I have audited the accounting statements and related notes of:

- Caerphilly County Borough Council;

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Caerphilly County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on Page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view. My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Caerphilly County Borough Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Caerphilly County Borough Council as at 31 March 2017 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 2016-17.

Auditor General for Wales’ Report to Members of Caerphilly County Borough Council

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Annual Governance Statement does not reflect compliance with the guidance.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas (Auditor General for Wales)
24 Cathedral Road
Cardiff
CF11 9LJ

Date:

Introduction to Accounting Statements

The Authority's accounts for the year 2016/2017 are set out in the following pages and comprise:

a) **The Comprehensive Income and Expenditure Statement** – showing 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 may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

b) **The Movement in Reserves Statement (MiRS**) – showing the movement in the year on the different reserves held by the Authority. It is analysed into 'Usable Reserves' being 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 differs from the statutory amounts charged to the Council Fund Balance for council tax setting purposes and Housing Revenue Account Balance for dwellings rent setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory Council Fund Balance and Housing Revenue Account Balance before the Authority undertakes any discretionary transfers to or from earmarked reserves.

c) **The Balance Sheet** – which 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 the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are 'usable reserves', being those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

Introduction to Accounting Statements (continued)

e) **The Housing Revenue Account (HRA)** – this is separated into two statements. The HRA Income and Expenditure Statement which shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Authority charges rents to cover expenditure in accordance with regulations, which may be different from the accounting cost. The increase or decrease in the year in the balance on the HRA account (the basis of which rents are raised) is shown in the Movement on the Housing Revenue Account Statement.

The Financial Statements as a whole are IFRS compliant. Further information and support is provided in the Notes to the Core Accounts and the Auditors' Report.

Comprehensive Income and Expenditure Statement

For the year ended

31 March 2017

Comprehensive Income and Expenditure Statement

31 March 2016				31 March 2017			
Restated Gross Expenditure	Restated Gross Income	Restated Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	Note
174,718	(40,977)	133,741	Education and Lifelong Learning	175,743	(37,701)	138,042	
108,552	(31,964)	76,588	Social Services	123,768	(47,090)	76,678	
113,921	(40,855)	73,066	Environment	95,584	(28,502)	67,082	
124,171	(92,858)	31,313	Corporate Services	108,491	(67,177)	41,314	
58,676	(48,938)	9,738	HRA	49,681	(32,832)	16,849	
75,997	0	75,997	Exceptional Item: HRA Buyout	0	0	0	
656,035	**(255,592)**	**400,443**	**Cost of Services**	**553,267**	**(213,302)**	**339,965**	
23,017	(2,573)	20,444	Other Operating Expenditure	22,723	(2,772)	19,951	**9**
35,302	(2,612)	32,690	Financing and Investment Income and Expenditure	34,470	(3,386)	31,084	**10**
	(363,832)	(363,832)	Taxation and Non-Specific Grant Income		(361,346)	(361,346)	**11**
		89,745	**(Surplus)/Deficit on Provision of Services**			**29,654**	
		(152,705)	(Surplus)/deficit on revaluation of non-current assets			(40,218)	**32**
		481	(Surplus)/deficit on revaluation of available-for-sale financial assets			1,298	
		28,328	Actuarial (gains)/losses on pensions assets/liabilities			55,973	**13**
		(123,896)	**Other Comprehensive Income and Expenditure**			**17,053**	
		(34,151)	**Total Comprehensive Income and Expenditure**			**46,707**	

Movement in Reserves Statement

For the year ended

31 March 2017

Movement in Reserves Statement

	Council Fund Balance £000	Earmarked Reserves £000	Total Council Fund Balances £000	Housing Revenue Account £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**	Note
Balance at 1 April 2016	**(12,615)**	**(67,407)**	**(80,022)**	**(21,218)**	**(9,472)**	**(11,910)**	**(122,622)**	**(484,681)**	**(607,303)**	
Movement in reserves during 2016/2017										
Total Comprehensive Income and Expenditure	17,700	0	**17,700**	**11,954**	**0**	**0**	**29,654**	**17,053**	**46,707**	
Adjustments between accounting basis and funding basis under regulations	(20,083)	0	**(20,083)**	(7,557)	(594)	(2,755)	**(30,989)**	**30,989**	0	**7**
(Increase)/Decrease in Year	(2,383)	0	**(2,383)**	**4,397**	**(594)**	**(2,755)**	**(1,335)**	**48,042**	**46,707**	
Transfers (to)/from earmarked reserves	(2,835)	2,835	**0**	0	253	3,128	3,381	(3,381)	0	
Balance at 31 March 2017	**(17,833)**	**(64,572)**	**(82,405)**	**(16,821)**	**(9,813)**	**(11,537)**	**(120,576)**	**(440,020)**	**(560,596)**	

Movement in Reserves Statement (continued)

	Council Fund Balance £000	Earmarked Reserves £000	Total Council Fund Balances £000	Housing Revenue Account £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**	**Note**
Balance at 1 April 2015	**(14,615)**	**(60,079)**	(74,694)	**(22,343)**	**(9,831)**	**(10,593)**	**(117,461)**	**(455,691)**	**(573,152)**	
Movement in reserves during 2015/2016										
Total Comprehensive Income and Expenditure	7,735	0	**7,735**	**82,010**	**0**	**0**	**89,745**	**(123,896)**	**(34,151)**	
Adjustments between accounting basis and funding basis under regulations	(13,063)	0	**(13,063)**	(80,885)	(842)	(2,543)	(97,333)	97,333	0	**7**
(Increase)/Decrease in Year	(5,328)	0	**(5,328)**	**1,125**	**(842)**	**(2,543)**	**(7,588)**	**(26,563)**	**(34,151)**	
Transfers (to)/from earmarked reserves	7,328	(7,328)	**0**	0	1,201	1,226	2,427	(2,427)	0	
Balance at 31 March 2016	**(12,615)**	**(67,407)**	**(80,022)**	**(21,218)**	**(9,472)**	**(11,910)**	**(122,622)**	**(484,681)**	**(607,303)**	

Balance Sheet

As at 31 March 2017

Balance Sheet

31 March 2016 £000		31 March 2017 £000	Note
1,248,943	Property, Plant & Equipment	1,275,243	23
10,427	Heritage Assets	11,482	24
11,048	Long Term Investments	31,872	12
351	Long Term Debtors	586	
1,270,769	**Long Term Assets**	**1,319,183**	
119,302	Short Term Investments	97,532	12
1,662	Assets Held for Sale	1,429	
569	Inventories	539	
39,979	Short Term Debtors	34,194	26
1,505	Cash and Cash Equivalents	1,239	27
163,017	**Current Assets**	**134,933**	
(7,678)	Short Term Borrowing	(14,064)	12
(57,685)	Short Term Creditors	(52,572)	28
(2,004)	Short Term Provisions	(1,795)	29
(67,367)	**Current Liabilities**	**(68,431)**	
(2,812)	Long Term Provisions	(2,739)	29
(287,507)	Long Term Borrowing	(282,317)	12
(466,232)	Other Long Term Liabilities	(538,596)	12,13
(2,565)	Capital Grants Receipts in Advance	(1,437)	11
(759,116)	**Long Term Liabilities**	**(825,089)**	
607,303	**Net Assets**	**560,596**	
(122,622)	Usable Reserves	(120,576)	22
(484,681)	Unusable Reserves	(440,020)	22
(607,303)	**Total Reserves**	**(560,596)**	

The notes on pages 24 to 102 form part of the statement of accounts.

Cash Flow Statement

For the year ended 31 March 2017

Cash Flow Statement

2015/2016 £000		2016/2017 £000	Note
(89,745)	**Net surplus or (deficit) on provision of services**	**(29,654)**	
108,149	Adjust net surplus or deficit on the provision of services for non cash movement	48,435	**41**
(26,141)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(25,463)	**41**
(7,737)	Net cash flows from Operating Activities	**(6,682)**	
(61,846)	Investing Activities	4,042	**43**
69,407	Financing Activities	2,374	**44**
(176)	Net increase or (decrease) in cash and cash equivalents	**(266)**	
1,681	Cash and cash equivalents at the beginning of the reporting period	1,505	
1,505	**Cash and cash equivalents at the end of the reporting period**	**1,239**	**27**

Notes

to the

Core Financial Statements

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/2017 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 (the Code), and the Service Reporting Code of Practice 2016/2017 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Accounting policies have been consistently applied from one year to the next, unless stated otherwise. The financial statements are prepared on a going concern basis.

ii. 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 virtually certain 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 virtually certain 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.
- Revenue from grants is recognised in accordance with accounting policy note **x**.

iii. 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 mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Notes to the Core Financial Statements (continued)

iv. 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.

v. Prior Period Adjustments, Changes in Accounting Policies and 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 applied.

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

The Authority made prior period adjustments in relation to the Comprehensive Income and Expenditure Statement and the headings used within this. Instead of being on a Service Reporting Code of Practice (SeRCOP) the headings are now aligned to our internal budget monitoring.

vi. Charges to Revenue for Non-Current Assets

Services, support charges and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave 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 employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting

Notes to the Core Financial Statements (continued)

year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in

Reserves Statement so that holiday benefits are charged to Council Fund in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as 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 Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Torfaen County Borough Council.

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

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

The Local Government Pension Scheme

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

- The liabilities of the Greater Gwent (Torfaen) Pension Scheme 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 2.6% (3.5% in 2015/2016) based on indicative returns of the iBoxx Sterling AA Rated Corporate Bond.
- The assets of the Torfaen pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.

Notes to the Core Financial Statements (continued)

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

- **Service cost comprising:**
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - The return on assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains/losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Torfaen Pension Fund:**
  - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the 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 debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund 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.

Discretionary Benefits

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

viii. Events after the Balance Sheet Date

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

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

Notes to the Core Financial Statements (continued)

- 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.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate (EIR) for the instrument. For most of the borrowings that the Authority has, this means that the amount included in the Balance Sheet is the outstanding principal repayable (plus accrued interest, split between that element which is short term, due within one year and that which is long term, due over one year).

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

Where premia and discounts have been charged to the Comprehensive Income and Expenditure Statement, the impact on the Council Fund balance is spread over future years over either:

- the longer of the term of the new loan or repaid loan for premia; and
- the lesser of 10 years or term of repaid loan for discounts.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the Council Fund Balance is effected by a transfer to / from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial Assets are classified into two categories:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-Sale Assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables - Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. This results in the amounts included in the Balance Sheet being the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement will be the amount receivable for the year under the agreement.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements (continued)

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Notes to the Core Financial Statements (continued)

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x. 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:

- The Authority has complied with the conditions attached to the payments, and
- The grants and contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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. 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 ring-fenced 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 via 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. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the 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 and 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.

Notes to the Core Financial Statements (continued)

xii. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating

Notes to the Core Financial Statements (continued)

Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income is credited.

Finance Leases

The Authority has not granted any finance leases of property, plant and equipment to other parties.

xiii. 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 2016/2017* (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.

xiv. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority, the cost of the item can be measured reliably and expenditure is above the de-minimis limit of £10,000. 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.

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.

Borrowing costs incurred whilst assets are under construction are not capitalised.

Notes to the Core Financial Statements (continued)

The cost of assets acquired other than by purchase is deemed to be its current 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.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – fair value, estimated at the highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Roads built by Developers are only adopted by the Authority under s38 Highways Adoption Agreements under which the roads need to be constructed to a specified standard. These roads are included at nil cost unless there is any subsequent capital investment on such assets. They will then be held at depreciated historical cost.

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

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

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

Notes to the Core Financial Statements (continued)

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (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 a straight line basis as follows:

- council dwellings – 15 to 40 years
- other land and buildings – 15 to 100 years
- vehicles, plant, furniture and equipment – up to 20 years
- infrastructure assets – 10 to 40 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately in accordance with our componentisation policy. The Authority applies its componentisation policy to assets that have a carrying value in excess of £3m where the cost of the replacement component represents 20% or more of the total asset.

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.

Depreciation charges are made to the service revenue accounts and trading accounts and have been based on the amount at which an asset is included in the balance sheet, whether net current replacement cost or historical cost.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets are classed as “Held for Sale” where the asset is actively marketed, the sale is expected to qualify for recognition as a completed sale within one year of the date of classification and actions required to complete the plan indicate that significant changes to the plan or withdrawal of the plan are unlikely. 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

Notes to the Core Financial Statements (continued)

Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (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. A proportion of receipts relating to housing disposals (75% for dwellings, buildings and developed land, net of statutory deductions and allowances) is set aside for the redemption of debt. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority’s underlying need to borrow (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.

xv. Heritage Assets

The Authority’s Heritage Assets consist of Civic Regalia, War Memorials and Land and Buildings, namely Babell Chapel, Gelligroes Mill, Elliott Colliery Winding House, Handball Court Nelson and Llancaiach Fawr Living History Museum. Such assets are held and classed as Heritage Assets as they increase the knowledge, understanding and appreciation of the Authority’s history and local area. Further information can be found in Note 24.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority’s accounting policies on property plant and equipment. No depreciation is charged on these assets as the Authority considers them as having infinite lives. The Authority has excluded Heritage Assets it considers immaterial from the Balance Sheet where their cost is not readily available and the benefit of valuing the asset is counterweighed by the cost of obtaining the valuation.

Notes to the Core Financial Statements (continued)

xvi. Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services where the responsibility for making available the non-current assets needed to provide services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the non-current assets will pass to the Authority at the end of the contracts for no additional charges, the Authority carries the non-current assets used in the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The recognition of these non-current assets is balanced by the recognition of liabilities for amounts due to the scheme operators to pay for the assets.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge of 9% for the road and 6.9% for the schools on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- Principal element – i.e. payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Lifecycle replacement costs – recognised as non-current assets on the Balance Sheet.

Government grants received for PFI schemes, in excess of the current levels of expenditure (particularly in the early years of these contracts) are carried forward as earmarked reserves to fund future contract expenditure when payments will exceed available revenue support (see Notes 14 and 40 for the PFI Equalisation Reserves).

xvii. Provisions and Reserves

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. Further information on Provisions can be found in Note 29.

Notes to the Core Financial Statements (continued)

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 process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 22.

xviii. Contingent Liabilities

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts – Note 30.

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the 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.

xx. Interest Charges

Interest chargeable on debt is accounted for in the year to which it relates, not in the year it is paid. The Authority borrows funds in line with its capital investment and cash flow requirements. Funds are borrowed from both the Public Works Loan Board and from money markets. Loans can be fixed or variable interest debt. Decisions on whether to take fixed or variable interest debt depend upon the current portfolio, market conditions, forecasts and limits set in the annual Treasury Management Strategy Report.

Borrowing decisions also have to be considered in terms of their overall prudence and affordability, in accordance with the requirements of CIPFA's "The Prudential Code for Capital Finance in Local Authorities", and be contained within limits approved by Council in setting the Authority's "Prudential Indicators", in accordance with the Code.

Notes to the Core Financial Statements (continued)

xxi. Debt Redemption

The Authority's Treasury Management Strategy permits the early repayment of borrowing. This may be undertaken if market conditions are favourable and there are no risks to cash flow. Such transactions may be carried out in order to reduce interest payable, to adjust the maturity profile or to restructure the ratio of fixed to variable interest bearing debt.

xxii. Related Party Transactions

The Authority is required to disclose separately, the value of transactions and year-end balances with its related parties, unless they are already the subjects of other disclosure requirements (see note 20 to the Financial Statements). In respect of a local authority its related parties include central government, other local authorities, precepting and levying bodies, other public bodies, its subsidiary companies, Pension Fund and bodies where Members and Senior Officers hold positions of influence and with whom the Authority has transacted.

xxiii. Recognition of Revenue from Non-Exchange Transactions

Assets and revenue arising from non-exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector as detailed in the Code and/or IPSAS 23, “Revenue from Non- Exchange Transactions (Taxes and Transfers).”

Taxation transactions
Assets and revenue arising from taxation transactions are recognised in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

Non-taxation transactions
Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Authority recognises a liability until the condition is fulfilled.

Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions
Taxation revenue is measured at the nominal value of cash, and cash equivalents. Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

- Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset; and
- Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognised when a binding transfer arrangement is in place but cash or other assets have not been received.

xxiv. Accounting for local authority schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts).

Notes to the Core Financial Statements (continued)

Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

xxv. Value Added Tax

VAT payable has been excluded as an expense where it is recoverable from Her Majesty's Revenue and Customs. VAT receivable has been excluded from income.

xxvi. Accounting for the costs of the Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

xxvii. Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure; however, a small proportion of the charges may be used to fund revenue expenditure.

xxviii. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Core Financial Statements (continued)

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

2. 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is deemed to control the services provided under the outsourcing agreement for two Schools and a Road and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the Schools (valued at £40.744m) and Road (valued at £26.656m) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
- Only the value of the land for voluntary aided and foundation schools is included in the Balance Sheet. As the Council does not own these types of school and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet.
- The Authority has £1,275m recognised as Property, Plant and Equipment on its Balance Sheet as at 31 March 2017. Note 23 to the accounts details the revaluations to land, property, plant and equipment during the accounting period to ensure that Property, Plant and Equipment is included in the accounts at current value. The Authority undertakes formal valuations of its Property, Plant and Equipment by way of a five year rolling program and undertakes sufficient work, in respect of the assets not subject to a formal valuation in any one year, to ensure the value of its Property, Plant and Equipment as stated in the Balance Sheet is not materially different from its current value. The valuations are undertaken mainly by the Authority's in-house Corporate Property Department on an annual basis in line with the rolling program. External valuers were commissioned to undertake the valuation of the Authority's council housing, which was valued using the Beacon Method. The internal valuation team undertaking the annual revaluation work are members of the Royal Institute of Chartered Surveyors (RICS). Non-property assets have not been revalued as the Authority has judged that the carrying value of these assets is approximate to current value, given their relatively short useful economic lives and the relative value of these assets.

Notes to the Core Financial Statements (continued)

3. Assumptions about the future/other sources of estimation or 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 2017 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. As the Authority's assets have large variations in useful lives, it is impossible to estimate the effect on the annual depreciation charge for every year that useful lives had to be reduced.
Provisions	The Authority has made various provisions, both short term and long term totalling £4.534m - see note 29.	If the Authority has over provided for the potential liabilities the over provision will be released increasing the available funds in working balances. If the Authority has underprovided for the potential liabilities the under provision will be a charge to the Authority's Comprehensive Income and Expenditure Statement, with a reduction in working balances.
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. For instance for the Greater Gwent Scheme, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £123.783m, whereas a 0.5% increase in salaries rate assumption would result in an increase in the pension liability of £24.290m. However, the assumptions interact in complex ways. During 2016/2017, the Authority's Actuaries advised that the net pensions liability for all schemes had increased by £72.427m. This is as a result of re-measurement of the liability from changes in financial assumptions.

Notes to the Core Financial Statements (continued)

Item	Uncertainties	Effect if actual results differ from assumptions
Fair value measure-ments	When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. Judgements may include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in note 12.	The authority uses the discounted cash flow (DCF) model to value financial assets and liabilities The significant unobservable inputs used in the fair value measurement include management assumptions regarding discount rates. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the financial assets/liabilities.

4. Accounting Standards issued but not yet adopted

For 2016/2017, there are no accounting standards that have been issued but not yet adopted that are applicable to the Authority.

Notes to the Core Financial Statements (continued)

5. Expenditure and Funding Analysis

2015-2016 Net Expenditure Chargeable to Council Fund and HRA Balances	2015-2016 Adjustments between the Funding and Accounting Basis (note 5)	2015-2016 Net Expenditure in the Comprehensive Income and Expenditure Statement		2016-2017 Net Expenditure Chargeable to Council Fund and HRA Balances	2016-2017 Adjustments between the Funding and Accounting Basis (note 5)	2016-2017 Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
126,133	7,608	133,741	Education and Lifelong Learning	124,414	13,628	138,042
75,183	1,405	76,588	Social Services	75,007	1,671	76,678
54,235	18,831	73,066	Environment	48,437	18,645	67,082
64,964	(33,651)	31,313	Corporate Services	74,393	(33,079)	41,314
1,124	84,611	85,735	HRA	4,396	12,453	16,849
321,639	**78,804**	**400,443**	**Net Cost of Services**	**326,647**	**13,318**	**339,965**
(325,842)	15,144	(310,698)	Other Income and Expenditure	(324,633)	14,322	(310,311)
(4,203)	**93,948**	**89,745**	**Surplus/Deficit**	**2,014**	**27,640**	**29,654**
(97,037)			**Opening Council Fund and HRA Balance at 1 April**	(101,240)		
(4,203)			**Surplus or (Deficit) on Council Fund and HRA Balance in Year**	2,014		
(101,240)			**Closing Council Fund and HRA Balance at 31 March***	**(99,226)**		

** For a split of this balance between the Council Fund and the HRA, see the Movement in Reserves Statement*

Notes to the Core Financial Statements (continued)

	Adjustments between Funding and Accounting Basis 2016-2017			
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for capital Purposes £000**	**Net Change for the Pensions Adjustments £000**	**Other Adjustments £000**	**Total Adjustments £000**
Education and Lifelong Learning	13,144	(267)	751	13,628
Social Services	373	1,283	15	1,671
Environment	16,180	1,231	1,234	18,645
Corporate Services	(13,098)	(1,306)	(18,675)	(33,079)
HRA	16,941	525	(5,013)	12,453
Net Cost of Services	33,540	1,466	(21,688)	13,318
Other income and expenditure from the Expenditure and Funding Analysis	(23,431)	14,986	22,767	14,322
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	10,109	16,452	1,079	**27,640**

Notes to the Core Financial Statements (continued)

	Adjustments between Funding and Accounting Basis 2015-2016			
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for capital Purposes £000**	**Net Change for the Pensions Adjustments £000**	**Other Adjustments £000**	**Total Adjustments £000**
Education and Lifelong Learning	7,492	557	(441)	7,608
Social Services	612	806	(13)	1,405
Environment	17,289	766	776	18,831
Corporate Services	(6,711)	(1,978)	(24,962)	(33,651)
HRA	89,763	324	(5,476)	84,611
Net Cost of Services	108,445	475	(30,116)	78,804
Other income and expenditure from the Expenditure and Funding Analysis	(27,441)	12,691	29,894	15,144
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	81,004	13,166	(222)	**93,948**

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

This is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **Services** – the represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

Notes to the Core Financial Statements (continued)

- For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Adjustments

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and Investment Income and Expenditure** the other adjustments column recognises adjustments to the Council Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

6. Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

	2015-2016	2016-2017
	£000	£000
Expenditure:		
Employee benefits expenses	228,032	228,800
Other service expenses	309,228	271,990
Depreciation, amortisation, impairment	144,123	77,818
Interest payments	18,579	17,846
Precepts and levies	13,208	13,785
Loss on disposal of assets	1,184	221
Total expenditure	**714,354**	**610,460**
Income:		
Fees, charges and other service income	(145,961)	(104,647)
Gain on disposal of assets	(2,543)	(2,756)
interest and investment income	(160)	(959)
Income from council tax, non-domestic rates	(73,483)	(75,117)
Government grants and contributions	(402,462)	(397,327)
Total income	**(624,609)**	**(580,806)**
Surplus or Deficit on the Provision of Services	**89,745**	**29,654**

Notes to the Core Financial Statements (continued)

7. Adjustments between accounting basis and funding basis under Regulations

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

The following sets out a description of the Usable Reserves that the adjustments are made against:

Council Fund Balance

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

Housing Revenue Account

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Authority's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

For details and explanations of Unusable Reserves for which adjustments are made against, see note 22.

Notes to the Core Financial Statements (continued)

2016/2017	Usable Reserves: Council Fund Balance £000	Usable Reserves: Housing Revenue Account £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets and non-enhancing capital expenditure	(34,277)	(43,310)	0	0	77,587
Amortisation of intangible assets	(232)	0	0	0	232
Capital grants and contributions applied	14,060	8,274	0	0	(22,334)
Revenue expenditure funded from capital under statute	(173)		0	0	173
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	831	1,704	(2,755)	0	220
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	4,325	2,330	0	0	(6,655)
Capital expenditure charged against the Council Fund and HRA balances	11,727	24,038	0	0	(35,765)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	594	0	0	(594)	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(216)	(57)	0	0	273
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(38,083)	(2,614)	0	0	40,697
Employer's pensions contributions and direct payments to pensioners payable in the year	22,156	2,089	0	0	(24,245)
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(795)	(11)	0	0	806
Total Adjustments	**(20,083)**	**(7,557)**	**(2,755)**	**(594)**	**30,989**

Notes to the Core Financial Statements (continued)

2015/2016	Usable Reserves: Council Fund Balance £000	Usable Reserves: Housing Revenue Account £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets and non-enhancing capital expenditure	(31,966)	(111,902)	0	0	143,868
Amortisation of intangible assets	(255)	0	0	0	255
Capital grants and contributions applied	16,366	7,574	0	0	(23,940)
Revenue expenditure funded from capital under statute	(1,322)	(1)	0	0	1,323
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(329)	1,688	(2,543)	0	1,184
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	10,320	852	0	0	(11,172)
Capital expenditure charged against the Council Fund and HRA balances	5,842	21,287	0	0	(27,129)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	842	0	0	(842)	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(217)	(57)	0	0	274
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(36,112)	(1,810)	0	0	37,922
Employer's pensions contributions and direct payments to pensioners payable in the year	23,270	1,486	0	0	(24,756)
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	498	(2)	0	0	(496)
Total Adjustments	**(13,063)**	**(80,885)**	**(2,543)**	**(842)**	**97,333**

Notes to the Core Financial Statements (continued)

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2016/2017.

	Balance at 1 April 2015 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2016 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2017 £000
Council Fund:							
Balances held by schools under a scheme of delegation (note 39)	(3,058)	1,316	(1,145)	**(2,887)**	1,791	(1,236)	**(2,332)**
Capital Earmarked Reserves (note 36)	(15,962)	4,551	(6,363)	**(17,774)**	12,309	(10,893)	**(16,358)**
Direct Services Earmarked Reserves	(88)	0	(120)	**(208)**	0	(94)	**(302)**
Service over/underspend Reserves (note 37)	(9,818)	6,132	(7,128)	**(10,814)**	10,562	(6,014)	**(6,266)**
Insurance Earmarked Reserves (note 35)	(6,650)	0	(191)	**(6,841)**	554	(307)	**(6,594)**
Other Earmarked Reserves (note 40)	(24,503)	3,595	(7,975)	**(28,883)**	5,747	(9,584)	**(32,720)**
Total	**(60,079)**	**15,594**	**(22,922)**	**(67,407)**	**30,963**	**(28,128)**	**(64,572)**
Housing Revenue Account:							
HRA Fund Balance	**(22,343)**	**1,125**	**0**	**(21,218)**	**8,373**	**(3,976)**	**(16,821)**

9. Other Operating Expenditure

Other operating expenditure is made up as follows:

	2015/2016 £000	2016/2017 £000
Community Council Precepts	655	674
Gwent Police Authority Precept	12,553	13,110
Levies	8,626	8,718
(Gains)/losses on the disposal of non-current assets	(1,390)	(2,551)
Total	**20,444**	**19,951**

<u>**Levies**</u>	2015/2016 £000	2016/2017 £000
South Wales Fire Authority	8,226	8,279
Gwent Coroners' Service	188	229
Glamorgan Archives' Service	75	73
Gwent Archives' Service	137	137
Total Levies	**8,626**	**8,718**

Notes to the Core Financial Statements (continued)

Precepts **Community Councils:**	**2015/2016** **£000**	**2016/2017** **£000**
Aber Valley Community Council	30	30
Argoed Community Council	10	11
Bargoed Town Council	58	58
Bedwas, Trethomas and Machen Community Council	65	67
Blackwood Community Council	49	55
Caerphilly Town Council	79	80
Darren Valley Community Council	12	12
Draethen, Waterloo and Rudry Community Council	12	12
Gelligaer Community Council	87	90
Llanbradach Community Council	29	30
Maesycwmmer Community Council	18	18
Nelson Community Council	27	27
New Tredegar Community Council	17	17
Penyrheol, Trecenydd and Energlyn Community Council	56	57
Rhymney Community Council	35	35
Risca East Community Council	24	24
Risca West Community Council	27	31
Van Community Council	20	20
	655	**674**
Gwent Police Authority	**12,553**	**13,110**
Total Precepts upon the Authority	**13,208**	**13,784**

10. Financing and Investment Income and Expenditure

Financing and investment income and expenditure is made up as follows:

	2015/2016 **£000**	**2016/2017** **£000**
Interest payable and similar charges	18,579	17,846
Pensions interest costs and expected return on pensions assets	12,685	14,979
Interest receivable and similar income	(159)	(959)
(Gains)/losses on other trading accounts	1,585	(782)
Total	**32,690**	**31,084**

	2015/2016 **(Surplus)/Deficit** **£000**	**Income** **£000**	**2016/2017** **Expenditure** **£000**	**(Surplus)/** **Deficit** **£000**
Industrial Estates	1,490	(2,288)	1,477	(811)
Housing Agency	95	(138)	167	29
Total (surplus)/deficit on other trading accounts	**1,585**	**(2,426)**	**1,644**	**(782)**

Notes to the Core Financial Statements (continued)

11. Taxation and non-specific grant income

	2015/2016 £000	2016/2017 £000
Council tax income	(73,483)	(75,117)
Non domestic rates	(50,854)	(53,184)
Non-ringfenced government grants	(214,713)	(210,117)
Capital grants and contributions	(24,782)	(22,928)
Total	**(363,832)**	**(361,346)**

Council Tax Income

Council tax derives from charges raised according to the value of residential properties, which from 1st April 2005, have been classified into nine valuation bands, using 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required by the Authority, the Police and Crime Commissioner for Gwent and Community Councils for the forthcoming year and dividing this amount by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent. The basic amount for a band D property, £1,001.94 in 2016/2017 (£992.02 in 2015/2016) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2016/2017 was £75.2m (£73.73m in 2015/2016).

Council tax bills were based on the following multipliers for bands A to I:

BAND	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	8,529	18,218	14,605	8,367	7,236	3,019	1,164	169	111

Analysis of the net proceeds from council tax:	2015/2016 £000	2016/2017 £000
Council tax collectable		
Caerphilly County Borough Council	(60,522)	(61,411)
Gwent Police Authority - see note 9	(12,553)	(13,110)
Community Councils - see note 9	(655)	(674)
Total amount due	(73,730)	(75,195)
Less: Bad Debt Provision	247	78
Net proceeds from council tax	**(73,483)**	**(75,117)**

Notes to the Core Financial Statements (continued)

National Non Domestic Rates (NNDR) Income

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate (48.6p in 2016/2017, 48.2p in 2015/2016) and subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government.

The Welsh Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population. The Authority's redistribution for 2016/2017 was £53.184m in total (£50.854m in 2015/2016).

The anticipated NNDR proceeds of £36.8m for 2016/2017 (£35.2m in 2015/2016) was based on a total rateable value at the year-end of £92.91m (£93.23m for 2015/2016).

Analysis of the net proceeds from Non-Domestic Rates:	**2015/2016 £000**	**2016/2017 £000**
Anticipated proceeds	**(35,277)**	**(36,806)**
Less: Discretionary relief	402	325
Cost of collection	269	269
Bad and doubtful debts	628	377
Contribution to NNDR Pool	**(33,978)**	**(35,835)**
Redistributed amount due from NNDR Pool	(50,854)	(53,184)
Amount received from NNDR Pool	**(50,854)**	**(53,184)**

Non ring-fenced government grants

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/2017:

	2015/2016 £000	**2016/2017 £000**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(212,837)	(210,117)
Outcome Agreement Grant	(1,876)	0
Total	**(214,713)**	**(210,117)**

The Authority received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require that the monies be returned to the giver.

The balances at the year-end are as follows:

Capital Grants Receipts in Advance	**2015/2016 £000**	**2016/2017 £000**
Opening balance as at 1 April	**(1,803)**	**(2,565)**
Planning	(23)	7
Property	0	2
Private Housing	(739)	1,119
Closing balance as at 31 March	**(2,565)**	**(1,437)**

Notes to the Core Financial Statements (continued)

12. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000	£000	£000	£000
Investments				
Loans and receivables	4	4	72,496	44,110
Available-for-sale assets	11,044	31,868	48,311	54,661
Total investments	**11,048**	**31,872**	**120,807**	**98,771**
Debtors				
Loans and receivables	351	586	39,979	34,194
Total debtors	**351**	**586**	**39,979**	**34,194**
Borrowings				
Financial liabilities at amortised cost	(287,507)	(282,317)	(7,678)	(14,064)
Total borrowings	**(287,507)**	**(282,317)**	**(7,678)**	**(14,064)**
Other long term liabilities				
PFI and finance lease liabilities	(35,920)	(34,598)	(2,098)	(1,436)
Deferred Liabilities	(1,068)	(2,327)	0	0
Total other long term liabilities	**(36,988)**	**(36,925)**	**(2,098)**	**(1,436)**
Creditors				
Financial liabilities carried at contract amount	0	0	(55,587)	(51,136)
Total creditors	**0**	**0**	**(55,587)**	**(51,136)**

Notes to the Core Financial Statements (continued)

Income, Expenses, Gains and Losses	**Financial Liabilities**	**Financial Assets**	
2016/2017	**Liabilities measured at amortised cost £000**	**Loans and receivables £000**	**Total £000**
Interest expense	17,846	0	17,846
Total expense in Surplus or Deficit on Provision of Services	**17,846**	**0**	**17,846**
Interest income	0	(959)	(959)
Total income in Surplus or Deficit on Provision of Services	**0**	**(959)**	**(959)**
Net (gain)/loss for the year	**17,846**	**(959)**	**16,887**

Income, Expenses, Gains and Losses	**Financial Liabilities**	**Financial Assets**	
2015/2016	**Liabilities measured at amortised cost £000**	**Loans and receivables £000**	**Total £000**
Interest expense	18,579	0	18,579
Total expense in Surplus or Deficit on Provision of Services	**18,579**	**0**	**18,579**
Interest income	0	(159)	(159)
Total income in Surplus or Deficit on Provision of Services	**0**	**(159)**	**(159)**
Net (gain)/loss for the year	**18,579**	**(159)**	**18,420**

Fair Value of Financial Assets

Some of the Authority’s financial assets are measured at fair value on a recurring basis and are described in the following table, including valuation techniques used to measure them:

Financial Assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31 March 2016 £000**	**As at 31 March 2017 £000**
Available-for-Sale:				
Investment Bonds	Level 1	Quoted prices in active markets for identical assets	59,355	86,529
Total			**59,355**	**86,529**

Notes to the Core Financial Statements (continued)

Transfers between Levels of the Fair Value Hierarchy - There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique - There was no change in the valuation technique used during the year for the financial instruments.

Fair Values of Assets and Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value described in the preceding paragraphs (available-for-sale financial assets) all other financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. The fair value of a financial instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments/receipts in the future in today's terms. For "other" loans the discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender, and is the rate applicable in the market on the date of valuation (31 March) for an instrument with the same duration.

The Code of Practice does not prescribe which method is to be applied. For 2016/2017 the Fair Value for PWLB loan debt has been arrived at using the PWLB new loan rate at 31 March 2017.

The fair values are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	(350,772)	(430,764)	(347,517)	(455,185)
PFI and Finance Lease liabilities	(38,018)	(61,057)	(36,034)	(63,128)
Long term creditors	(1,068)	(1,068)	(2,327)	(2,327)
	(389,858)	**(492,889)**	**(385,878)**	**(520,640)**

Analysis of Liabilities by maturity	**31 March 2016 £000**	**31 March 2017 £000**
Maturing within 1 year	(65,363)	(66,636)
Maturing in 1 - 2 years	(13,489)	(13,668)
Maturing in 2 - 5 years	(20,418)	(16,436)
Maturing in 5 - 10 years	(28,058)	(27,209)
Maturing in 10 - 15 years	(29,307)	(28,697)
Maturing in 15 - 20 years	(21,010)	(21,009)
Maturing in 20 - 25 years	(93,698)	(93,715)
Maturing in 25 - 30 years	(23,945)	(23,945)
Maturing in 30 - 35 years	(9,977)	(9,977)
Maturing in 35 - 40 years	(50,196)	(50,196)
Maturing in 40 - 45 years	(14,000)	(14,000)
Maturing in 45 - 50 years	0	0
Maturing in over 50 years	(20,397)	(20,390)
	(389,858)	**(385,878)**

Notes to the Core Financial Statements (continued)

Short–term debtors and creditors are carried at cost as this is a fair approximation of their value. The fair value of the financial liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2016		31 March 2017	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	112,479	112,479	78,308	78,308
Available for Sale Financial Assets	59,355	59,355	86,529	86,529
Long term debtors	351	351	586	586
	172,185	**172,185**	**165,423**	**165,423**

As at 31 March 2017, assets included fixed term deposits valued at nominal amounts plus accrued interest. These were classified as loans and receivables. The Authority also held investment bonds that were classified as Available-for-Sale measured at fair value and valued at prices quoted in the money markets as at 31 March 2017. The Authority had no Assets and Liabilities measured at Fair Value through Profit and Loss at 31 March 2017.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2016			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (level 1) £000**	**Other significant observable inputs (level 2) £000**	**Significant unobservable inputs (level 3) £000**	**Total £000**
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	(55,597)	(375,167)	0	(430,764)
Long term creditors	(1,068)	0	0	(1,068)
PFI and finance lease liabilities	0	(61,057)	0	(61,057)
Total	**(56,665)**	**(436,224)**	**0**	**(492,889)**
Financial assets				
Loans and receivables:				
Other loans and receivables	112,830	0	0	112,830
Total	**112,830**	**0**	**0**	**112,830**

Notes to the Core Financial Statements (continued)

	31 March 2017			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (level 1) £000**	**Other significant observable inputs (level 2) £000**	**Significant unobservable inputs (level 3) £000**	**Total £000**
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	(51,146)	(404,039)	0	(455,185)
Long term creditors	(2,327)	0	0	(2,327)
PFI and finance lease liabilities	0	(63,128)	0	(63,128)
Total	**(53,473)**	**(467,167)**	**0**	**(520,640)**
Financial assets				
Loans and receivables:				
Other loans and receivables	78,894	0	0	78,894
Total	**78,894**	**0**	**0**	**78,894**

The fair value for financial liabilities and financial assets that are not measured at fair value included in level 2 in the table above have been arrived at using other significant observable inputs. With respect to LOBO loans the observable inputs were the effective interest rate calculation, whereas PWLB loans were measured at cost plus accrued interest. For both liabilities there is no active market where a quoted price could be obtained.

The following assumptions have been used:

Financial assets	**Financial liabilities**
▪ no early repayment or impairment is recognised ▪ for fixed term investments the carrying amount of assets is assumed to be the approximate to fair value, and the contractual interest rate is taken to be the discount rate, which ranged between 0.25% and 1.00%. Accrued interest has been included to the nominal amount in order to determine the fair value. These have been categorised as loans and receivables ▪ the fair value of trade and other receivables is taken to be the invoiced or billed amount. ▪ the fair value of available-for-sale investments that comprise various types of investment bonds have been valued at the mid-market price as quoted on 31 March 2017 and subsequently adjusted accordingly. Accrued interest has also been taken into consideration using the amortisation method.	▪ no early repayment is recognised ▪ Estimated ranges of discount rates for liabilities at 31 March 2017 were of 1.03% to 2.80% for loans from the PWLB and the Market, and applied with reference to the number of years outstanding to the maturity date. ▪ The fair values for financial liabilities (PWLB debt and market debt) have been determined by reference to the PWLB redemption rules and prevailing PWLB new loan rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWLB debt have been calculated by way of valuing the embedded Swap option and includes accrued interest.

Notes to the Core Financial Statements (continued)

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 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.
- Re-financing risk – the possibility that the Authority may be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Council in the annual treasury management strategy, and compliance with the CIPFA Prudential Code of Practice, the CIPFA Treasury Management Code of Practice, and Investment Guidance that is issued under the Local Government Act 2003. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash (short-term and long-term). These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy and Investment Strategy ("the Annual Strategy") that outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members. The "2016/17 Annual Treasury Management Strategy and Investment Strategy (including Prudential Indicators)" was approved by Council on 24 February 2016 and is available on the Authority website.

Credit risk

Credit risk arises from deposits with banks, building societies and corporates, as well as credit exposures to the Authority's customers. Deposits are not made with counterparties unless they meet the minimum credit ratings as prescribed in the Annual Investment Strategy.

The strategy employed for 2016/2017 allowed officers to place surplus funds with banks, building societies, corporates, sovereign bonds, the Debt Management Office (DMO) (the UK Government) (T-Bills and the DMADF) and other local authorities using a credit criteria that coincided with the Authority's attitude to risk.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

Details of the Investment Strategy can be found on the Authority's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F2, Long Term BBB (Fitch or equivalent rating), and non-UK Sovereign rating of AAA
- Debt Management Office (Debt Management Account Deposit Facility) (DMADF)
- Debt Management Office – Treasury Bills
- Local Authorities
- AAA rated Money Market Funds
- Corporates

Notes to the Core Financial Statements (continued)

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions will vary according to credit ratings assigned by the three main credit rating agencies and 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.

The following analysis summarises the Authority's potential maximum exposure to credit risk on financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	31 March 2016	31 March 2017			
Counterparties rated:	Estimated maximum exposure to default £000	Amount at 31 March 2017 £000	Historical experience of default %	Historic experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default £000
		A	B	C	(A x C)
Long-term:					
AAA	9	22,860	0.10% - 0.37%	0.10% - 0.37%	51
AA	2	12,352	0.72%	0.72%	89
Short-term					
AAA	11	3,862	0.04%	0.04%	2
AA	18	26,528	0.03%	0.03%	8
AA-	5	14,476	0.03%	0.03%	4
A+	6	20,063	0.06%	0.06%	12
A	5	20,035	0.06%	0.06%	12
A-	3	4,758	0.06%	0.06%	3
BBB+	0	3,468	0.18%	0.18%	6
Non-investment grade	95	1,001	3.17%	3.17%	32
Debtors - past due but not impaired	30	2,853	1.00%	1.00%	28
Total	**184**	**132,256**			**247**

The Authority's deposits are placed either directly with the counterparty or indirectly with the counterparty via London money market brokers. At 31 March 2017, the Authority's long-term and short-term investments, and cash and cash equivalents were deposited with UK and non-UK counterparties in accordance with the approved treasury management Annual Investment Strategy. No credit limits were exceeded during the year and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers and the amount past due (but not impaired) as at the year-end can be analysed by age as follows:

	31 March 2016 £000	31 March 2017 £000
Three to six months	478	647
Six months to one year	544	601
More than one year	2,130	1,605
	3,152	**2,853**

Notes to the Core Financial Statements (continued)

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure the maturity profile is as smooth as possible through a combination of careful planning of new loans taken out and (where economically advantageous to do so) making early repayments.

Refinancing and Maturity Risk

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

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority’s day to day cash flow needs and for monitoring the spread of longer term investments, to ensure stability of maturities and returns for longer term cash flow needs.

The maturity analysis of debt outstanding with the PWLB and market loans is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy 2016/2017):

Prudential Indicator Analysis						
Period	**Minimum**	**Maximum**	**31 March 2016**		**31 March 2017**	
			£000		**£000**	
<12 Months	0%	35%	6,838	2%	13,224	4%
1-2 Years	0%	40%	4,354	2%	2,100	1%
2-5 Years	0%	50%	6,723	2%	4,623	2%
5-10 Years	0%	75%	13,729	5%	13,729	5%
>10 Years	0%	95%	259,443	89%	259,436	88%
			291,087	100%	293,112	100%

Market risk

Interest rate risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority.

Notes to the Core Financial Statements (continued)

For illustration, a rise in interest rates would have the following effects:

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

Borrowings are not carried at fair value (but are carried on the Balance Sheet at amortised cost) so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance pound for pound. Movements in fair value of available-for-sale investments will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Its policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans when interest rate levels are favourable. However, as at 31 March 2017, the Authority had no variable rate loans or investments. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates for the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

The approved Treasury Management Strategy for 2016-2017 has enabled officers to place surplus cash flow funds with financial institutions and corporates and has resulted in enhanced investment returns in comparison to previous financial years. According to the investment strategy, if interest rates had been 1% higher at 31 March 2017, with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	0
Share of overall impact debited to the HRA	77
Increase in fair value of fixed rate investment assets	48
Impact on Other Comprehensive Income and Expenditure	**48**
Decrease in fair value of fixed rate borrowings liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**34,364**

The impact of a 1% fall in interest rates would result in a similar variance, but with the movements reversed. The calculation is based on the PWLB discount rate used in the original fair value calculation, plus or minus 1%. There is a nil effect on variable rate investments and borrowings as the Authority had no such variable rate instruments during the year.

Notes to the Core Financial Statements (continued)

13. Retirement Benefits

Participation in Pension Schemes

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

- The Local Government Pension Scheme, the Greater Gwent (Torfaen) Pension Scheme, is administered by Torfaen County Borough Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.
- The Teachers' Pension Scheme is a defined benefit scheme, which is administered by the Department for Education. The scheme is unfunded and as it is not possible for the Authority to identify its share of the underlying liabilities of the scheme attributable to its own employees, it is being accounted for as a defined contribution scheme, i.e. the cost charged to Cost of Services in the year is the cost of the employer contributions to the scheme. A "notional fund" is used as the basis for calculating the employers' contribution rate paid by each local education authority.

Greater Gwent (Torfaen) Pension Scheme

In 2016/2017, the Authority paid an employer's contribution of £21.704m, representing 20.8% of the pensionable pay of employees who are members of the scheme into the Greater Gwent (Torfaen) Pension Fund (£21.76m representing 20.8% in 2015/2016), which provides members with defined benefits related to pay and service. Contribution rates are set by the Superannuation Regulations to meet 100% of the overall liabilities of the Fund over a period of time, with necessary contribution increases being phased in. In addition, the Authority is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2016/2017 these amounted to £1.486m, representing 1.42% of pensionable pay (£3.613m representing 3.45% in 2015/2016).

Teachers' Pension Scheme

In 2016/2017, the Authority paid £9.254m to Capita Teachers' Pensions in respect of teachers' pensions, which represents 16.48% of teachers' pensionable pay (£8.77m and 16.48% - for the whole of 2015/2016). In addition, the Authority is responsible for all pension payments relating to added years that have been awarded, together with the related increases. In 2016/2017, these amounted to £1.734m, representing approximately 3.09% of pensionable pay (£1.729m and 3.25% for 2015/2016).

Former Authorities' Liability

The former authorities' liability exists in respect of previous year's decisions to fund the pension benefits of employees of the former Glamorgan County Council, Mid Glamorgan County Council and Rhymney Valley District Council whose pension benefits are currently funded by the Rhondda Cynon Tâf County Borough Council Pension Fund. This has been included within the Authority's accounts as part of the required IAS 19 accounting disclosures. Actuarial assumptions are based upon the Rhondda Cynon Tâf County Borough Council Pension Fund.

Further information and the actuarial report is available on request from the Director of Finance, Rhondda Cynon Tâf County Borough Council, The Pavilions, Cambrian Park, Clydach Vale, Tonypandy CF40 2XX.

Notes to the Core Financial Statements (continued)

Unfunded Teachers Pensions Liability

This liability exists in respect of unfunded Teachers' Discretionary Benefits paid to the former Authority employees by the Greater Gwent (Torfaen) Pension Fund. This has been included within the Authority's accounts as part of the required IAS 19 accounting disclosures. Actuarial assumptions are based upon the Greater Gwent (Torfaen) Pension Fund.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/2016 £000	2016/2017 £000	2015/2016 £000	2016/2017 £000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
Service cost comprising:				
• current service cost	24,987	25,088	0	0
• past service costs	(1,785)	210	0	0
• (gain)/loss from settlements/curtailments	1,617	0	0	0
• administration expenses	418	420	0	0
Financing and Investment Income and Expenditure				
• net interest expense	11,639	13,751	1,046	1,228
Total Post Employment Benefits charged to the Surplus or Deficit on Provision of Services	**36,876**	**39,469**	**1,046**	**1,228**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	35,175	(106,419)	0	0
• actuarial (gains) / losses arising on changes in demographic assumptions	0	(28,109)	0	(2,015)
• actuarial (gains) / losses arising on changes in financial assumptions	294	181,318	(201)	4,444
• actuarial (gains) / losses - experience	(10,142)	6,179	3,199	577
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**62,203**	**92,438**	**4,044**	**4,234**

Notes to the Core Financial Statements (continued)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/2016	2016/2017	2015/2016	2016/2017
	£000	£000	£000	£000
Movement in Reserves Statement:				
• reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(36,876)	(39,469)	(1,046)	(1,228)
Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:				
• employers' contributions payable to the scheme	22,579	22,098	2,177	2,147

Further information can be found in the Greater Gwent (Torfaen) Pension Fund's Annual Report, which is available upon request from the Director of Finance, County Borough of Torfaen, Civic Centre, Pontypool, NP4 6YB.

Actuarial Gains and (Losses) relating to Pensions

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2017 is a loss of £244.863m (£188.888m loss to 31 March 2016).

Pensions Assets and Liabilities Recognised in the Balance Sheet:

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	2015/2016	2016/2017
	£000	£000
Present value of the defined benefit obligation:		
• Local Government Pension Scheme	(962,678)	(1,163,242)
• Former Authorities' Liability	(7,990)	(7,890)
• Teachers' Unfunded Discretionary Pension	(28,708)	(30,895)
Fair value of plan assets:		
• Local Government Pension Scheme	570,132	700,356
Net liability arising from defined benefit obligations	**(429,244)**	**(501,671)**

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contribution that the Authority expects to make to the Local Government Pension Scheme in the year to 31 March 2018 is £20.469m.

Notes to the Core Financial Statements (continued)

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation):

2016/2017	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	Total £000
Opening balance at 1 April	961,518	7,990	28,708	998,216
Current service cost	25,508	0	0	25,508
Interest cost	33,758	250	978	34,986
Contributions by scheme participants	6,555	0	0	6,555
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	(28,102)	(280)	(1,735)	(30,117)
• Actuarial (gains) / losses arising from changes in financial assumptions	181,319	580	3,864	185,763
• Actuarial (gains) / losses - experience	6,171	(50)	627	6,748
Past service costs	210	0	0	210
Losses / (gains) on curtailment	0	0	0	0
Benefits paid	(24,855)	(600)	(1,547)	(27,002)
Closing balance at 31 March	**1,162,082**	**7,890**	**30,895**	**1,200,867**
Other pension liabilities from discontinued operations	1,160	0	0	1,160
Closing balance at 31 March	**1,163,242**	**7,890**	**30,895**	**1,202,027**

2015/2016	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	Total £000
Opening balance at 1 April	930,427	8,720	26,111	965,258
Current service cost	25,405	0	0	25,405
Interest cost	30,892	260	786	31,938
Contributions by scheme participants	6,532	0	0	6,532
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	0	0	0	0
• Actuarial (gains) / losses arising from changes in financial assumptions	294	(210)	9	93
• Actuarial (gains) / losses - experience	(10,142)	(150)	3,349	(6,943)
Past service costs	357	0	0	357
Losses / (gains) on curtailment	1,617	0	0	1,617
Benefits paid	(23,864)	(630)	(1,547)	(26,041)
Closing balance at 31 March	**961,518**	**7,990**	**28,708**	**998,216**
Other pension liabilities from discontinued operations	1,160	0	0	1,160
Closing balance at 31 March	**962,678**	**7,990**	**28,708**	**999,376**

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the Fund discounted to their present value.

Notes to the Core Financial Statements (continued)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	Greater Gwent Scheme		Former Authorities Liability		Unfunded Teachers' Pension	
	2015/2016 £000	2016/2017 £000	2015/2016 £000	2016/2017 £000	2015/2016 £000	2016/2017 £000
Opening fair value of scheme assets	580,807	570,132	0	0	0	0
Interest Income	19,253	20,007	0	0	0	0
Remeasurement gain/(loss)						
• return on plan assets, excluding the amount included in net interest expense	(35,175)	106,419	0	0	0	0
• member contributions	6,532	6,555	0	0	0	0
Contributions from employer	22,065	21,601	630	600	2,061	2,044
Benefits paid	(23,350)	(24,358)	(630)	(600)	(2,061)	(2,044)
Administration expenses	0		0	0	0	0
Closing fair value of scheme assets	**570,132**	**700,356**	**0**	**0**	**0**	**0**

Local Government Pension Scheme assets comprised:

	Quoted Y/N	Fair value of scheme assets 31 March 2016 £000	31 March 2017 £000
Cash and cash equivalents:	**N**	4,008	3,192
Equity instruments:			
• UK Quoted	**Y**	110,043	132,333
Investment Funds:			
• UK Equities	**N**	93,070	83,289
• US Equities	**N**	57,219	79,875
• European Equities	**N**	80,479	99,100
• Global Equities	**N**	38,669	82,560
• Japanese Equities	**N**	19,576	0
• Far East Equities	**N**	28,728	41,637
• Emerging Market Equities	**N**	14,250	17,928
• Government Bonds	**N**	43,873	61,700
• Corporate Bonds	**N**	44,222	62,364
Property:			
• UK Property Funds	**N**	16,806	17,800
Alternatives:			
• Global	**N**	16,786	17,251
• UK	**N**	2,402	1,327
Total assets		**570,132**	**700,356**

Notes to the Core Financial Statements (continued)

Basis for Estimating Scheme Assets and Liabilities

The calculation of these assets, liabilities and costs requires the actuary to make a number of assumptions relating to returns on investments, future inflation, pay and pension levels and rates of mortality. For the year ended 31 March 2017, the discount rate has been calculated as a weighted average of “spot yields” on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employer.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The actuaries assumed that 50% of employees retiring after 6 April 2016 would take advantage of this change to the pension scheme. The actuaries have advised that this has resulted in the pension liabilities being greater than if a higher take up of lump sums had occurred. The actuary has confirmed that each 5% increase (decrease) in the assumed commutation take-up rate would typically reduce (increase) the value of the liabilities by between 0.1% and 0.25%.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Former Authorities' Liability		Teachers' Pension Scheme	
	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
Long-term expected rate of return on scheme assets:	3.5%	2.6%	n/a	n/a	n/a	n/a
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men	23.0	21.5	23.1	22.8	23.0	21.5
- Women	25.4	23.9	26.0	24.9	25.4	23.9
Longevity at 65 for future pensioners:						
- Men	25.2	23.6	n/a	n/a	n/a	n/a
- Women	27.8	26.1	n/a	n/a	n/a	n/a
Rate of inflation	2.2%	2.4%	1.7%	2.0%	2.2%	2.4%
Rate of increase in salaries	3.7%	2.8%	n/a	n/a	3.7%	2.8%
Rate of increase in pensions	2.2%	2.4%	1.7%	2.0%	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%	3.3%	2.5%	3.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Core Financial Statements (continued)

Impact on the Defined Benefit Obligation in the Greater Gwent (Torfaen) Pension Scheme	**Increase in obligation £000**	**Decrease in obligation £000**
Rate of increase in pension rate (increase by 0.5%)	97,287	0
Rate of increase in salaries (increase by 0.5%)	24,290	0
Rate for discounting scheme liabilities (decrease by 0.5%)	123,771	0

It is estimated that a one year increase in life expectancy would increase the Employer's Defined Benefit Obligation by approximately 3-5%

14. Private Finance Initiative (PFI) Transactions

The Authority entered into two contracts under Private Finance Initiative arrangements, one with the Machrie Consortium for the provision of two replacement schools (Ysgol Gyfun Cwm Rhymni and Lewis School Pengam), and one with S.E.W. Ltd for the provision of a road (Sirhowy Enterprise Way).

Under both of these contracts, the relevant consortium has the responsibility for the design, build, finance and operation of the assets for a period of 30 years, commencing in September 2002 for the schools and December 2005 for the road. With regard to the schools, this includes the provision of all ancillary services, although the Authority retains responsibility for educational, pastoral and financial arrangements.

The Authority leases each school site to the Consortium and, upon expiry of the contract term (September 2032), has the option of re-tendering the provision of services. If the option is not taken, the assets will transfer to the Authority.

The Authority continues to own the land on which the road is built and, in consideration of a payment of £1, permits access to the land to S.E.W. Ltd, for the purposes of building and operating the road, for the lifetime of the contract. At the expiry of the contract term, the Authority has the option of extending the contract. If this option is not taken, the asset reverts to the ownership of the Authority.

The assets identified in the PFI contracts have been recognised in the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 23.

Notes to the Core Financial Statements (continued)

	31 March 2016			31 March 2017		
	Road £000	Schools £000	Total £000	Road £000	Schools £000	Total £000
Gross PFI Liabilities are due:						
- not later than 1 year	3,317	1,681	4,998	2,976	1,185	4,161
- later than 1 year, not later than 5 years	10,966	6,535	17,501	10,628	7,007	17,635
- later than 5 years	21,968	20,484	42,452	19,330	18,827	38,157
Total Gross Liabilities	**36,251**	**28,700**	**64,951**	**32,934**	**27,019**	**59,953**
Net PFI Liabilities are due:						
- not later than 1 year	1,519	530	2,049	1,301	82	1,383
- later than 1 year, not later than 5 years	4,936	2,208	7,144	4,994	2,880	7,874
- later than 5 years	14,795	13,589	28,384	13,382	12,968	26,350
Total Net Liabilities	**21,250**	**16,327**	**37,577**	**19,677**	**15,930**	**35,607**
Finance charges allocated to future periods	**(15,001)**	**(12,373)**	**(27,374)**	**(13,257)**	**(11,089)**	**(24,346)**
Reconciliation between Net Book Values of PFI Assets held under PFI schemes:						
Net Liability (as above)	21,250	16,327	37,577	19,677	15,930	35,607
Additions	0	0	0	0	1,312	1,312
Revaluations and impairments	0	22,261	22,261	0	24,148	24,148
Repayments/ Amortisation of capital sum	15,513	4,875	20,388	17,087	5,272	22,359
Accumulated Depreciation	(9,189)	(5,918)	(15,107)	(10,108)	(5,918)	(16,026)
Net Book value of PFI Assets	**27,574**	**37,545**	**65,119**	**26,656**	**40,744**	**67,400**

The Authority receives funding from the Welsh Government to meet the costs of the unitary charge payments. However, the scheduling of the funding is such that it differs annually during the period of the PFI contract, from that applying to the payments to the consortia.

Whilst the funding profile of the road scheme generally follows that of the unitary charge payments, that of the schools scheme differs markedly, with the funding reducing annually over the period of the contract, whilst unitary charge payments increase annually over the same period. The result of the variance in these funding and expenditure profiles means that the funding received by the Authority in the early years of the contracts will exceed that required to meet the unitary charge, whilst subsequently, until the expiry of the contract term, the opposite will be true. As a result, the Authority has agreed that the initial funding "surpluses" will be set aside, to provide for the subsequent funding shortfalls, and is holding such funds as an earmarked reserve to meet future PFI liabilities (see note 40).

The balance held on this reserve and the movements during the financial year are as detailed below:

	2015/2016 £000	2016/2017 £000
Balance brought forward	(12,878)	(13,333)
Amounts (set aside) / taken in year:		
Schools	135	247
Road	(590)	1,186
	(13,333)	**(11,900)**

Notes to the Core Financial Statements (continued)

Future commitments for PFI Schemes

The Authority is committed to making the following payments for PFI obligations:

Road	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2017/2018	2,067	1,301	1,675	5,043
Payable within 2 to 5 years	7,802	4,994	5,634	18,430
Payable within 6 to 10 years	10,312	7,089	4,479	21,880
Payable within 11 to 15 years	11,173	5,833	1,404	18,410
Payable within 16 to 20 years	3,304	460	65	3,829
	34,658	**19,677**	**13,257**	**67,592**

School	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2017/2018	3,141	82	1,103	4,326
Payable within 2 to 5 years	11,227	2,880	4,127	18,234
Payable within 6 to 10 years	16,482	4,660	3,919	25,061
Payable within 11 to 15 years	18,422	7,579	1,890	27,891
Payable within 16 to 20 years	1,668	729	50	2,447
	50,940	**15,930**	**11,089**	**77,959**

15. Operating Leases

Authority as Lessee

The Authority leases various buildings for the provision of services and for administrative purposes, which have been accounted for as operating leases. The rentals payable to lessors under such leases amounted to £1,221,007 in 2016/2017, (£1,344,504 in 2015/2016) and were charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

Minimum lease payments due under non-cancellable operating leases in future years are:

	2015/2016	2016/2017		
	Total £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	1,032	949	0	949
Later than one year and not later than five years	3,527	3,427	0	3,427
Later than five years	12,486	11,703	0	11,703
	17,045	**16,079**	**0**	**16,079**

Notes to the Core Financial Statements (continued)

Authority as Lessor

The Authority has granted leases of land and buildings to various entities for periods of between 1 year and 30 years for the provision of community services, such as facilities, tourism services and community centres and for economic development purpose to provide suitable affordable accommodation for local businesses, with such arrangements being accounted for as operating leases.

In addition the Authority has also granted peppercorn leases (rentals of £1 per annum) of community halls, playing fields, pavilions etc. to voluntary organisations, community groups and other similar bodies for periods of between 1 year and 199 years. Such arrangements have been accounted for as operating leases.

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

	2015/2016	2016/2017		
	Total £000	Industrial Units £000	Other Land & Buildings £000	Total £000
Not later than one year	501	333	223	556
Later than one year and not later than five years	785	699	394	1,093
Later than five years	730	552	659	1,211
	2,016	**1,584**	**1,276**	**2,860**

16. Members' Allowances

The total value of Members' Allowances payments in 2016/2017 was £1,177,745 (£1,191,579 in 2015/2016). More detailed information on Members' Allowances can be obtained from the Head of People Management & Development, Penallta House, Tredomen Park, Ystrad Mynach, Hengoed, CF82 7PG.

Notes to the Core Financial Statements (continued)

17. Officers' Emoluments

The number of employees (excluding those employees who are listed separately overleaf) whose remuneration, excluding employer's pension contributions, was £60,000 or more in bands of £5,000, during the year ended 31 March 2017 were:

2015/2016

Remuneration Band	Number of employees School based	Non-School based	Total	Left in year
£60,000 - £64,999	23	3	26	0
£65,000 - £69,999	7	1	8	0
£70,000 - £74,999	1	1	2	0
£75,000 - £79,999	2	1	3	0
£80,000 - £84,999	8	1	9	0
£85,000 - £89,999	2	12	14	1
£90,000 - £94,999	0	1	1	0
£95,000 - £99,999	0	1	1	1
	43	**21**	**64**	**2**

The leavers in the year were non-school based.

2016/2017

Remuneration Band	Number of employees School based	Non-School based	Total	Left in year
£60,000 - £64,999	19	7	26	3
£65,000 - £69,999	12	1	13	0
£70,000 - £74,999	2	2	4	0
£75,000 - £79,999	2	1	3	0
£80,000 - £84,999	4	0	4	0
£85,000 - £89,999	5	2	7	0
£90,000 - £94,999	0	8	8	0
£95,000 - £99,999	0	2	2	0
	44	**23**	**67**	**3**

Of the leavers in the year, one was school based and two were non-school based.

The above numbers include one employee employed by a Voluntary Aided School.

Notes to the Core Financial Statements (continued)

In accordance with the Accounts and Audit (Wales) Regulations 2014, the following tables show the remuneration and components of remuneration for statutory chief officers and designated heads of paid service that have responsibility for the management of the Authority and have the ability to control the major activities of the Authority – particularly in relation to activities involving expenditure of money.

2016/2017 Post	Salary £	Expenses £	Total Remuneration excluding Employer's Pension Contributions £	Employer's Pension Contributions at 20.22% £	Total Remuneration including Employer's Pension Contributions £
Chief Executive **a*	137,000	0	**137,000**	27,701	**164,701**
Acting Chief Executive **b*	132,500	0	**132,500**	26,792	**159,292**
Interim Chief Executive **c*	143,949	0	**143,949**	29,106	**173,055**
Director of Social Services	120,522	712	**121,234**	24,370	**145,604**
Acting Director of Corporate Services & S151 Officer **d*	119,907	0	**119,907**	24,096	**144,003**
Corporate Director - Communities	116,496	532	**117,028**	23,556	**140,584**
	770,374	1,244	**771,618**	155,621	**927,239**

**a The Chief Executive was suspended on 8 March 2013 as a consequence of the police investigation in respect of Senior Manager remuneration awards during 2012/2013. Criminal proceedings were dismissed in October 2015 and the Authority is now progressing internal investigations in accordance with the Council's approved procedures and statutory requirements. The above total remuneration payment of £164,701 (inclusive of employer's pension contributions) was made in 2016/2017 by the Authority to the Chief Executive.*

**b The Deputy Chief Executive became the Acting Chief Executive in March 2013. The Acting Chief Executive was suspended on 3 July 2013 as a consequence of the aforementioned police investigation. Following the dismissal of criminal proceedings in October 2015 the Authority is now progressing internal investigations in accordance with the Council's approved procedures and statutory requirements. Remuneration payments of £159,292 (inclusive of employer's pension contributions) in the above table were made in 2016/2017 by the Authority to the Acting Chief Executive.*

**c In addition to those payments listed above, the Interim Chief Executive received Returning Officer expenses during the year to 31 March 2017 of £9,460 in respect of the National Assembly for Wales election (which were paid by the Welsh Government), £6,247 in respect of elections for the Police and Crime Commissioner and £5,941 in respect of the European Referendum (both paid by Central Government).*

**d In addition to those payments listed above, the Acting Director of Corporate Services & S151 Officer received Returning Officer expenses during the year to 31 March 2017 of £350 in respect of the National Assembly for Wales election (paid by Welsh Government), £200 in respect of the election for the Police and Crime Commissioner and £350 in respect of the European Referendum (both paid by Central Government).*

Notes to the Core Financial Statements (continued)

2015/2016 Post	Salary £	Expenses £	Total Remuneration excluding Employer's Pension Contributions £	Employer's Pension Contributions at 20.8% £	Total Remuneration including Employer's Pension Contributions £
Chief Executive *a	137,000	0	**137,000**	28,496	**165,496**
Acting Chief Executive *b	132,920	0	**132,920**	26,989	**159,909**
Interim Chief Executive *c	142,524	0	**142,524**	29,645	**172,169**
Director of Social Services	115,693	679	**116,372**	23,667	**140,039**
Acting Deputy Chief Executive & Director of Education *d	10,673	0	**10,673**	2,220	**12,893**
Acting Director of Corporate Services & S151 Officer *e	116,183	0	**116,183**	22,941	**139,124**
Corporate Director - Communities *f	84,521	404	**84,925**	17,580	**102,505**
	739,514	1,083	740,597	151,538	**892,135**

**a The Chief Executive was suspended on 8 March 2013 as a consequence of the police investigation in respect of Senior Manager remuneration awards during 2012/2013. Criminal proceedings were dismissed in October 2015 and the Authority is now progressing internal investigations in accordance with the Council's approved procedures and statutory requirements. The above total remuneration payment of £165,496 (inclusive of employer's pension contributions) was made in 2015/2016 by the Authority to the Chief Executive.*

**b The Deputy Chief Executive became the Acting Chief Executive in March 2013. The Acting Chief Executive was suspended on 3 July 2013 as a consequence of the aforementioned police investigation. Following the dismissal of criminal proceedings in October 2015 the Authority is now progressing internal investigations in accordance with the Council's approved procedures and statutory requirements. Remuneration payments of £159,909 (inclusive of employer's pension contributions) in the above table were made in 2015/2016 by the Authority to the Acting Chief Executive.*

**c In addition to those payments listed above, the Interim Chief Executive received Returning Officer expenses during the year to 31 March 2016 of £5,757 in respect of the General Election (which were paid by Central Government) and £1,426 in respect of by-elections.*

**d The Acting Deputy Chief Executive & Director of Education left the Authority on 30 April 2015. The full annualised salary of the post was £128,075.*

**e In addition to those payments listed above, the Acting Director of Corporate Services & S151 Officer received Returning Officer expenses during the year to 31 March 2016 of £350 in respect of the General Election. These expenses were paid by Central Government.*

**f The Corporate Director - Communities joined the Authority on 1 July 2015. The full annualised salary of the post is £112,363.*

The annualised remuneration of the highest paid officer of the Authority (the Interim Chief Executive) in the financial year to 31 March 2017 was £143,949. This was 7.2 times the median remuneration of the workforce, which was £19,939. (The remuneration of the highest paid officer of the Authority (the Chief Executive) in the financial year to 31 March 2016 was £142,524. This was 7.2 times the median remuneration of the workforce, which was £19,742).

Notes to the Core Financial Statements (continued)

The numbers of exit packages with total cost per band and total cost of the compulsory redundancies, other redundancies and other departures are set out in the table below. The costs include redundancy costs, payments in lieu of notice and payments to staff for holidays not taken at time of departure. Where applicable, employers' national insurance contributions are included, as well as any strain costs for early retirement payable by the Authority to the Pension Fund.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band £	
	2015 / 2016	2016 / 2017	2015 / 2016	2016 / 2017	2015 / 2016	2016 / 2017	2015 / 2016	2016 / 2017
£0 - £20,000	22	25	107	129	129	154	869,075	912,277
£20,001 - £40,000	1	1	21	30	22	31	608,818	860,204
£40,001 - £60,000	0	2	4	10	4	13	204,081	625,439
£60,001 - £80,000	0	0	1	2	1	1	67,695	69,091
Total	**23**	**28**	**133**	**171**	**156**	**199**	**1,749,669**	**2,467,011**

18. External Audit Costs

In 2016/2017 Caerphilly County Borough Council incurred the following fees relating to external audit and inspection.

	2015/2016 £000	2016/2017 £000
Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	250	250
Fees payable to the Auditor General for Wales in respect of statutory inspection	112	112
Fees payable to the Auditor General for Wales for the certification of grant claims and returns	86	63
Fees payable to the Auditor General for Wales in respect of other services	0	(6)
	448	**419**

The "fees for other services" was a refund of £6,000 relating to the 2015/16 statutory inspection.

Notes to the Core Financial Statements (continued)

19. Pooled Budgets / Lead Commissioning Arrangements

In accordance with the provisions of the National Health Service (Wales) Act 2006, and the flexibilities arrangements permitted under that legislation, the Authority is involved with Aneurin Bevan Health Board (ABHB) in respect of the following projects.

Lead Commissioning Arrangements	2015/2016	2016/2017			
	Authority's Contribution	Total Funding	Other (ABHB) Contribution	Other LAs/WG Contribution	Authority's Contribution
Scheme	£000	£000	£000	£000	£000
Cancercareline	13	3,614	10,000	0	(6,386)
Age Concern	43	114,476	71,289	0	43,187
Care and Repair	12	34,782	20,909	0	13,873
Gwent Frailty	2,058	15,438	8,963	4,263	2,212
	2,126	**168,310**	**111,161**	**4,263**	**52,886**

Cancercareline - provides support to those affected by cancer, whether patients, families or carers.

Age Concern - provides timely support and safe discharge from acute services for older people, back into the community.

Care and Repair - provides a housing advice and agency service for elderly people with physical disabilities. The project fits adaptations and aids to daily living, deals with applications for grants, loans and welfare benefits, and arranges temporary accommodation.

Gwent Frailty Programme – provides a range of services to avoid hospital admissions, facilitate early discharge and to help individuals remain independent.

Pooled budgets - Gwent Wide Integrated Community Equipment Service Project – see Note 45 – Jointly Controlled Operations.

20. Related Party Transactions

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

During the year, transactions with and year-end balances of related parties arose as follows:

Welsh Government
Welsh Government has significant influence over the general operations of the Authority in respect of providing the statutory framework within which the Authority operates, providing the majority of funding in the form of revenue and capital grants, revenue support grant and NNDR. Further details of revenue support grant received and NNDR Pool transactions are summarised in Note 11.

Notes to the Core Financial Statements (continued)

Precepts and Levies
Note 9 provides details of precepts collected on behalf of other organisations and amounts levied on the Authority by Joint Committees.

Members
Members of the council have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2016/2017 is shown in Note 16. During the year the majority of "declaration of interest" returns were received showing that there were no other material related party transactions identified involving these individuals.

Chief Officers
Details of chief officers' emoluments are provided in Note 17. All "declaration of interest" returns were received from directors which did not identify any other material related party transactions.

Other Public Bodies (subject to common control by central government)
The Authority has pooled budget arrangements with the Aneurin Bevan Health Board in respect of the Gwent Frailty Project. Details can be found in Note 19.

Pension Contributions
Employer's contributions are made to the Teachers' Pension Agency and the Greater Gwent (Torfaen) Pension Fund in respect of the Authority's employees. Further details of amounts involved are shown on pages 63 to 69.

Other Entities Controlled or Significantly Influenced by the Authority:

Groundwork Trust Caerphilly
The Authority is represented on the Board of the Trust.

Aneurin Bevan Health Board
The Authority is represented on the Board of this organisation.

Education Achievement Service (EAS)
EAS is a limited company that provides advisory and inspection services to the Local Education Authority and its schools. Activities of the company are funded by Caerphilly, Blaenau Gwent, Monmouthshire, Newport and Torfaen County Borough Councils.

Transactions with the above three entities are summarised in the tables below:

	In-year transactions		Balances outstanding at 31 March	
2016/2017 **Related Party:**	**Expenditure incurred by Authority £000**	**Income received by Authority £000**	**Owed to Authority (debtor) £000**	**Owed by Authority (creditor) £000**
Groundwork Trust Caerphilly	173	nil	nil	11
Aneurin Bevan Health Board	10,056	15,268	3,376	2,106
Included in above:				
Section 28a Grant	n/a	2,646	nil	nil
NNDR	n/a	804	nil	nil
Education Achievement Service	1,435	257	nil	nil

Notes to the Core Financial Statements (continued)

2015/2016 Related Party:	In-year transactions Expenditure incurred by Authority £000	 Income received by Authority £000	Balances outstanding at 31 March Owed to Authority (debtor) £000	 Owed by Authority (creditor) £000
Groundwork Trust Caerphilly	241	nil	nil	30
Aneurin Bevan Health Board	5,610	9,212	5,222	262
Included in above:				
Section 28a Grant	n/a	2,674	nil	nil
NNDR	n/a	813	nil	nil
Education Achievement Service	1,656	1,200	318	36

21. Minimum Revenue Provision (MRP) Adjustment

The Local Government Act 2003 requires the Authority to set aside a Minimum Revenue Provision for the redemption of debt in line with the regulations set out in the Local Authorities (Capital and Finance and Accounting) (Wales) Regulations 2003, as amended.

With effect from 2007/08, the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 revised the basis of charge in respect of Council Fund borrowing. The Regulations provide for a range of options as the basis of charge for MRP, within which authorities are permitted to adopt those most appropriate to their circumstances. However, in doing so, authorities must also take account of the requirement of the Regulations that MRP must be calculated in a prudent manner, ensuring that debt is charged to revenue over a period reasonably commensurate with that over which capital assets, to which the borrowing relates, provide benefits.

For Council Fund Supported Borrowing (i.e. where provision for the associated capital financing costs is included in the revenue support grant settlement received from the Welsh Government), MRP has been calculated at 2% over 50 years using the annuity method. The annuity method results in a lower charge in earlier years and a higher charge in the later years, and takes into consideration the time value of money. MRP on any particular borrowing commences to be charged the year following that in which the borrowing has been incurred.

For Unsupported Borrowing (i.e. borrowing permitted in accordance with the Prudential Code for Capital Finance in Local Authorities, but for which no provision is made in the revenue settlement), MRP has been calculated on an asset life basis using the annuity method. The charge has been calculated using the average Public Works Loan Board (PWLB) interest rate for new annuity loans in the year that an asset became operational. MRP is written down over the life of the asset where this has been determined by the Authority’s Property Valuers. Where the asset life has not been determined the MRP charge has been subsequently calculated over 25 years. MRP commences to be charged from the year following that in which the asset to which the borrowing relates becomes operational.

For assets acquired by finance leases or the Private Finance Initiative, MRP has been determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

The MRP charge for the HRA has been calculated by using an interest rate of 2% on the opening capital financing requirement on a reducing balance basis.

Notes to the Core Financial Statements (continued)

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Authority has not made an MRP charge, but has instead applied the capital receipts arising from principal repayments to reduce the capital financing requirement.

Actual provisions made during each year match the calculated amounts.

The amount shown in the note of reconciling items for the Movement in Reserves Statement as “Minimum revenue provision for capital financing” represents the accounting entry necessary to ensure that there is no overall increase or decrease in the Council Tax arising from depreciation charges, impairment losses or amortisations.

22. Movements on Reserves

Movements in the Authority’s Usable Reserves are detailed below, in the Movement in Reserves Statement and also in Notes 35 - 40, whilst details of the movements in Unusable Reserves are shown below and in Notes 32 - 34. Some reserves are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Usable Reserves **Reserve**	**Balance 1 April 2015 £000**	**Net Movement in year £000**	**Balance 31 March 2016 £000**	**Net Movement in year £000**	**Balance 31 March 2017 £000**
Council Fund	(14,615)	2,000	(12,615)	(5,218)	(17,833)
Housing Revenue Account (note 7 HRA)	(22,343)	1,125	(21,218)	4,397	(16,821)
Direct Service Earmarked Reserves	(88)	(120)	(208)	(94)	(302)
Capital Earmarked Reserves (note 36)	(15,962)	(1,812)	(17,774)	1,416	(16,358)
Service Over/Underspend Reserves (note 37)	(9,818)	(996)	(10,814)	4,548	(6,266)
Schools Earmarked Reserves (note 39)	(3,058)	171	(2,887)	555	(2,332)
Insurance Earmarked Reserves (note 35)	(6,650)	(191)	(6,841)	247	(6,594)
Other Earmarked Reserves (note 40)	(24,503)	(4,380)	(28,883)	(3,837)	(32,720)
Usable Capital Receipts	(10,593)	(1,317)	(11,910)	373	(11,537)
Capital Grants Unapplied	(9,831)	359	(9,472)	(341)	(9,813)
Total Usable Reserves	**(117,461)**	**(5,161)**	**(122,622)**	**2,046**	**(120,576)**

Notes to the Core Financial Statements (continued)

Unusable Reserves

Reserve	Balance 1 April 2015 £000	Net Movement in year £000	Balance 31 March 2016 £000	Net Movement in year £000	Balance 31 March 2017 £000	Purpose of Reserve	Further details of movements
Financial Instruments Adjustment Account	(888)	274	(614)	273	(341)	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	
Available-for-Sale Financial Instruments Reserve	0	481	481	1,298	1,779	Store of gains on revaluation of investments not yet realised through sales.	
Revaluation Reserve	(390,005)	(149,921)	(539,926)	(29,591)	(569,517)	Gains on revaluation of fixed assets not yet realised through sales.	Note 32
Capital Adjustment Account (CAA)	(455,749)	79,178	(376,571)	(550)	(377,121)	Capital resources set aside to meet past capital expenditure	Note 33
Deferred Capital Receipts	(17)	3	(14)	(1)	(15)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	
Pensions Reserve	387,753	41,491	429,244	72,427	501,671	Reserve set aside to mitigate the impact of pension liabilities on Council Tax as required by statute	Note 34
Accumulated Absences Account	3,215	(496)	2,719	806	3,525	Account to absorb differences arising on the Council Fund balance from accruing for compensated absences earned but not taken in the year.	
Total Unusable Reserves	**(455,691)**	**(28,990)**	**(484,681)**	**44,662**	**(440,019)**		

Notes to the Core Financial Statements (continued)

23. Property, Plant and Equipment

Cost or valuation:	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
At 1 April 2016	318,796	716,234	41,560	305,653	3,097	0	1,385,340	80,229
Additions	32,317	9,079	2,522	5,331	26	15,448	64,723	1,312
Revaluation Increases/(decreases) to Revaluation Reserve	19,728	19,487	0	0	(58)	0	39,157	1,887
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	0	(1,578)	0	0	15	0	(1,563)	0
Derecognitions - Disposals	0	(215)	(1,371)	0	(1)	0	(1,587)	0
Other movements in cost or valuations	(43,311)	(17,672)	0	0	0	5,241	(55,742)	0
At 31 March 2017	327,530	725,335	42,711	310,984	3,079	20,689	1,430,328	83,428
Accumulated Depreciation and impairment:								
At 1 April 2016	0	(12,419)	(27,492)	(96,431)	(55)	0	(136,397)	(15,110)
Depreciation Charge	(10,994)	(13,147)	(3,638)	(10,041)	(15)	0	(37,835)	(918)
Other movements in Depreciation	10,994	6,873	1,280	0	0	0	19,147	0
At 31 March 2017	0	(18,693)	(29,850)	(106,472)	(70)	0	(155,085)	(16,028)
Net Book Value at 31 March 2017	**327,530**	**706,642**	**12,861**	**204,512**	**3,009**	**20,689**	**1,275,243**	**67,400**
Net Book Value at 31 March 2016	318,796	703,815	14,068	209,222	3,042	0	1,248,943	65,119

Notes to the Core Financial Statements (continued)

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2015	181,001	692,831	40,980	299,010	2,074	16,084	161	1,232,141	79,948
Additions	28,860	21,500	1,158	6,645	0	0	0	58,163	0
Revaluation Increases/(decreases) to Revaluation Reserve	143,830	7,259	1,287	(30)	446	(400)	0	152,392	281
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	0	(1,805)	0	0	(10)	(863)	(161)	(2,839)	0
Derecognitions - Disposals	0	(1,070)	0	0	0	(115)	0	(1,185)	0
Impairments	0	0	0	0	0	0	0	0	0
Other movements in cost or valuations	(34,895)	(2,481)	(1,865)	28	587	(14,706)	0	(53,332)	0
At 31 March 2016	318,796	716,234	41,560	305,653	3,097	0	0	1,385,340	80,229
Accumulated Depreciation and impairment:									
At 1 April 2015	0	(8,207)	(27,905)	(86,724)	(40)	(42)	0	(122,918)	(14,190)
Depreciation Charge	(6,034)	(13,140)	(1,153)	(9,707)	(23)	(6)	0	(30,063)	(920)
Other movements in Depreciation	6,034	8,928	1,566	0	8	48	0	16,584	0
At 31 March 2016	0	(12,419)	(27,492)	(96,431)	(55)	0	0	(136,397)	(15,110)
Net Book Value at 31 March 2016	**318,796**	**703,815**	**14,068**	**209,222**	**3,042**	**0**	**0**	**1,248,943**	**65,119**

Notes to the Core Financial Statements (continued)

Capital Commitments

At 31 March 2017, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/2017 and subsequent years budgeted to cost £17.644m. Similar commitments at 31 March 2016 were £4.549m. The major commitments are:

		31 March 2016 £000	31 March 2017 £000
Highways and Transportation:	Bargoed By Pass	292	207
	Historical Schemes	377	220
	Bridge Strengthening	249	279
	Infrastructure Retaining Walls	304	0
	Major Highways Improvements	197	0
Education:	St Ilans Comprehensive School	455	120
	Islwyn West High School	157	6,656
	Pontlottyn/Abertysswg Primary School	0	5,412
Property:	Risca Flood Alleviation	900	0
	Former Meals on Wheels Pengam	0	292
Private Housing:	Home Improvement Loans	1,118	858
Social Services:	Children with Complex Needs	0	3,100
Urban Renewal:	Town Centre Loan Scheme	500	500
		4,549	**17,644**

Revaluations

The Authority carries out a revaluation exercise at least every five years of all Property, Plant and Equipment required to be measured at current value. Property, Plant and Equipment is also reviewed on an annual basis to ensure that the carrying amount is not materially different from the current value at the year end. Valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of Royal Institution of Chartered Surveyors. Valuation of vehicles, plant, furniture and equipment are valued at cost as a proxy for current value as these assets tend to be of low value and have a short asset life.

Notes to the Core Financial Statements (continued)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under construction £000	Assets held for sale £000	Total £000
Carried at historical cost	0	614,948	0	0	2,354	0		617,302
Valued at current value as at:								
31 March 2014	0	(32,692)	0	0	(265)	0	0	(32,957)
31 March 2015	0	110,575	0	0	(15)	0	0	110,560
31 March 2016	0	23,403	0	0	1,023	0	0	24,426
31 March 2017	327,529	9,101	42,710	310,983	(17)	20,689	1,428	712,423
Total Cost or Valuation	327,529	725,335	42,710	310,983	3,080	20,689	1,428	1,431,754

Surplus Assets

As at 31 March 2017 the Authority had no surplus assets.

24. Heritage Assets

<u>**Reconciliation of the carrying Value of Heritage Assets held by the Authority**</u>	Other Land and Buildings £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation			
1 April 2015	9,762	217	9,979
Additions	18	0	18
Impairment (losses)/reversals recognised in the Revaluation Reserve	303	11	314
Other movements	116	0	116
31 March 2016	**10,199**	**228**	**10,427**
Cost or Valuation			
1 April 2016	10,199	228	10,427
Impairment (losses)/reversals recognised in the Revaluation Reserve	1,044	11	1,055
31 March 2017	**11,243**	**239**	**11,482**

Notes to the Core Financial Statements (continued)

Other Land and Buildings

The collection of Heritage Assets includes a semi fortified manor house, mining museum, ancient chapel and a handball court. Details of valuations, additions and disposals of Land and Buildings Heritage Assets are recorded on the Authority's Fixed Asset Register, whilst details of Civic Regalia are kept on a separate register by the Mayor's assistant. Members of the public can gain access to the museums and other buildings on a daily basis.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property plant and equipment. The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note 1 - summary of significant accounting policies. The trustees of the Authority's Museum will occasionally dispose of Heritage Assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1 - summary of significant accounting policies).

Babell Chapel

This asset is a small Welsh Calvinistic Methodist Chapel built in 1827 and houses the grave of the 19^{th} Century Welsh Language poet, Islwyn. The asset was valued at 31 March 2017 using the existing use value. The internal valuers carried out this valuation.

Elliot Colliery Winding House

This asset is an historical mining museum. It was valued at 31 March 2017 using depreciated replacement cost. The Authority's Museum also holds a collection of historical items which are not recognised on the Balance Sheet as cost information is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 each and as far as the Authority is aware no individual item is worth more than £500.

Llancaiach Fawr

Llancaiach Fawr is a fortified Manor House. This was valued at 31 March 2017 using existing use value. The Manor House also holds a small collection of items which are not recognised on the Balance Sheet as cost information is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 each and as far as the Authority is aware no individual item is worth more than £500.

Handball Court, Nelson

This is a traditional Handball Court that is the last remaining in Wales. This has been valued on a depreciated replacement cost basis.

Gelligroes Mill

This watermill was built in the 17^{th} Century and houses a radio museum and a candle making workshop, which has a Royal Warrant to make candles for HRH Prince Charles. The mill is also home to the Arthur Moore Amateur Radio Society. Arthur Moore was a Welsh wireless operator who, in 1912, heard the distress signal from RMS Titanic at the mill and two days before news of the disaster had arrived in the UK.

Notes to the Core Financial Statements (continued)

War Memorials
The Authority is responsible for maintaining a number of War Memorials honouring local people who fell in two world wars and other conflicts, which are situated in parks and streets. These have been valued on a depreciated replacement cost basis.

Civic Regalia
The Authority has a collection of civic chains relating to Caerphilly County Borough Council and a number of former authorities. These chains were valued by Thomas Fattorini Limited, a firm of specialist jewellers, in 1999 at £66,848. The collection was valued by Thomas Fattorini Limited in 2017 at £238,749 (£227,378 in 2016). The Authority also holds a number of Civic gifts. It is considered that none of these gifts are of significant value warranting disclosure within the Authority's accounts or recognising in the balance sheet.

25. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	31 March 2016 £000	31 March 2017 £000
Opening Capital Financing Requirement	**273,485**	**344,570**
Capital Investment:		
Operational Assets	58,180	64,723
Invest to Save	(640)	(830)
Intangible Assets	255	232
Revenue Expenditure funded from Capital Under Statute	2,650	2,140
HRA Buyout	75,997	0
Sources of Finance:		
Grants and Other Contributions	(25,830)	(25,664)
Capital Expenditure Funded from Revenue	(27,129)	(35,766)
Capital Receipts Set Aside	(1,226)	(1,187)
Minimum Revenue Provision	(11,172)	(6,668)
Closing Capital Financing Requirement	**344,570**	**341,550**

26. Debtors

	31 March 2016			31 March 2017		
Debtors	**Gross £000**	**Provision £000**	**Net £000**	**Gross £000**	**Provision £000**	**Net £000**
Central Government Bodies	10,912	0	10,912	8,354	0	8,354
Other Local Authorities/public bodies	10,197	0	10,197	13,013	0	13,013
NHS Bodies	5,081	0	5,081	3,315	0	3,315
Other Entities and Individuals	20,222	(6,433)	13,789	17,463	(7,951)	9,512
	46,412	**(6,433)**	**39,979**	**42,145**	**(7,951)**	**34,194**

Notes to the Core Financial Statements (continued)

27. Cash and Cash Equivalents

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

	31 March 2016 £000	31 March 2017 £000
Cash in hand	71	72
Cash at Bank	1,434	1,167
Total cash and cash equivalents	**1,505**	**1,239**

28. Creditors

Creditors	31 March 2016 £000	31 March 2017 £000
Central Government Bodies	(4,107)	(4,354)
Other Local Authorities	(4,781)	(4,845)
Bodies External to Central Government	(3,883)	(3,620)
NHS Bodies	(4,096)	(2,106)
Other Entities and Individuals	(40,818)	(37,647)
Total Creditors excluding loans	**(57,685)**	**(52,572)**
Loans repayable within one year	(7,668)	(14,054)
Local bonds repayable within one year	(10)	(10)
Total Creditors	**(65,363)**	**(66,636)**

Notes to the Core Financial Statements (continued)

29. Movements in Provisions

Short Term Provisions	Social Services Provision £000	Economic Development Provision £000	Corporate Provision £000	Insurance Provision £000	Total £000
Balance at 1 April 2016	(77)	0	(1,000)	(927)	(2,004)
Additional provisions made in 2016/2017	0	0	(481)	(326)	(807)
Amounts used in 2016/2017	53	0	464	778	1,295
Unused amounts reversed in 2016/2017	0	0	71	145	216
Transfer to/from short term provisions in 2016/2017	0	(32)	120	(583)	(495)
Balance at 31 March 2017	**(24)**	**(32)**	**(826)**	**(913)**	**(1,795)**

Long Term Provisions	Corporate Provision £000	Economic Development Provision £000	Insurance Provision £000	Total £000
Balance at 1 April 2016	0	(32)	(2,780)	(2,812)
Additional provisions made in 2016/2017		0	(979)	(979)
Amounts used in 2016/2017	120	0	437	557
Transfer to/from short term provisions in 2016/2017	(120)	32	583	495
Balance at 31 March 2017	**0**	**0**	**(2,739)**	**(2,739)**

Insurance provision - exists to cover assessed outstanding self-insured liabilities in respect of existing claims. A separate insurance earmarked reserve also exists to meet potential insurance liabilities, as detailed on page 92.

Corporate provision – exists to cover the Authority's potential liabilities in respect of Equal Pay and Job Evaluation back pay settlements. It is anticipated that these liabilities will be settled in future years.

Included within the short term Corporate Provision is a provision of £481,475 in respect of the Carbon Reduction Commitment (CRC). This has been set up to ensure that costs are recognised in the year in which the energy has been used.

30. Contingent Liabilities

Programme of Works

The Authority has received a number of claims in respect of its programme of works. The Authority is currently taking legal advice in respect of these claims. Discussions around these potential liabilities are still at an early stage and any liability that may fall on the Authority is not quantifiable at present.

Notes to the Core Financial Statements (continued)

31. Other Funds

The Authority holds a number of accounts on behalf of clients on a trustee basis, which are not consolidated in the balance sheet.

The total value of these accounts as at 31 March 2017 was:
£169,843 - relating to Education Trust Funds administered by the Interim Head of Corporate Finance, (£168,758 in 2015/2016), which are held to provide prizes and awards to pupils in the Authority's schools. Of these funds, £43 is vested in shareholdings and £169,800 is held in bank deposits (£42 and £168,716 respectively in 2015/2016). There are no other underlying assets or liabilities. The Trust Funds received £1,684 in dividends and interest during the year (£1,587 in 2015/2016) and incurred expenditure of £600 (£nil in 2015/2016).

In addition, the Director of Social Services administers funds on behalf of clients in residential homes. These accounts do not have official trustee status. The total value of these accounts as at 31 March 2017 was £5,251,763 (£5,134,634 as at 31 March 2016).

32. Revaluation Reserve

The Revaluation Reserve replaced the Fixed Asset Restatement Account (FARA) on 1 April 2007 and was included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2017 therefore only shows revaluation gains accumulated since 1 April 2007.

	2015/2016	2016/2017	
	£000	£000	£000
Balance as at 1 April	**(390,005)**		**(539,926)**
Downward revaluation of assets and impairment losses not charged to the Surplus and Deficit on the Provision of Services	21,329	5,515	
Surplus on Revaluation of Assets	(174,034)	(45,733)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(152,705)		(40,218)
Difference between fair value depreciation and historical cost depreciation	2,784	10,627	
Amount written off to the Capital Adjustment Account	2,784		10,627
Balance as at 31 March	**(539,926)**		**(569,517)**

Notes to the Core Financial Statements (continued)

33. Capital Adjustment Account

The Capital Adjustment Account was implemented on 1 April 2007 from the closing balances on both the FARA and the Capital Financing Account, (as mentioned in note 32 above). The account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans, the amount of revenue and capital receipts used to finance capital expenditure and compensatory adjustments from the above-mentioned Revaluation Reserve to convert current value depreciation/impairment loss debits to historical cost.

	2015/2016		2016/2017	
	£000	£000	£000	£000
Balance as at 1 April		**(455,749)**		**(376,571)**
Set Aside - Capital Receipts		(1,226)		(1,187)
Funding:				
Revenue funding applied	(27,129)		(35,766)	
Capital receipts applied	0		(1,940)	
Capital grants and contributions applied	(25,141)		(22,587)	
Total Funding		(52,270)		(60,293)
MRP		(11,172)		(6,668)
Depreciation:				
In year charge	30,062		37,835	
Attributable to revaluations	(2,784)		(10,627)	
Written back on revaluations	(1,948)		194	
Written back on disposals	(1)		(1,366)	
		25,329		26,036
Amortisation of non-enhancing expenditure		36,917		37,767
Asset Revaluations / Impairments:				
Price adjustments	2,841		1,803	
		2,841		1,803
Disposals - Council Fund	1,185		1,587	
Disposals - HRA	0		0	
		1,185		1,587
Revenue Expenditure funded from Capital	2,653		2,140	
Funding of revenue expenditure funded from capital	(690)		(1,137)	
		1,963		1,003
Invest to save		(640)		(830)
Other adjustments - HRA Buyout		75,996		0
Amortisation of Intangible Assets		255		232
Total capital costs		132,674		60,930
Balance as at 31 March		**(376,571)**		**(377,121)**

Notes to the Core Financial Statements (continued)

34. Pensions Reserve

The Pensions Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits are accounted for 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 resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/2016 £000	2016/2017 £000
Balance as at 1 April	**387,753**	**429,244**
Actuarial gains or (losses) on pensions assets and liabilities	28,325	55,975
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	37,922	40,697
Employer's pension contributions and direct payments to pensioners payable in the year	(24,756)	(24,245)
Balance at 31 March	**429,244**	**501,671**

35. Movements in Insurance Earmarked Reserves

These reserves are established to meet assessed self-insured possible liabilities associated with potential claims, and also to fund risk management initiatives aimed at minimising the potential cost of future claims.

Reserve:	Balance at 1 April 2016 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2017 £000
Insurance Reserve	(6,046)	449	(307)	(5,904)
Risk Management Reserve	(795)	105	0	(690)
	(6,841)	**554**	**(307)**	**(6,594)**

Notes to the Core Financial Statements (continued)

36. Movements in Capital Earmarked Reserves

These reserves represent amounts set aside to finance the Authority's Council Fund capital programme, the majority of which are earmarked to specific schemes.

Reserve:	Balance at 1 April 2016 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2017 £000
Housing Earmarked Capital	(38)	0	0	(38)
Corporate - All Authority	(8,604)	5,062	(8,412)	(11,954)
Lifelong Learning	(156)	0	0	(156)
Planning	(31)	0	0	(31)
Social Services	(60)	0	(200)	(260)
Education	(6,636)	6,283	(750)	(1,103)
Highways and Transportation	(1,136)	474	0	(662)
Property	(78)	0	(653)	(731)
Corporate Services	(95)	397	(828)	(526)
Economic Development & Tourism	(66)	33	(50)	(83)
Environmental Health	(60)	60	0	0
Community & Leisure	(814)	0	0	(814)
	(17,774)	**12,309**	**(10,893)**	**(16,358)**

37. Movements in Service Under / Overspend Earmarked Reserves

These reserves represent the cumulative under and overspend balances carried forward by the Authority's services in accordance with its Financial Regulations. The reserves are used to fund future expenditure, and their use is under the control of the individual service areas.

Reserve:	Balance at 1 April 2016 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2017 £000
Lifelong Learning	(772)	772	0	0
Economic Development and Tourism	(47)	43	0	(4)
Education	(4,237)	4,489	(1,621)	(1,369)
Corporate Services	(1,605)	1,778	(1,477)	(1,304)
Policy and Central Services	(289)	289	0	0
Social Services	(3,128)	1,253	(997)	(2,872)
Housing Non HRA	(249)	80	(110)	(279)
Directorate of the Environment	(487)	1,858	(1,809)	(438)
	(10,814)	**10,562**	**(6,014)**	**(6,266)**

Notes to the Core Financial Statements (continued)

38. Movement in Other Housing Reserves

Details of the movement upon Housing reserves are included with the Notes to the Housing Revenue Account Summary on page 109, Note 7.

39. Movement in Schools Earmarked Reserves

These reserves represent the cumulative balances carried forward by individual schools in accordance with the scheme of delegation. The reserves are used to fund future expenditure, and their use is under the control of the individual schools, and is not available for the Authority to use for other purposes.

Reserve:	Balance at 1 April 2016 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2017 £000
Secondary Schools	(199)	838	(661)	(22)
Primary Schools	(2,301)	953	(567)	(1,915)
Special School	(387)	0	(8)	(395)
Total Schools Balances	**(2,887)**	**1,791**	**(1,236)**	**(2,332)**

40. Movement in Other Earmarked Reserves

Reserve:	Balance at 1 April 2016 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2017 £000
Waste Management Reserve	(585)	0	0	(585)
PFI Equalisation Reserve (Schools)	(9,881)	248	0	(9,633)
PFI Equalisation Reserve (Roads)	(3,452)	1,186	0	(2,266)
Service Initiative Reserves	(8,837)	2,739	(4,733)	(10,831)
Carbon Trust Fund Reserve	(203)	105	(126)	(224)
Area Forum Reserve	(116)	45	0	(71)
Community Regeneration Fund Reserve	(210)	185	(111)	(136)
Cemeteries Reserve	(983)	102	(51)	(932)
Electoral Admin Reserve	(442)	0	(19)	(461)
PFI Schools Earmarked Reserve	(756)	0	(113)	(869)
Health & Safety Initiatives Reserve	(652)	389	0	(263)
Corporate PC Replacement Reserve	(1,260)	228	(48)	(1,080)
Social Services Partnership Reserve	(807)	54	(1,369)	(2,122)
Invest to Save Reserve	(600)	465	(137)	(272)
Local Management of Schools Reserve	0	0	(2,657)	(2,657)
Community Infrastructure Levy Reserve	(40)	0	(212)	(252)
Other Reserves	(59)	1	(8)	(66)
	(28,883)	**5,747**	**(9,584)**	**(32,720)**

Notes to the Core Financial Statements (continued)

A summary of the purposes of these reserves is provided below:

Waste Management Reserve exists to meet any future costs in respect of landfill sites.

PFI Equalisation Reserves exist to match PFI funding and unitary charge payments over the period of the contract and is described in greater detail elsewhere (see note 14 on page 69).

Service Initiatives Reserve exists to fund expenditure upon service specific initiatives.

Carbon Trust Fund Reserve exists to provide match funding to draw down grant from the Carbon Trust, to fund major works implementing energy efficiency measures.

Area Forum Reserve exists to meet any costs incurred associated with environmental works undertaken by the Authority as identified by the local area partnerships.

Community Regeneration Fund Reserve represents unclaimed funds from the Community Regeneration Fund voluntary sector allocations.

Cemeteries Reserve exists to meet any costs incurred with the general upkeep and maintenance of Authority owned cemeteries.

Electoral Admin Reserve exists to meet the implementation of the Electoral Administration Act 2006.

PFI Schools Earmarked Reserve exists for reinvestment into the PFI schools for additional works that are outside the scope of the PFI projects.

Health and Safety Initiatives Reserve exists to promote health and safety across the authority.

Corporate PC Replacement Reserve exists to fund the replacement of computers throughout the authority.

Social Services Partnership Reserve exists to support collaborative initiatives with other local authorities and public bodies.

Invest to Save Reserve exists to promote savings initiatives across the authority.

Local Management of Schools Reserve exists to undertake school based initiatives.

Community Infrastructure Levy (CIL) Reserve exists to recycle CIL charges to fund infrastructure and to support local developments.

Other Reserves represents a number of smaller reserves, held for a variety of purposes, none of which are individually significant enough to be separately identified.

Notes to the Core Financial Statements (continued)

41. Cash Flow Statement – Adjustments to Surplus or Deficit

	2015/2016 £000	2016/2017 £000
Adjustment to surplus or deficit on provision of services for non-cash movements		
Depreciation and Impairment	67,871	77,587
Exceptional Item: HRA Buyout	75,997	0
IAS19 Pensions Adjustment	13,166	16,452
Revenue Expenditure funded from Capital under Statute	1,323	173
Amortisation of Intangible Assets	255	232
Movements on Provisions	(699)	(282)
Contributions to / from Reserves	(44,888)	(46,194)
(Increase) / Decrease in Stocks	8	30
(Increase) / Decrease in Debtors	864	4,032
Increase / (Decrease) in Provision for Bad Debt	187	1,518
Increase / (Decrease) in Creditors	(5,935)	(5,113)
	108,149	**48,435**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants credited to surplus or deficit on provision of services	(24,782)	(22,928)
Proceeds from the sale of property plant and equipment	(1,359)	(2,535)
	(26,141)	**(25,463)**

42. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

	2015/2016 £000	2016/2017 £000
Interest received	(623)	(806)
Interest paid	14,011	13,662
	13,388	**12,856**

Notes to the Core Financial Statements (continued)

43. Cash Flow Statement – Investing Activities

	2015/2016 £000	2016/2017 £000
Purchase of property, plant and equipment and intangible assets	(136,456)	(66,391)
Purchase of short-term and long-term investments	(1,802,897)	(1,090,930)
Proceeds from the sale of property, plant and equipment and intangible assets	2,543	4,700
Proceeds from the sale of short-term and long-term investments	1,806,338	1,091,875
Other receipts from investing activities	68,626	64,788
	(61,846)	**4,042**

44. Cash Flow Statement - Financing Activities

	2015/2016 £000	2016/2017 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(72)	(50)
Repayments of short-term and long-term borrowing	(6,917)	(9,486)
Cash receipts of short-term and long-term borrowing	76,396	11,910
	69,407	**2,374**

45. Jointly Controlled Operations

A joint arrangement is defined as “a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity”.

The Code states that where such joint arrangements exist, each participant should account directly for its share of the assets, liabilities, income, expenditure and cash flows held within or arising from the arrangements. A review of shared practices within the Authority identified that the following should be regarded as joint arrangements:

- Cardiff City Region City Deal
- Glamorgan Archive Joint Committee
- Greater Gwent Cremation Joint Committee
- Gwent Joint Records Committee
- Gwent Wide Integrated Community Equipment Service Project (GWICES)
- Project Gwyrdd

The Authority’s share of the Income and Expenditure Account and Balance Sheet of each of the six committees is given below:

Notes to the Core Financial Statements (continued)

Cardiff City Region City Deal (CCRCD)

On 1 March 2017 the £1.2 billion Cardiff City Region City Deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Caerphilly, was formally ratified. The investment is over a 20 year period and the key aim of the fund is to create 25,000 new jobs by 2036 and lever £4 billion of private sector investment.

Cardiff City Region City Deal (CCRCD)	2016/2017	
	Total	CCBC share
Income & Expenditure Account	£000	£000
Cost of Services	180	22
Operating Income	(180)	(22)
Net Cost of Services	0	0
Balance Sheet		
Current assets	384	46
Current liabilities	(157)	(19)
Total Assets less Liabilities	**227**	**27**
Usable Reserves	227	27
	227	**27**

Glamorgan Archive Joint Committee

The Glamorgan Archives Joint Committee comprises elected member representation from the City and County Borough Councils of Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Rhondda Cynon Tâf and Vale of Glamorgan. The committee manages and administers the Glamorgan Record Office, which collects, preserves and makes accessible to the public, documents relating to the area it serves and maintains the corporate memory of its constituent authorities.

Glamorgan Archive Joint Committee	2015/2016		2016/2017	
	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	975	107	958	105
Income	(1,377)	(151)	(1,346)	(148)
Net Cost of Service	**(402)**	**(45)**	**(388)**	**(43)**
Interest and investment income	272	30	258	28
(Surplus) / Deficit for the Year	**(130)**	**(15)**	**(130)**	**(14)**
Balance Sheet				
Long term assets	9,614	1,058	9,512	1,046
Current assets	322	35	271	30
Current liabilities	(14)	(2)	(9)	(1)
Long term liabilities	(5,011)	(551)	(4,732)	(521)
Total Assets less Liabilities	**4,911**	**540**	**5,042**	**555**
Usable reserves	(310)	(34)	(263)	(29)
Unusable reserve	(4,601)	(506)	(4,779)	(526)
	(4,911)	**(540)**	**(5,042)**	**(555)**

Notes to the Core Financial Statements (continued)

Greater Gwent Cremation Joint Committee

The Greater Gwent Cremation Committee is made up of representatives from the City and County Borough Councils of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen. The Joint Committee has the responsibility for administering the business of the Gwent Crematorium, together with providing services for bereaved families within the boundaries of the above-mentioned authorities.

Greater Gwent Cremation Joint Committee	2015/2016 Total £000	2015/2016 CCBC share £000	2016/2017 Total £000	2016/2017 CCBC share £000
Income & Expenditure Account				
Expenditure	797	121	886	134
Income	(1,722)	(261)	(2,126)	(323)
Net Cost of Service	**(925)**	**(140)**	**(1,240)**	**(188)**
Financing and Investment Income and Expenditure	757	115	753	114
Surplus/Deficit on Provision of Services	**(168)**	**(26)**	**(487)**	**(74)**
Actuarial Gains/Losses on Pensions Assets/Liabilities	39	6	(145)	(22)
Total Comprehensive Income and Expenditure	**(129)**	**(20)**	**(632)**	**(96)**
Balance Sheet				
Long term assets	2,260	343	2,171	330
Current assets	1,343	204	1,945	295
Current liabilities	(18)	(3)	(14)	(2)
Long term liabilities	(1,012)	(154)	(897)	(136)
Total Assets less Liabilities	**2,573**	**391**	**3,205**	**487**
Usable Reserves	(1,881)	(286)	(2,447)	(371)
Unusable Reserves	(692)	(105)	(758)	(115)
	(2,573)	**(391)**	**(3,205)**	**(487)**

Notes to the Core Financial Statements (continued)

Gwent Joint Records Committee

The Gwent Joint Records Committee manages the Gwent Records Office, which collects, preserves and makes accessible to the public, documents relating to the area it serves and maintains the corporate memory of its constituent authorities, namely the City and County Borough Councils of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen. The Gwent Joint Archives Committee has been reclassified as a smaller body and is only required to produce summary accounts. Consequently there is no longer a requirement to disclose any pensions' information in the accounts.

Gwent Joint Records Committee	2015/2016		2016/2017	
	Total	CCBC share	Total	CCBC share
Income & Expenditure Account	£000	£000	£000	£000
Expenditure	946	138	955	139
Income	(1,004)	(147)	(1,004)	(147)
Net Cost of Service	**(58)**	**(9)**	**(49)**	**(7)**
Balance Sheet				
Current assets	392	57	468	68
Current liabilities	(148)	(22)	(175)	(26)
Balance carried forward	**244**	**35**	**293**	**43**
General Reserve	(244)	(35)	(293)	(43)
	(244)	**(35)**	**(293)**	**(43)**

Gwent Wide Integrated Community Equipment Service Project

The Gwent Wide Integrated Community Equipment Service Project (GWICES) is a partnership agreement between the five Local Authorities and Local Health Boards (Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen) for the provision of an efficient and effective integrated equipment service to the service users who are resident in the partner authorities. The GWICES is classed as a smaller body and is only required to produce summary accounts. Consequently no balance sheet has been produced.

Gwent Wide Integrated Community Equipment Service Project	2015/2016		2016/2017	
	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	2,681	557	3,216	668
Income	(2,681)	(557)	(3,216)	(668)
(Surplus) / Deficit for the Year	**0**	**0**	**0**	**0**

Notes to the Core Financial Statements (continued)

Project Gwyrdd

Project Gwyrdd is a joint committee comprising the county borough councils of Caerphilly, Cardiff, Monmouthshire, Newport and the Vale of Glamorgan. It was established in 2009/2010 to deliver the best long-term, environmental, sustainable and cost-effective solution for waste after recycling and composting has been maximised.

Project Gwyrdd	2015/2016		2016/2017	
	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	157	31	169	34
Income	(271)	(54)	(193)	(39)
Net Cost of Service	**(114)**	**(23)**	**(24)**	**(5)**
Interest and investment income	0	0	0	0
(Surplus) / Deficit for the Year	**(114)**	**(23)**	**(24)**	**(5)**
Net (Increase) / Decrease in General reserve balance	**(114)**	**(23)**	**(24)**	**(5)**
Balance Sheet				
Current assets	308	62	334	67
Current liabilities	(4)	(1)	(6)	(1)
Total Assets less Liabilities	**304**	**61**	**328**	**66**
Accumulated Absences Reserve	1	0	1	0
Joint Committee Reserves	(305)	(61)	(329)	(66)
Net Worth	**(304)**	**(61)**	**(328)**	**(66)**

46. Related Businesses and Companies

Authorities must consider whether they need to produce group accounts for interests held in other organisations where they meet the definition of subsidiaries, associates and joint ventures. The Authority has reviewed all of its relationships in this regard and although the Authority has an interest in the following company, it does not meet the requirements for the preparation of group accounts.

Education Achievement Service (EAS)

The five local authorities of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen have formed an Education Achievement Service (EAS). The integrated service has been designed to raise education standards in South East Wales.

The EAS became operational in September 2012. It is a joint company limited by guarantee and wholly owned and completely controlled by the five local authorities, but operating at arms-length. It is not a profit making company and it is a separate legal entity. There is no lead authority with each being represented equally with a 20% interest and having equal voting rights. The company has a board consisting of the Lead Director and elected member representatives from the partner authorities. The collaboration agreement commits the Authority to participate in the EAS company for a minimum period of four years.

Notes to the Core Financial Statements (continued)

The company's latest unaudited trading results for the year ending 31 March 2017 are:

Statement of Profit or Loss	**Year Ended 31 March 2016 £000**	**Year Ended 31 March 2017 £000**
Revenue	8,920	8,102
Cost of sales	(7,522)	(6,491)
Gross Surplus	**1,398**	**1,611**
Other operating income and expenditure	(1,461)	(1,663)
Operating Surplus	**(63)**	**(52)**
Financing costs	(178)	(203)
Surplus before Tax	**(241)**	**(255)**
Other Comprehensive Income		
Actuarial gain/(loss) on pension scheme	(87)	(2,379)
Adjustment to underwritten balance	430	2,739
Other Comprehensive Income net of income tax	343	360
Total Comprehensive Income for the year	**102**	**105**

Statement of Financial Position	**Year Ended 31 March 2016 £000**	**Year Ended 31 March 2017 £000**
Non-Current Assets	5,596	8,307
Current Assets	2,605	1,775
Total Assets	**8,201**	**10,082**
Non-Current Liabilities	5,563	8,302
Current Liabilities	2,440	1,476
Total Liabilities	**8,003**	**9,778**
Net Assets	**198**	**304**
Retained Profit	**198**	**304**

47. Authorisation for Issue

The Acting Director of Corporate Services, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 19 June 2017. In doing so, the Financial Accounts include all material events, relating to the financial year, but occurring after the date of the balance sheet.

Housing Revenue Account

for the year ended 31 March 2017

Housing Revenue Account

2015/2016 £000		2016/2017 £000	£000	Note
	Income			
(43,238)	Dwelling rents	(44,500)		1
(298)	Non-dwelling rents	(293)		
(1,382)	Charges for services and facilities	(1,350)		
(4,020)	Contributions towards expenditure	(5,194)		
(48,938)	***Total Income***		**(51,337)**	
	Expenditure			
12,308	Repairs and maintenance	13,554		
6,485	Supervision and management	7,348		
2,228	Special Services	2,389		
1,027	Rents, rates, taxes and other charges	1,111		
(7)	Negative housing revenue account subsidy payable	0		
7,046	Depreciation and impairment of non-current assets	11,013		2
28,860	Non-Enhancing capital expenditure	32,297		2
75,997	Exceptional Item : HRA Buyout	0		
51	Debt Management Costs	27		
413	Increase in bad debt provision	317		
134,408	***Total Expenditure***		**68,056**	
85,470	**Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		16,719	
265	HRA services share of Corporate and Democratic Core Costs		130	
85,735	**Net Expenditure of HRA Services**		**16,849**	
5,709	Interest payable and similar charges	5,256		
(7,574)	Major Repairs Allowance and other grants	(8,274)		8
(1,688)	(Gain) / Loss on sale of HRA non-current assets	(1,704)		
(172)	Interest and investment income	(173)		
(3,725)			(4,895)	
82,010	**(Surplus)/deficit for the year on HRA services**		**11,954**	

Movement on the Housing Revenue Account Statement

2015/2016 £000		2016/2017 £000	2016/2017 £000	Note
(22,343)	Balance on the HRA at the end of the previous year		(21,218)	
82,010	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	11,954		
(80,885)	Adjustments between accounting basis and funding basis under statute	(7,557)		
1,125	Net (increase)/decrease before transfers to or from reserves	4,397		
0	Transfers to or (from) reserves	0		
1,125	(Increase) or decrease in year on the HRA		4,397	
(21,218)	**Balance on the HRA at the end of the current year**		**(16,821)**	**7**

Notes to the Movement on the HRA Statement

2015/2016 £000		2016/2017 £000	2016/2017 £000	Note
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
(57)	Difference between amounts charged to income and expenditure for amortisation of premia and discounts and the charge for the year determined in accordance with statute	(57)		
(7,046)	Depreciation and Impairment of non-current assets	(11,013)		**2**
(28,860)	Non-enhancing Capital Expenditure	(32,297)		**2,5**
(75,997)	Exceptional Item : HRA Buyout	0		
1,688	Gain on sale of HRA non-current assets	1,704		
(1,810)	Net charges made for retirement benefits in accordance with IAS 19	(2,614)		**9**
7,574	Capital Grants and Contributions Applied (including Major Repairs Allowance)	8,274		
(104,508)			(36,003)	
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
1,486	Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	2,089		**9**
852	HRA Minimum Revenue Provision	2,330		
21,287	Capital expenditure funded by the HRA	24,038		**5**
(2)	Adjustment involving the Accumulated Absences Account	(11)		
0	Transfers (to) / from Reserves	0		
23,623			28,446	
(80,885)	**Net additional amount required by statute to be credited to the HRA Balance for the year**		**(7,557)**	

Notes to the Housing Revenue Account

1. Rent of Dwellings

This is the total rent income collectable for the year after allowance is made for voids on empty properties. During the year 1.92% of lettable properties were void (an increase on 1.24% in 2015/2016). The average weekly rent at 31 March 2017 was £86.90 (£83.77 in 2015/2016), based on a 48-week collection period.

2. Depreciation and Impairment

	2015/2016 £000	2016/2017 £000
Operational assets comprising:		
Dwellings (refer to Note 22 Core Financial Statements)	6,034	10,994
Other Land & Buildings	133	9
Depreciation written back on revaluation of council dwellings	(6,034)	0
Asset Impairments/revaluations	6,913	10
Total HRA Depreciation and Impairment of Fixed Assets	**7,046**	**11,013**
Write off of non-enhancing expenditure	28,860	32,297
Total HRA depreciation, impairment and non-enhancing expenditure	**35,906**	**43,310**

3. Rent Arrears

The rent arrears encompass monies owed by both current and former council tenants. During the year, total rent arrears increased by £1,500. The total of current rent arrears represents 3.23% of Gross Rent Income.

	£000
Arrears at 31 March 2016	2,018
Bad Debt Provision 31 March 2016	(1,311)
Net Arrears at 31 March 2016	**707**
Arrears at 31 March 2017	2,068
Bad Debt Provision 31 March 2017	(1,360)
Net Arrears at 31 March 2017	**708**

Notes to the Housing Revenue Account (continued)

4. Housing Stock

The Authority was responsible for managing an average of 10,838 dwellings during 2016/2017. The type of stock managed by the Authority is made up of approximately 60% houses, 26% flats and 14% bungalows.

	2015/2016 Number	2016/2017 Number
Stock at 1 April	10,881	10,854
Acquisitions/New Build	4	28
Sales/Demolitions/Expired Leases	(31)	(59)
Stock at 31 March	**10,854**	**10,823**

5. Capital Expenditure and Financing

	2015/2016 Assets £000	2016/2017 Assets £000
Capital Expenditure:		
Operational Assets : Houses	28,860	32,317
HRA Buyout	75,997	0
Vehicles, Plant & Equipment	1	0
Total Expenditure	**104,858**	**32,317**
Capital Financing :		
Capital Grants	(229)	(939)
Major Repairs Allowance	(7,345)	(7,340)
Borrowing	(75,997)	0
Revenue Reserves	(21,287)	(24,038)
Total Income	**(104,858)**	**(32,317)**

6. Capital Receipts and Unapplied Capital Income

	2015/2016 £000	2016/2017 £000
Balance at 1st April	(2,113)	(2,576)
Amounts received - Right to Buy	(1,634)	(1,579)
Amounts received - Other	(54)	(125)
Less Statutory Set aside for debt repayment	1,225	1,184
Balance at 31st March	**(2,576)**	**(3,096)**

Notes to the Housing Revenue Account (continued)

7. Balance Carried Forward

The working balance at 31 March 2017 was £16.821m, a net decrease of £4.397m over the year.

Reserve:	Balance at 1 April 2016 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2017 £000
Housing Fund Balances	(19,959)	8,373	(3,976)	(15,562)
Supporting People	(306)	0	0	(306)
Week 53 Debit	(671)	0	0	(671)
HRA Earmarked Reserve	(282)	0	0	(282)
	(21,218)	**8,373**	**(3,976)**	**(16,821)**

A summary of the purposes of these reserves is provided below:
Housing Fund Balances – represents the general, unallocated balances associated with the Housing Revenue Account.

Supporting People – represents funds ring fenced for use in accordance with the Supporting People initiative.

Week 53 Debit – represents the additional week's rent collection during 2007/2008 that is intended to be released back to revenue in future years, as appropriate.

HRA Earmarked Reserve – exists to meet future commitments in respect of planned programme works.

8. Major Repairs Allowance

	2015/2016 £000	2016/2017 £000
Amount Received in Year	(7,345)	(7,340)
Amounts Applied in Year	7,345	7,340
Amounts Carried Forward	**0**	**0**

9. HRA share of contributions to or from the Pension Reserve

	2015/2016 £000	2016/2017 £000
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,810)	(2,614)
Employer's pension contributions and direct payments to pensioners payable in the year	1,486	2,089
Total Contribution (to) / from the Pension Reserve	**(324)**	**(525)**

GLOSSARY OF TERMS

The Statement of Accounts contains a number of technical terms which will not be familiar to the lay person. To assist the reader of the accounts, a number of these terms have been explained using non-technical terminology.

Accruals basis – An accounting concept in which transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or received.
Actuary - A qualified person who works out insurance and pension fund valuations, taking into account factors such as trends in insurance claims and life expectancy.
Amortisation – The reduction in value of an intangible asset (e.g. computer software) by pro-rating its cost over a period of years.
Authority - Caerphilly County Borough Council.
Available-for-sale Reserve – A reserve that holds the gains or losses on revaluation of investments (classed as available-for-sale) that are not yet realised through sales.
Balance Sheet - A statement listing all assets and liabilities of the Authority at the 31 March.
Borrowing - Can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represents money loaned to the Authority by third parties.
Budget - A budget is the spending plan for the financial year in question i.e. 2016/2017.
Capital Adjustment Account - An account that relates to capital and non-current asset transactions. This includes the application of capital monies e.g. capital grants to finance the capital schemes of the Authority and to manage the disposal of non-current assets.
Capital Expenditure - Expenditure on non-current assets which will be used by the Authority over many years to provide services e.g. buildings.
Capital Receipts - Proceeds from the sale of non-current assets e.g. land or buildings.
Cash Flow Statement - A statement recording all movements in cash during the year for both revenue activities and capital activities.
Comprehensive Income and Expenditure Statement – A statement recording day to day spending and income e.g. salaries, running costs etc. on all revenue services of the Authority.
Contingent Asset - A possible asset that arises from a past event but whose existence will only be confirmed after an uncertain future event e.g. the outcome of a court case.
Contingent Liability - A possible financial cost of a past event but which will only be confirmed by the occurrence of one or more uncertain future events e.g. the outcome of a legal case. Unlike a provision, no amounts are set aside in the accounts, only a note explaining the relevant facts.
Creditor - Someone who is owed money for goods or services provided to the Authority.
Current Assets - Assets that are short term and are considered to be liquid by nature i.e. cash, inventories, debtors.
Current Liabilities - Liabilities that are short term (less than one year).
Debt Management Office (DMO) - An executive agency of HM Treasury with responsibilities for debt and cash management for the UK Government, lending to local authorities (via the PWLB (see below) and managing certain public sector funds.
Debtor - Someone who owes money for goods or services provided by the Authority.
Depreciation - The notional reduction in value of assets due to their wear and tear in providing services to the Authority.
Direct Revenue Financing - A contribution made from the revenue accounts during the financial year to help pay for capital projects.
Financial Instruments - A collective name for investments, trade debtors, trade creditors and borrowings.
Financial Year - This is the accounting period, starting on 1 April and finishing on 31 March in the following year. For 2016/2017, it runs from 1 April 2014 to 31 March 2016.
Finance Leases - A method whereby capital assets are financed over a number of years by means of annual payments to a leasing company. The ownership of the asset by the Authority is deemed to have taken place at the start of the lease arrangement.
Financial Instruments Adjustment Account - An account which is used to manage the loan interest charged to the Council Fund in accordance with IAS 32 & 39.
Government Grants - Assistance by Government and inter-government agencies and similar bodies, whether local, national or international usually in the form of cash.

GLOSSARY OF TERMS continued

Heritage Asset - A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for its contribution to knowledge and culture.
Housing Revenue Account Income and Expenditure Account - This account contains all expenditure and income in relation to the Authority's Council Dwellings including Council Houses.
IAS - International Accounting Standard
IFRIC - International Financial Reporting Interpretations Committee
IFRS - International Financial Reporting Standards
Impairment - Impairments occur when non-current asset values change significantly due to changes in circumstances. They can occur if there is a significant change in a non-current asset's market value or significant physical damage e.g. fire. The cost of impairment is charged to the revenue account in the year it occurs.
Inventories - These are raw materials and consumables that are used in carrying out services e.g. bricks, nails, food, beverages etc. The values of these items which have not been used at 31 March are shown as current assets in the balance sheet.
Investments - These can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represent surplus funds of the Authority invested with third parties.
Levies - Levies are charges on the Authority by other public bodies / non-billing organisations to enable them to cover their costs in the performance of their services.
Minimum Revenue Provision (MRP) - A minimum annual charge that has to be made to the revenue accounts to systematically reduce the principal element of loans which have been raised and used to pay for capital schemes.
Movement in Reserves Statement - A statement showing the in-year movement on all the different reserves held by the Authority.
National Non Domestic Rates (NNDR) - Also known as the Business Rate, it is the charge occupiers of business premises pay to finance part of the Authority's revenue spending. The charge is based on the rateable value of the business premises.
Non-Current Assets - These are long term assets which are used for more than 1 year.
Non-Current Assets: Enhancement Expenditure - This is where capital expenditure on an asset does not alter the book value of the asset e.g. window replacement.
Operating Leases - A method of paying for the use of capital assets e.g. vehicles by means of annual payments to a leasing company over a number of years. The leasing company retains ownership of the asset during and at the end of the lease agreement.
Precepts - Precepts are levied on the Authority by non-billing organisations e.g. police, community councils to enable them to cover their costs in the performance of their services or duties.
Pension Current Service Cost - This represents the increase in the present value of a defined benefit obligation resulting from employee service in the year after netting off contributions from scheme participants.
Pension Gain or Loss on Settlement - This arises when the Authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under the defined benefit plan.
Pension Liability (IAS 19) - This represents the indebtedness of the Authority in relation to the retirement benefits due to its employees, after allowing for the Authority's share of investments in the Pension Fund.
Pension Net Interest on the Defined Benefit Liability/Asset – This is the change during the year in the net defined benefit liability/asset arising from the passage of time.
Pension Past Service Cost – This represents the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment or curtailment.
Pension Reserve (IAS 19) - This reserve matches the pension liability and is charged with the gain or loss which arises when the pension fund Actuary revalues the assets and liabilities within the pension fund each year. It also ensures that the charge made to the Income and Expenditure Account under IAS 19 is replaced with the pension cost required to be made for Council Tax purposes.
Provision - A provision is an amount set aside in the accounts for a past event which is likely to incur a financial cost some time in the future.

GLOSSARY OF TERMS continued

Public Works Loans Board (PWLB) - This is a Government Agency which provides longer term loans to local authorities at preferential rates of interest.
Related Party Transactions - These are disclosed to highlight any relationships that may exist between the Authority and third parties which may materially affect or influence the way the Authority or third parties are able to operate.
Reserves - Reserves are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non-specific future expenditure.
Revaluation Reserve - This reserve is used to record gains in non-current asset values as a result of formal revaluations.
Revenue Expenditure funded from Capital under Statute - This represents expenditure which does not result in, or remain matched with, assets controlled by the Authority.
Revenue Support Grant - This is the principal source of finance from Central Government towards revenue expenditure incurred for non-Council housing purposes.
Trust Funds - These are monies not belonging to the Authority that are administered by the Authority on behalf of third party individuals or organisations.
Work in Progress - This represents the value of work done on unfinished projects at the date of the Balance Sheet (31 March).

Annual Governance Statement

1. Background

1.1 During 2016/17 the work undertaken by the Improving Corporate Governance Board came to a successful conclusion. The Corporate Governance Panel will continue to meet to ensure that the governance agenda remains a key priority. This now represents a back to business as usual situation.

2. Scope of responsibility

2.1 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 duty under the Local Government Act 1999 and the Local Government Measure (Wales) 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, improvement is defined as having regard to a combination of strategic effectiveness, service equality, service availability, fairness, sustainability, efficiency and innovation.

2.2 The Well-being of Future Generations (Wales) Act 2015, implemented in April 2016, places a new 'duty' on public bodies to carry out sustainable development; to do this we must set and publish well-being objectives. Although consideration is being given by Welsh Government to revoking or replacing the Local Government Measure 2009 in 2017, at this time both legislations are still current.

2.3 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.

2.4 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at www.caerphilly.gov.uk or can be obtained from the Council's Communications Unit. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 5(4) of the Accounts & Audit (Wales) Regulations 2014 in relation to the publication of a statement on internal control.

2.5 The Improving Governance Programme Board has been formally disbanded as all of the actions in connection with the recommendations and proposals for improvement identified in the Wales Audit Office Corporate Governance Inspection Report have been concluded. The outstanding HR Strategy was formally presented to Members in July 2016. The strengthened governance arrangements are now firmly embedded within the Council's decision making procedures.

3. The purpose of the governance framework

3.1 The governance framework comprises the systems, processes, 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. During 2016/17 an Assurance Framework was produced as a diagrammatical representation of the governance and assurance processes in place. The Framework was endorsed by the Audit Committee in December 2016. It is intended to provide clarity and understanding of the connections between functions and activities that enable 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.

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

3.3 The governance framework has been in place at the Authority for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

4. The governance framework

4.1 The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements:

4.1.1 ***Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users***

- The Council's Corporate Plan sets out the Council's aspirations, priorities and Well-being Objectives. These are derived from the Caerphilly Single Integrated Plan (Caerphilly Delivers), which clearly articulates a shared vision for Caerphilly County Borough Council and its strategic partners. The Corporate Plan was approved by Council on 7th June 2016 and now incorporates Well-being Objectives, albeit that it is recognised that this is a transitional year in respect of the Well-being of Future Generations (Wales) Act 2015. In accordance with the legislation the Council's Well-being Objectives were reviewed, updated, and approved by Council on 7th March 2017 together with an accompanying Well-being Statement.
- Long term outcomes and interim performance standards have been established for each Well-being Objective. Progress is reported via the Scrutiny Committee process.
- The Single Integrated Plan (long term partnership plan) is published widely and is also available on the Council website and intranet (it should be noted this is being replaced by the Public Services Board Well-being Plan in May 2018). Similarly the Council's Corporate Plan is on the website, and updated annually. Progress is reported via the Scrutiny Committee process.
- The Council's Annual Performance Report (published in October) tells citizens and service users how we have performed against the Well-being Objectives as required under the Well-being of Future Generations (Wales) Act 2015 and the Local Government Measure 2009.

4.1.2 ***Reviewing the authority's vision and its implications for the authority's governance arrangements***

- The Single Integrated Plan, Corporate Plan and annual Performance Report are regularly reviewed and the Council's vision and Well-being Objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework is established.
- The Council was the lead partner of the Caerphilly Local Service Board (LSB), where a Single Integrated Plan was implemented from April 2013 onwards which detailed the LSB vision. This year the Local Service Board was put on a statutory footing (as part of the Well-being of Future Generations (Wales) Act 2015) and became a Public Services Board.
- As part of the Well-being of Future Generations (Wales) Act 2015 a 'well-being assessment' has been carried out. The assessment must identify the strengths and needs of the area and lead to a set of priorities. The statutory guidance has

a detailed process of what a population assessment should include. This has been followed using both quantitative and qualitative narrative to arrive at a picture of the Borough and a set of priorities for the Public Services Board.

- Priorities from the assessment are currently being refined and will form the basis of the Public Services Board's Well-being Plan with subsequent action plan for delivery.
- A Partnerships Scrutiny Committee has been established to scrutinise the work of the Public Services Board and the partner contributions to the planning and delivering collaborative well-being for the area. In addition the Council established a cross party Future Generations Panel to steer and guide the oversight of the Council's Well-being Goals. The Cabinet member for Regeneration, Planning and sustainable Development was designated as the "Future Generations Champion"

4.1.3 The commencement of the Well-being of Future Generations (Wales) Act 2015 on 1st April 2016, as noted above, brings a number of changes to the existing processes. We have established a Public Services Board (PSB) to replace the LSB. The PSB must produce a local assessment of well-being, the Well-being assessment, to be published by May 2017. Thereafter, the PSB must issue a Well-being plan (replacing the LSB Single integrated plan) that sets local Well-being Objectives to achieve the well-being goals set out in the Act. The Council is leading on this work and has completed the development of the Well-being Assessment.

4.1.4 The Council has also responded to its own duties under the Act which include a requirement to set Well-being Objectives by the 31st March 2017. The sustainable development principle, as defined in the Act, sets out five ways of working, which we are introducing into our organisational activities:

- Taking an integrated approach – to reach all the goals
- Collaborating with others – to find sustainable solutions
- Looking to the long-term – to not compromise future generations
- Involving people – the full diversity of the population
- Taking a preventative approach – by understanding root causes

[ICLIP – Integrated / Collaborative / Long-term / Involvement / Preventative]

4.1.5 The Council is required to consider the sustainable development principle in setting, taking steps towards and meeting its well-being objectives; and this should be reflected in our governance arrangements, our corporate planning, and the way in which we allocate resources.

4.1.6 To achieve this, the council has updated its Risk Registers, Planning tools, self - evaluations and reporting templates to reflect the Well-being of Future Generations (Wales) Act 2015 including the 5 ways of working and revised the PSB website. In addition to the process aspect the Council is carrying out communication activities to help staff gain understanding of these changes and why they have been put in place.

- The Council has purchased (for a year) a tool "CFOinsights" which compares financial data and performance data and aims to provide correlation between spend and performance and identify impacts between the two. A project has been setup to explore the measurement outcomes in comparisons to cost against both Welsh and English authorities.
- Measuring quality is carried out by a range of consultative activities and the Council has a "household survey" carried out every two years across the whole of the Borough. The consultation measures citizens perception of quality services.

Annual Governance Statement (continued)

4.1.7 ***Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources***

- Service Delivery Plans contain key service objectives that are geared, where appropriate, towards achieving the overall strategic objectives detailed in the Council's Corporate Plan. They also contain targets in respect of both national performance indicators and local performance targets.
- The Service Delivery Plans are produced after the conclusion of the services Self Evaluation. Self Evaluation has now been embedded within the Authority.
- This system is in turn supported by individual annual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council uses a performance management software system, Ffynnon, which is used to monitor not only individual performance indicators, but also their combined effect on the achievement of strategic objectives.
- Performance against targets is monitored at officer and Member levels, by Corporate Management Team, Directorate Management Teams and with Cabinet Members. There are also dedicated Scrutiny Committees that look at performance.

4.1.8 ***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***

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Scrutiny Committees. Delegated decisions made by relevant senior officers are posted on the intranet, when necessary. CMT have no collective decision making powers, consequently CMT decisions are noted in a formal decision log against the relevant officer and when required postings are then made via the intranet.
- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority. Delegated power decisions and information items are published on the intranet.
- The Council publishes an annual Corporate Plan which sets out key priorities agreed by the Council, its committees and chief officers under their delegated powers and a performance report which details progress against these.
- The Council's Constitution is a living document and is reviewed and refreshed on a regular basis to reflect current legislation and working practices. In addition to the Annual Report presented to the Annual General Meeting, ad hoc reports are presented to Council in relation to any proposed changes. In addition Members approved that overseeing the Council's Constitution should be an added function of the Council's Democratic Services Committee. In addition to the ad hoc reports presented to Council the Democratic Services Committee receives a 6 monthly update on Constitutional issues.
- Various guidance notes for officers have been prepared to sit alongside the Council's Constitution and training has been rolled out. The documentation is available on the Council's corporate governance page. These arrangements have now been formally embedded within the Council's governance arrangements.

4.1.9 ***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff***

- The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers.

Annual Governance Statement (continued)

These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

- Both members and officers are made aware of the personal conduct and disclosure requirements and they are available for reference on the Council's intranet.
- All declarations of Member gifts and hospitality are reported to the Council's Standards Committee. For Officers a 6 monthly update is given to the Council's Audit Committee.

4.1.10 ***Reviewing and updating standing orders for contracts, financial regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks***

- The Monitoring Officer in conjunction with senior officers and members undertakes periodic reviews of the Council's Constitution including reviewing Standing Orders for Contracts, Financial Regulations and the Scheme of Delegation to ensure that current practices and legislation are reflected.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both corporate and operational levels, the key elements of which are a Corporate Risk Register; Directorate Risk Register and Service Level Risk Assessments built into the business planning process.
- The Council has a formally agreed Risk Management Strategy which was endorsed in 2013. This has been updated and is due to go to Cabinet on 7th June 2017 followed by Audit Committee on 13th September 2017. Training is delivered to relevant Members as a matter of routine. The Corporate Risk Register is reported to Audit Committee periodically after consideration by Corporate Management Team and Cabinet.

4.1.11 ***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities***

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.
- The Terms of Reference are reviewed annually and are updated if required.

4.1.12 ***Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful***

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

  Corporate Management Team;
  Heads of Service;
  Monitoring Officer;
  Section 151 Officer;
  Senior Information Risk Owner (SIRO)
  Internal Audit;
  External Audit;
  Performance Management Framework.

- The roles of the statutory officers have been strengthened significantly. Both officers attend the formal Corporate Management Team meetings. The S151 role

has been incorporated into a new temporary post of Director of Corporate Services and S151, and is no longer at Head of Service level. The interim management arrangements currently in place across the Council are reviewed and agreed by Council periodically.
- The standard committee reporting procedure and template requires the Monitoring Officer to examine reports to the Executive for compliance with legal and procedural issues. His/her comments are referred to the Council's Corporate Management Team for action.
- In addition to the above, the Authority has a Deputy S151 and Deputy Monitoring Officer to ensure adequate cover for these roles is in place.

4.1.13 ***Arrangements for whistle blowing and for receiving and investigating complaints from the public***

- The Council has in operation a widely publicised Whistleblowing Policy, which forms part of the Council's Constitution. The regime is overseen by senior officers within the Authority and reported to the Council's Standards Committee on an annual basis.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- The Audit Committee has continued to play a more proactive role in monitoring the level of complaints and the procedures that are in place. Reports are regularly presented. In addition, individual Scrutiny Committees may receive reports on complaints.

4.1.14 ***Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training***

- Formal induction programmes and training and development plans are in place for members. Where identified by the PDR process senior officers participate in management development training.
- All senior officers participate in the corporate staff development scheme.
- It had been recognised that the induction and training of members was sporadic in respect of some committees. In order to address this issue Council approved the implementation of a new, more focused training regime for members which includes the identification of certain aspects of training as mandatory.
- A training needs analysis is carried out every 18 months by Democratic Services so that Members identify their own development needs and a training programme is then put together as a result of the analysis.
- The Council has undertaken a successful senior member development programme, this is a training framework for members who hold or aspire to hold senior office.
- A review of induction arrangements for officers is being undertaken as this area should be improved. Discussions have taken place initially at the HR Strategy Group.
- Appropriate training has and will continue to be delivered where identified.

4.1.15 ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation/engagement***

- Up to date strategies are in place in respect of communications, marketing and consultation/engagement.
- A corporate database of formal consultation/engagement is maintained to reduce duplication of consultation/engagement.
- Extensive consultation/engagement processes have been followed in relation to the budget process following the changes last year.

Annual Governance Statement (continued)

4.1.16 ***Incorporating good governance arrangements in respect of partnerships and other group working as identified in the CIPFA Framework "Delivering Good Governance in Local Government" and reflecting these in the authority's overall governance arrangements***

- The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships. Since 1999 a "Compact Agreement" has been in place which is a local agreement for governing the relationship between public sector organisations within the County Borough and third sector organisations. In April 2013, a revised Compact Agreement was published for the period 2013 to 2017 bringing together the following partners: Gwent Association of Voluntary Organisations, Caerphilly County Borough Council, Gwent Police, the Police and Crime Commissioner for Gwent, Aneurin Bevan University Health Board, South Wales Fire and Rescue Service, Community and Town Councils and the Caerphilly Business Forum. The Compact Agreement recognises the mutual benefits that can be gained from close co-operation and sets out guidelines for how all parties should work together. Welsh Government are currently undertaking a review of third sector agreements and any future agreement will encompass those findings and the shared delivery arrangements under the Well-being Plan.
- Key partnerships and partners are invited to attend the biannual Caerphilly Public Services Board Standing Conference, which focuses on communicating progress made on the delivery of priorities, which include "Caerphilly Delivers" (the Single Integrated Plan), such as tackling the impact of poverty and more recently the Well-being of Future Generations (Wales) Act 2015, and associated programmes/projects/initiatives.
- The Council maintains details of all the current collaborations and partnerships in existence. The corporate governance panel periodically monitors these arrangements. This can include involvement of Internal Audit.
- In addition, the approved Collaboration and Partnership Strategy sets out the requirements for creating new Partnerships and Collaborations and importantly includes the arrangements for disbanding and exiting arrangements**.**

5. Review of effectiveness

5.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the corporate governance panel within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:

- The Authority's policies are put into place.
- Laws and regulations are complied with.
- Required processes are adhered to.
- Performance and financial statements and other published information are accurate and reliable.
- Human, financial, data/information and other resources are managed efficiently and effectively.
- Services are delivered efficiently and effectively.

Annual Governance Statement (continued)

5.2 The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework.

5.2.1 ***Corporate Level Review***

A management group, the Corporate Governance Panel, consisting of the following officers and the Cabinet member for HR and Governance has been established to oversee the compilation of the Annual Governance Statement:

- Acting Director of Corporate Services and S151;
- Interim Head of Legal Services and Monitoring Officer;
- Head of Public Protection (Corporate Policy & Performance Management);
- Internal Audit Manager;
- Acting Head of ICT/SIRO

The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

The arrangements have been strengthened significantly since March 2013 and are now firmly embedded within normal working practices.

5.2.2 ***Directorate Level Review***

The Council has also introduced Directorate Assurance Statements requiring members of Corporate Management Team to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Directorates also have Directorate Risk Registers which provides a review mechanism for effective management of new and established risks.

5.2.3 ***Scrutiny Committees***

The Council has Scrutiny Committees who meet in public and make recommendations on the improvement and development of policies and hold the Executive and officers exercising delegated powers to account for their decisions.

The Council is finalising the changes to the scrutiny arrangements approved by Council in October 2015. The approved changes were significant and were intended to bring more focus to the Scrutiny of the Council’s key decisions reducing the number of items on the agenda. It included the development of supporting protocols such as Task and Finish Groups, Cabinet Member statements and prioritisation matrix. The majority of the work has been concluded. The last phase included a self -evaluation of the new arrangements, the outcome of this will be reported to members after the May election.

5.2.4 ***Audit Committee***

The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.

5.2.5 ***Standards Committee***

The Council has appointed a Standards Committee in accordance with the provisions of S.53-55 & S.81(5) Local government Act 2000 and associated regulations. Their terms of reference are set out in the Council's Constitution.

5.2.6 ***Performance Management***

The Performance Management Unit (PMU) is responsible for developing and maintaining the Council's performance management framework in accordance with the Wales Programme for Improvement and the Well-being of Future Generations (Wales) Act 2015 as it applies to public bodies. It supports and challenges the Council as a whole, and the individual services, to continuously improve its services and works with the external auditors to co-ordinate inspection programmes.

The PMU co-ordinate and support the Self Evaluation and Service Delivery Plan process.

In an internal restructure the Performance Management Unit has been brought together with staff with corporate policy, partnership, equalities, and voluntary sector support roles, to form a Central Corporate Policy Unit. This has strengthened our approach to performance management by reinforcing the links to our policy and planning activities. It has enhanced our ability to respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 in terms of having a lead role within the Public Services Board, demonstrating our own contribution to the Well-being goals, and embedding the 5 ways of working set out in the sustainable development principle.

5.2.7 Information Governance

The Acting Head of ICT is the Council's Senior Information Risk Owner (SIRO), whose role is to assure the Council's information through implementation of the Council's Information Risk Management Policy. The SIRO assesses half yearly information risk returns from each Head of Service (as the information asset owner) to ensure risks are reported appropriately, measures to reduce risk are effective and information risk management is embedded into the culture of the organisation.

The SIRO is supported by the Corporate Information Governance Unit and a network of information governance (IG) stewards within each directorate who assist Heads of Service in assuring the information that is managed and used by their service area. IG Stewards are responsible for communicating key messages to staff and management across the organisation on IG policies, ensuring staff are appropriately trained and developing and maintaining an Information Asset Register. Organisations need to comply with the new General Data Protection Regulation in 2018 and the SIRO is overseeing an action plan to ensure the Council's personal information is managed appropriately in readiness for this deadline.

5.2.8 ***Internal Audit***

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. Each report includes recommendations for improvements and an agreed management action plan. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon. Following the governance reviews undertaken by the WAO over

Annual Governance Statement (continued)

recent years the role undertaken by Internal Audit and the contribution made towards the overall governance framework is being reassessed. This process will evolve and develop over time in line with the needs of the organisation and will embrace the principles promoted within the Public Sector Internal Auditing Standards.

The Internal Audit Manager is a key contributor to the annual review of the Authority's governance processes and has concluded for the year 2016/17 that no fundamental issues or concerns have been identified as a result of the audit work undertaken. This view will be restated within the annual report that will be presented to the Audit Committee as required by the Council's Financial Regulations.

5.2.9 ***External Audit***

The Council receives regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5.3 **Review Outcome**

The Council's governance arrangements are regarded as generally fit for purpose and are in accordance with the governance framework. The Council is committed to maintaining and improving the governance framework and resources are prioritised for this.

The previous year's AGS identified one area for improvement:-

- The Authority works to ensure that the requirements of the Well-Being of Future Generations (Wales) Act 2015 are progressed to ensure compliance prior to regulator reviews.

Based on the progress made to date which was reported to Audit Committee on 8th March 2017 it is recommended that this area for improvement be removed from the AGS.

The review of the Council's governance arrangements during 2016/17 has identified two areas where improvements could be made to strengthen existing procedures and processes:-

- To review and strengthen the procedures around the operation and maintenance of the cabinet forward work programme.

- Ensuring that the Authority is prepared for the requirements of the new General Data Protection Regulation 2018.

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 issues identified during the review process and we will monitor their implementation over the coming months.

At its meeting on 14 June 2017, the Audit Committee considered the draft AGS and a recommendation from the External Auditor that the Council should revisit its disclosure of governance issues to reflect the comments and recommendations made by regulators. As a result, the Committee requested that an update be provided to a future meeting in relation to progress on agreed actions arising from the Wales Audit Office review of the Council's Leisure Strategy.

Annual Governance Statement (continued)

Following the Audit Committee meeting on 14 June 2017, Officers have undertaken a further review of progress against regulator proposals for improvement and the following actions have been identified as priorities for the 2017-18 financial year in addition to progressing the Leisure Strategy:-

- Service Asset Management Plans need to be reviewed alongside Medium-Term Financial Plan savings proposals for future years. This will be an integral element of the Council's Improving Services Programme.
- The Council will need to review its current "principles" for agreeing savings proposals and revise these to reflect the significant financial challenges that lie ahead.
- A draft "Income Management and Service Cost Recovery Policy" has been produced. This will need to be finalised and approved.

Signed

David Poole
Leader of the Authority

Chris Burns
Interim Chief Executive