

Financial Accounts
For the year ended
31 March 2015



A greener place Man gwyrddach



**Financial Accounts for the year ended
31 March 2015**

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Explanatory Foreword

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 178,800.

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 foreword 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.

Explanatory Foreword (continued)

2014/2015 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Comprehensive Income and Expenditure Statement on page 18. The account is classified according to service expenditure areas.

In 2014/2015, the Authority's expenditure and income compared to budget was:

Service Area	Revised Estimate	Outturn	In Year use of Reserves	Revenue Contribution to capital	(Overspend) /Underspend
	£000	£000	£000	£000	£000
Education and Lifelong Learning	127,301	124,748	985	191	1,377
Social Services	78,308	75,035	(718)	269	3,722
Environment	58,159	55,804	(381)	1,889	847
Corporate Services	68,265	61,856	1,504	618	4,287
HRA	0	(14,845)	17	8,014	6,814
Total Service Expenditure	332,033	302,598	1,407	10,981	17,047
Funding Income	(330,833)	(332,247)	0	0	1,414
Budget Strategy Contribution from Reserves	(1,200)	0	(1,200)	0	0
(Surplus) / Deficit on Provision of Services	0	(29,649)	207	10,981	18,461
Transfer to Earmarked Reserves					(10,665)
Transfer to General Fund Reserves					(7,796)
Total Transfer to Balance Sheet					(18,461)
General Fund Reserves as at 31 March 2014					(16,134)
Budget Strategy Contribution					1,200
In Year Movement					8,115
Outturn Contribution					(7,796)
General Fund Reserves as at 31 March 2015					(14,615)

Explanatory Foreword (continued)

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 2014/2015 which was presented to Cabinet on 29 July 2015. 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.

The following table provides a reconciliation between the Surplus / Deficit on Provision of Services reported per Directorate and the Surplus / Deficit on Provision of Services reported in the Comprehensive Income and Expenditure Statement:

	£000
(Surplus) / Deficit on Provision of Services reported by Directorate	(29,649)
Depreciation	29,461
Impairment of Assets	(6,486)
Non-enhancing Expenditure	21,105
Amortisation of Intangible Assets	304
Capital Grants and Contributions Applied	(19,023)
Revenue Expenditure Funded from Capital Under Statute	3,187
Net Gain or Loss on Disposal of assets	(1,291)
Minimum Revenue Provision	(10,741)
Capital Grants and Contributions Unapplied	(337)
IAS 19 Pension Adjustment	8,226
Accumulated Absence Adjustment	(641)
Total Adjustments	23,764
(Surplus) / Deficit on Provision of Services per Comprehensive Income & Expenditure Account	<u>(5,885)</u>

Funding Income

The following table details the main sources of income received by the Authority to fund service expenditure in 2014/2015:

	2014/2015			
	Original	Revised	Outturn	Variance
	Estimate	Estimate		
	£000	£000	£000	£000
Funding Income				
Council Tax (net of Police Authority and Community Council Precepts)	56,343	56,343	57,751	(1,408)
Revenue Support Grant	217,202	217,202	217,202	0
Non Domestic Rates	55,382	55,382	55,382	0
Outcome Agreement Grant	1,906	1,906	1,912	(6)
Total Funding Income	<u>330,833</u>	<u>330,833</u>	<u>332,247</u>	<u>(1,414)</u>

Explanatory Foreword (continued)

Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 112 to 117. For 2014/2015, actual outturn compared to budget was as follows:

	2014/2015		
	Original	Actual	Variance
	Estimate	Outturn	
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Expenditure	47,803	31,319	(16,484)
Income	(47,803)	(46,164)	1,639
(Surplus)/Deficit for the year on HRA Services	0	(14,845)	(14,845)
In year use of Reserves	0	0	0
HRA Outturn	0	(14,845)	(14,845)
(Surplus)/Deficit for the year on HRA Services			(14,845)
Depreciation			6,264
Impairment of Assets			29
Non-enhancing Expenditure			15,311
Capital Grants and Contributions Applied			(7,330)
Net Gain or Loss on Disposal of Assets			(1,223)
Minimum Revenue Provision			(887)
IAS19 Pension Adjustment			(154)
Accumulated Absence Adjustment			1
Support Service Recharge Adjustment			(166)
Total Adjustments			11,845
(Surplus)/Deficit for the year on HRA Services			(3,000)

Trading Operations

During the year, the Authority operated 4 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 8, in accordance with CIPFA's Service Reporting Code of Practice (SeRCOP).

Provisions

Movements upon provisions are detailed in note 29, page 88 together with explanations of what each provision is for.

	1 April 2014	Movement	31 March 2015
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Short term provisions	(3,258)	419	(2,839)
Long term provisions	(7,321)	4,645	(2,676)
	(10,579)	5,064	(5,515)

Explanatory Foreword (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 21, page 76.

	1 April 2014 <u>£000</u>	Movement <u>£000</u>	31 March 2015 <u>£000</u>
Reserves - Usable	(97,164)	(20,297)	(117,461)
- Unusable	(465,756)	10,065	(455,691)
	<u>(562,920)</u>	<u>(10,232)</u>	<u>(573,152)</u>

Loan Debt

The total amount outstanding as at 31 March 2015 was £226.204m, as measured on an amortised cost basis, the majority being owed by the Authority to the Public Works Loan Board. 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 50 (note 10). The nominal value represents the principal amount outstanding at the Balance Sheet date.

	2013/2014 <u>£000</u>	2014/2015 <u>£000</u>
Amortised Cost of Loans:		
Loan debt repayable in one year	(4,940)	(10,268)
Loan debt repayable in more than one year	(185,290)	(215,936)
	<u>(190,230)</u>	<u>(226,204)</u>
Nominal Value of Loans:		
Loan debt repayable in one year	(2,280)	(7,367)
Loan debt repayable in more than one year	(184,895)	(215,521)
	<u>(187,175)</u>	<u>(222,888)</u>

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 2014/15, 95.53% of payments were made within 30 days (93.26% in 2013/14).

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 2014/15, invoices were settled within an average of 12.21 days (14.26 days in 2013/14).

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.

Explanatory Foreword (continued)

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 2014/2015 is £387.753m (£280.065m in 2013/2014). 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 11.

2014/2015 Capital Expenditure

Capital expenditure during the year amounted to some £43.154m (2013/2014 - £53.144m), the major items within this figure being identified below:

	<u>£000</u>	<u>£000</u>
Housing:		
Repairs and Improvements	15,311	
Improvement Grants & Private Sites	3,052	
Vehicles, Plant & Equipment	33	
	18,396	
Non Housing:		
Education	8,612	
Social Services	645	
Highways & Transportation and Land Reclamation	7,504	
Economic Development/Tourism	1,361	
Planning	2,038	
Environmental Services	505	
Sports and Leisure	1,386	
Other	2,707	
	24,758	
		43,154
		43,154
Financed by:	Grants inc MRA	18,764
	Other	24,390
		43,154
		43,154

Capital expenditure was financed by grants (£18.764m) and other sources (£24.39m). 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. Further details regarding these leases can be found in note 14, (page 67) to the Core Financial Statements.

Explanatory Foreword (continued)

Future Financial Developments

For the 2015/16 financial year the funding that Caerphilly CBC receives from the Welsh Government has been cut by 3.3%, resulting in a cash reduction of £8.89m. In light of this, the Authority's Medium-Term Financial Plan has been reviewed on the assumption that similar cash reductions will be experienced in 2016/17 and 2017/18. This review has also considered cost pressures that will need to be met as we move forward and it is anticipated that the Authority will need to find savings of around £39m for the three-year period 2015/16 to 2017/18.

At its meeting on the 25th February 2015 Council agreed a budget for the 2015/16 financial year, which included savings totalling £11.96m. Prior to this, proposed savings for 2015/16 had been subject to an extensive consultation process that consisted of two public surveys, 'drop-in' sessions for members of the public to attend and separate consultation events with the Youth Forum, the Viewpoint Panel, the Voluntary Sector Liaison Committee and the 50+ Forum. In addition, Town and Community Councils were also invited to comment upon the proposed savings. This thorough consultation process was invaluable in helping firm savings proposals to be put to Council for approval in February 2015.

The agreed savings for 2015/16 have had limited impact on front-line services and wherever possible Council priorities have been protected from cuts.

Looking ahead the Authority still has to find anticipated savings of circa £26m for 2016/17 and 2017/18. This will prove to be extremely challenging and as part of the process for identifying the savings required Council has agreed the following principles: -

- Protecting front-line services where we can and reducing expenditure on management and administrative costs.
- Increasing fees and charges where appropriate.
- Reducing, rather than removing services where possible.
- Focussing on priorities.
- Looking at alternative ways of delivering services (collaboration, partnerships, community trusts, etc.).

Detailed work is already underway to meet the financial challenges that lie ahead and savings proposals for the 2016/17 financial year will be subject to a further period of extensive consultation between November 2015 and January 2016.

Explanatory Foreword (continued)

Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015

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 2014/2015 that are applicable to the Authority:

a) **The Carbon Reduction Commitment Energy Efficiency Scheme**

The scheme is now in its second phase, which runs from April 2014 until March 2019 (each phase being divided into compliance years which run from 1 April to 31 March). Phase two requires authorities to either purchase allowances prospectively in a forecast sale (in April 2014) against “predicted” emissions produced in the 2014/2015 financial year or to “buy to comply” allowances after the end of the financial year, typically in June or July. By 31 October 2015, authorities will be required to surrender purchased allowances to the CRC Registry in accordance with their liabilities in relation to CO₂ emissions reported for the 2014/2015 financial year. Where authorities purchased allowances in a forecast sale, the allowances will be classified as current intangible assets. As the allowances will not be surrendered to the CRC Registry until October 2015 (whether purchased prospectively or retrospectively) current year CRC responsibilities must be accrued as an expense at 31 March 2015 and a liability created for the surrender of the allowances.

b) **Accounting for schools in local authorities in England and Wales**

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). 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. In respect of schools’ buildings, significant judgements based on the circumstances of each individual school have to be made, including consideration of any rights held by authorities. In the case of this Authority, the buildings are used under “mere licences” and are not within the control of the Authority nor should they be recognised on the Authority’s Balance Sheet. The Authority has always included schools’ transactions within its accounts, so together with the afore-mentioned schools’ buildings treatment, a change in accounting policy is not required.

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 13 to 117, give a true and fair view of the financial position of the Authority as at 31 March 2015 and its income and expenditure for the year then ended.

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

Date

The accounts were approved by the Council on

Signed on behalf of Caerphilly County Borough Council:

Councillor L. Gardiner, Mayor
Chair of Meeting Approving the Accounts

Date

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

I have audited the accounting statements and related notes of Caerphilly County Borough Council for the year ended 31 March 2015 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 Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, 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 Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of 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 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

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

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

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 Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

The certificate that the audit of the accounts has been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Inspection Practice issued by the Auditor General for Wales cannot be issued because of court proceedings in respect of the decision by the senior remuneration panel in September 2012 have not yet been completed. I will consider the outcome of these proceedings when completed to determine whether any further audit action should be taken in respect of this matter.

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
[Date]**

Introduction to Accounting Statements

The Authority's accounts for the year 2014/2015 are set out in the following pages and consist of:

- a) **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.
- b) **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.
- 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.
- 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.

Movement in Reserves Statement
For the year ended
31 March 2015

Caerphilly County Borough Council

Movement in Reserves Statement

	Council Fund Balance £000	Earmarked Council Fund Reserves £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 2014	(16,134)	(45,759)	(15,505)	(9,909)	(9,857)	(97,164)	(465,756)	(562,920)	
Movement in reserves during 2014/2015									
(Surplus)/deficit on provision of services (accounting basis)	(2,534)	0	(3,000)	0	0	(5,534)	0	(5,534)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(4,698)	(4,698)	11,33
Total Comprehensive Income and Expenditure	(2,534)	0	(3,000)	0	0	(5,534)	(4,698)	(10,232)	
Adjustments between accounting basis and funding basis under regulations	(10,050)	0	(4,055)	(337)	(1,610)	(16,052)	16,052	0	5
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(12,584)	0	(7,055)	(337)	(1,610)	(21,586)	11,354	(10,232)	
Transfers (to)/from Earmarked Reserves	14,103	(14,320)	217	415	874	1,289	(1,289)	0	6
(Increase)/Decrease in Year	1,519	(14,320)	(6,838)	78	(736)	(20,297)	10,065	(10,232)	
Balance at 31 March 2015	(14,615)	(60,079)	(22,343)	(9,831)	(10,593)	(117,461)	(455,691)	(573,152)	

Caerphilly County Borough Council

Movement in Reserves Statement (continued)

	Council Fund Balance £000	Earmarked Council Fund Reserves £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 2013	(14,272)	(54,292)	(6,333)	(11,327)	(9,615)	(95,839)	(378,676)	(474,515)	
Movement in reserves during 2013/2014									
(Surplus)/deficit on provision of services (accounting basis)	37,210	0	(4,566)	0	0	32,644	0	32,644	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(121,049)	(121,049)	11,33
Total Comprehensive Income and Expenditure	37,210	0	(4,566)	0	0	32,644	(121,049)	(88,405)	
Adjustments between accounting basis and funding basis under regulations	(32,432)	0	(2,714)	(1,560)	(1,864)	(38,570)	38,570	0	5
Net (Increase)/Decrease before Transfers to Earmarked Reserves	4,778	0	(7,280)	(1,560)	(1,864)	(5,926)	(82,479)	(88,405)	
Transfers (to)/from Earmarked Reserves	(6,640)	8,533	(1,892)	2,978	1,622	4,601	(4,601)	0	6
(Increase)/Decrease in Year	(1,862)	8,533	(9,172)	1,418	(242)	(1,325)	(87,080)	(88,405)	
Balance at 31 March 2014	(16,134)	(45,759)	(15,505)	(9,909)	(9,857)	(97,164)	(465,756)	(562,920)	

Comprehensive Income and Expenditure Statement
For the year ended
31 March 2015

Caerphilly County Borough Council

Comprehensive Income and Expenditure Statement

31 March 2014				31 March 2015			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note
4,798	(2,325)	2,473	Central Services to the Public	4,598	(2,549)	2,049	
38,017	(5,713)	32,304	Cultural and Related Services	24,433	(6,189)	18,244	
30,420	(8,200)	22,220	Environmental and Regulatory Services	28,951	(7,544)	21,407	
15,004	(4,647)	10,357	Planning Services	11,956	(4,960)	6,996	
224,254	(55,278)	168,976	Children's and Education Services	206,226	(55,161)	151,065	
30,738	(5,582)	25,156	Highways and Transport Services	29,011	(5,464)	23,547	
46,764	(45,351)	1,413	Local Authority Housing (HRA)	49,653	(46,111)	3,542	
74,278	(69,134)	5,144	Other Housing Services	72,709	(68,220)	4,489	
80,280	(18,146)	62,134	Adult Social Care	86,287	(27,140)	59,147	
5,928	(205)	5,723	Corporate and Democratic Core Costs	3,839	(125)	3,714	
10,177	(1,386)	8,791	Non Distributed Costs	4,197	(718)	3,479	
560,658	(215,967)	344,691	Cost of Services	521,860	(224,181)	297,679	
24,889	(1,873)	23,016	Other Operating Expenditure	21,699	(1,637)	20,062	7
42,729	(18,300)	24,429	Financing and Investment Income and Expenditure	46,701	(19,481)	27,220	8
13,592	(373,084)	(359,492)	Taxation and Non-Specific Grant Income	13,765	(364,260)	(350,495)	9
		32,644	(Surplus)/Deficit on Provision of Services			(5,534)	
		(42,932)	(Surplus)/Deficit on revaluation of non-current assets			(104,160)	33
		(78,117)	Actuarial (gains)/losses on pensions assets/liabilities			99,462	11
		(121,049)	Other Comprehensive Income and Expenditure			(4,698)	
		(88,405)	Total Comprehensive Income and Expenditure			(10,232)	

Balance Sheet
As at 31 March 2015

Caerphilly County Borough Council

Balance Sheet

31 March 2014 £000		31 March 2015 £000	Note
1,011,084	Property, Plant & Equipment	1,109,222	22
9,259	Heritage Assets	9,979	23
4	Long Term Investments	4	10
494	Long Term Debtors	418	25
1,020,841	Long Term Assets	1,119,623	
74,854	Short Term Investments	133,785	10
759	Inventories	577	
41,887	Short Term Debtors	40,963	26
971	Cash and Cash Equivalents	1,681	27
118,471	Current Assets	177,006	
(4,940)	Short Term Borrowing	(10,268)	10
(53,454)	Short Term Creditors	(63,124)	28
(3,258)	Short Term Provisions	(2,839)	29
(61,652)	Current Liabilities	(76,231)	
(7,321)	Long Term Provisions	(2,676)	29
(185,290)	Long Term Borrowing	(215,936)	10
(321,135)	Other Long Term Liabilities	(426,831)	10,11
(994)	Capital Grants Receipts in Advance	(1,803)	9
(514,740)	Long Term Liabilities	(647,246)	
562,920	Net Assets	573,152	
(97,164)	Usable Reserves	(117,461)	21
(465,756)	Unusable Reserves	(455,691)	21
(562,920)	Total Reserves	(573,152)	

The notes on pages 24 to 110 form part of the statement of accounts.

Cash Flow Statement
For the year ended 31 March 2015

Cash Flow Statement

2013/2014 £000		2014/2015 £000	Note
(32,644)	Net surplus or (deficit) on provision of services	5,534	
64,758	Adjust net surplus or deficit on the provision of services for non cash movement	26,265	44
(20,136)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(20,652)	44
11,978	Net cash flows from Operating Activities	11,147	
(7,022)	Investing Activities	(45,989)	46
(5,175)	Financing Activities	35,552	47
(219)	Net increase or (decrease) in cash and cash equivalents	710	
1,190	Cash and cash equivalents at the beginning of the reporting period	971	
971	Cash and cash equivalents at the end of the reporting period	1,681	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 2014/2015 financial year and its position at the year-end of 31 March 2015. 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 2014/2015 (the Code), and the Service Reporting Code of Practice 2014/2015 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.

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 note xi.

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.

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 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.

Notes to the Core Financial Statements (continued)

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 3.3% (4.5% in 2013/14) 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, 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. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

- 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.

Notes to the Core Financial Statements (continued)

xii. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Expenditure on intangible assets is fully amortised within one year.

xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in first out) costing formula.

xiv. 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.

xv. 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.

Notes to the Core Financial Statements (continued)

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 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.

Notes to the Core Financial Statements (continued)

xvi. 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 2014/2015* (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.

xvii. Property, Plant and Equipment

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

Recognition

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

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

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

Notes to the Core Financial Statements (continued)

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 – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair 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 Council 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, 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.

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.

Notes to the Core Financial Statements (continued)

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 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.

Notes to the Core Financial Statements (continued)

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.

xviii. Heritage Assets

The Authority's Heritage Assets consist of Civic Regalia and Land and Buildings, namely Babell Chapel, 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 23.

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.

xix. 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.

Notes to the Core Financial Statements (continued)

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 8% for the road and 7.1% 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 12 and 43 for the PFI Equalisation Reserves).

xx. 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.

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 21.

Notes to the Core Financial Statements (continued)

xxi. Contingent Assets and Contingent Liabilities

Contingent Assets

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

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

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.

xxii. 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.

xxiii. 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.

xxiv. 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.

Notes to the Core Financial Statements (continued)

xxv. 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 19 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.

xxvi. 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.

xxvii. 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). 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.

Notes to the Core Financial Statements (continued)

xxviii. 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.

xxix. 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 the initial year of 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.

xxx. 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.

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 £37.264m) and Road (valued at £28.494m) 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.

Notes to the Core Financial Statements (continued)

- The Authority has £1,109m recognised as Property, Plant and Equipment on its Balance Sheet as at 31 March 2015. Note 22 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 fair 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 fair 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 are commissioned to undertake the valuation of specific assets where in-house expertise is unavailable. The 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 fair value, given their relatively short useful economic lives and the relative value of these assets.

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 2015 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 £5.515m - 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.

Notes to the Core Financial Statements (continued)

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 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £17.849m, whereas a 0.1% increase in the inflation rate assumption would result in an increase in the pension liability of £18.198m. However, the assumptions interact in complex ways. During 2014/2015, the Authority's Actuaries advised that the net pensions liability for all schemes had increased by £107.69m. This is as a result of actuarial losses arising from changes in financial assumptions.
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4. Accounting Standards issued but not yet adopted

For 2014/2015, the following accounting standards have been issued, but not yet adopted by the Authority:

- **IFRS 13 Fair Value Measurement** - The standard introduces a new definition of fair value and a new term 'current value' and makes changes to the valuation approach for some assets and liabilities. It sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurement. It is unsure how these changes will be adapted for local authorities so the impact upon the Authority is uncertain.
- **Annual Improvements to IFRSs 2011 – 2013 Cycle:**
 IFRS 1 – First Time Adoption of IFRSs – The standard has been amended to clarify which version of an IFRS should be applied in an organisation's financial statements when International Financial Reporting Standards are first adopted. This will not be applicable to local authorities as IFRS was adopted in the 2010-2011 financial year.

IFRS 3 Business Combinations – The standard is amended so that the formation of all types of joint arrangements, i.e. joint ventures and joint operations (as defined in IFRS 11 Joint Arrangements) are excluded from the scope of IFRS 3 and clarifies that the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment to the standard is not thought to have a material impact upon the Authority.

IAS 40 – Investment Property – The standard has been amended to clarify that judgement is required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of and based on guidance in IFRS 3 Business Combinations. As the Authority does not have any investment properties, the standard will have no impact.

Notes to the Core Financial Statements (continued)

- **IFRIC 21 Levies** –The IFRIC Interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is uncertain. The interpretation will not have a material impact upon the Authority.

5. 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 21.

Caerphilly County Borough Council

Notes to the Core Financial Statements (continued)

	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
<u>2014/2015</u>	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets and non-enhancing capital expenditure	(22,827)	(21,604)	0	0	44,431
Amortisation of intangible assets	(304)	0	0	0	304
Capital grants and contributions applied	11,693	7,330	0	0	(19,023)
Revenue expenditure funded from capital under statute	(3,884)	0	0	0	3,884
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		68	1,223	(1,610)	0
				0	319
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	9,854	887	0	0	(10,741)
Capital expenditure charged against the Council Fund and HRA balances	2,967	8,014	0	0	(10,981)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	337	0	0	(337)	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)	(58)	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	(31,005)	(1,803)	0	0	32,808
Employer's pensions contributions and direct payments to pensioners payable in the year	22,625	1,957	0	0	(24,582)
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		642	(1)	0	0
				0	(641)
Total Adjustments	(10,050)	(4,055)	(1,610)	(337)	16,052

Notes to the Core Financial Statements (continued)

	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
<u>2013/2014</u>	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets and non-enhancing capital expenditure	(51,931)	(18,951)	0	0	70,882
Amortisation of intangible assets	(554)	0	0	0	554
Capital grants and contributions applied	13,226	7,300	0	0	(20,526)
Revenue expenditure funded from capital under statute	(5,313)	0	0	0	5,313
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	(2,814)	863	(1,864)	0	3,815
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	9,940	918	0	0	(10,858)
Capital expenditure charged against the Council Fund and HRA balances	20,790	7,350	0	0	(28,140)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,560	0	0	(1,560)	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	(215)	(58)	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	(37,488)	(1,919)	0	0	39,407
Employer's pensions contributions and direct payments to pensioners payable in the year	21,829	1,816	0	0	(23,645)
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	(1,462)	(33)	0	0	1,495
Total Adjustments	(32,432)	(2,714)	(1,864)	(1,560)	38,570

Notes to the Core Financial Statements (continued)

6. 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 2014/2015.

	Balance at 1 April 2013 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2014 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2015 £000
Council Fund:							
Balances held by schools under a scheme of delegation (note 41)	(4,731)	2,335	(350)	(2,746)	1,131	(1,443)	(3,058)
Capital Earmarked Reserves (note 38)	(18,244)	29,667	(19,624)	(8,201)	2,878	(10,639)	(15,962)
Direct Services Earmarked Reserves (note 37)	(342)	448	(123)	(17)	0	(71)	(88)
Service over/underspend Reserves (note 39)	(5,449)	6,256	(7,500)	(6,693)	4,552	(7,677)	(9,818)
Insurance Earmarked Reserves (note 40)	(3,738)	400	(2,020)	(5,358)	0	(1,292)	(6,650)
Other Earmarked Reserves (note 43)	(21,788)	1,669	(2,625)	(22,744)	5,850	(7,609)	(24,503)
Total	(54,292)	40,775	(32,242)	(45,759)	14,411	(28,731)	(60,079)
Housing Revenue Account:							
HRA Fund Balance	(6,333)	1,141	(10,313)	(15,505)	79	(6,917)	(22,343)

7. Other Operating Expenditure

Other operating expenditure is made up as follows:

	2013/2014 £000	2014/2015 £000
Community Council Precepts	627	643
Gwent Police Authority Precept	11,637	12,009
Levies	8,810	8,727
(Gains)/losses on the disposal of non-current assets	1,942	(1,317)
Total	23,016	20,062

Notes to the Core Financial Statements (continued)

<u>Levies</u>	2013/2014 £000	2014/2015 £000
South Wales Fire Authority	8,444	8,376
Gwent Coroners' Service	154	147
Glamorgan Archives' Service	83	75
Gwent Archives' Service	129	129
Total Levies	8,810	8,727

<u>Precepts</u>	2013/2014 £000	2014/2015 £000
Community Councils:		
Aber Valley Community Council	30	30
Argoed Community Council	9	10
Bargoed Town Council	58	58
Bedwas, Trethomas and Machen Community Council	61	62
Blackwood Community Council	43	49
Caerphilly Town Council	76	78
Darren Valley Community Council	12	12
Draethen, Waterloo and Rudry Community Council	10	10
Gelligaer Community Council	81	84
Llanbradach Community Council	27	27
Maesycwmmmer Community Council	15	17
Nelson Community Council	27	27
New Tredegar Community Council	17	17
Penyrheol, Trecenydd and Energlyn Community Council	55	56
Rhymney Community Council	35	35
Risca East Community Council	24	24
Risca West Community Council	27	27
Van Community Council	20	20
	627	643
Gwent Police Authority	11,637	12,009
Total Precepts upon the Authority	12,264	12,652

8. Financing and Investment Income and Expenditure

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

	2013/2014 £000	2014/2015 £000
Interest payable and similar charges	13,433	16,023
Pensions interest costs and expected return on pensions assets	13,767	12,016
Interest receivable and similar income	(344)	(747)
(Gains)/losses on direct labour/service organisations trading	(304)	(141)
(Gains)/losses on other trading accounts	(2,123)	247
Total	24,429	27,398

Notes to the Core Financial Statements (continued)

	2013/2014 (Surplus)/Deficit £000	Income £000	2014/2015 Expenditure £000	(Surplus)/ Deficit £000
Highway Maintenance	(307)	(8,138)	7,903	(235)
Building Cleaning	99	(3,289)	3,496	207
Vehicle Maintenance	(81)	(993)	938	(55)
Fleet Management	(15)	(4,186)	4,128	(58)
Total (surplus)/deficit on direct service/labour organisations trading	(304)	(16,606)	16,465	(141)

	2013/2014 (Surplus)/Deficit £000	Income £000	2014/2015 Expenditure £000	(Surplus)/ Deficit £000
Industrial Estates	(2,064)	(2,181)	2,385	204
Housing Agency	(59)	(465)	508	43
Total (surplus)/deficit on other trading accounts	(2,123)	(2,646)	2,893	247

9. Taxation and non-specific grant income

	2013/2014 £000	2014/2015 £000
Council tax income	(67,476)	(70,403)
Non domestic rates	(54,377)	(55,382)
Non-ringfenced government grants	(229,145)	(219,114)
Capital grants and contributions	(22,086)	(19,361)
Total income	(373,084)	(364,260)
Council tax reduction scheme	13,592	13,765
Total	(359,492)	(350,495)

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, £954.78 in 2014/2015 (£918.94 in 2013/2014) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2014/2015 was £70.625m (£67.607m in 2013/2014).

Caerphilly County Borough Council

Notes to the Core Financial Statements (continued)

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	8,486	18,050	14,455	8,279	7,109	3,036	1,124	180	117

<i>Analysis of the net proceeds from council tax:</i>	2013/2014	2014/2015
	£000	£000
Council tax collectable		
Caerphilly County Borough Council	(55,343)	(57,973)
Gwent Police Authority - see note 7	(11,637)	(12,009)
Community Councils - see note 7	(627)	(643)
Total amount due	(67,607)	(70,625)
Less: Bad Debt Provision	131	222
Net proceeds from council tax	(67,476)	(70,403)

National Non Domestic Rates (NNDR) Income

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate (47.3p in 2014/2015, 46.4p in 2013/2014) 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 2014/2015 was £55.382m in total (£54.377m in 2013/2014).

The anticipated NNDR proceeds of £36.1m for 2014/2015 (£34.9m in 2013/2014) was based on an average rateable value of £91.13m for the year (£90.77m for 2013/2014).

<i>Analysis of the net proceeds from Non-Domestic Rates:</i>	2013/2014	2014/2015
	£000	£000
Anticipated proceeds	(34,919)	(36,121)
Less: Discretionary relief	340	258
Cost of collection	260	267
Bad and doubtful debts	542	447
Contribution to NNDR Pool	(33,777)	(35,149)
Redistributed amount due from NNDR Pool	(54,377)	(55,382)
Amount received from NNDR Pool	(54,377)	(55,382)

Notes to the Core Financial Statements (continued)

Non ring-fenced government grants

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/2015:

	2013/2014	2014/2015
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(218,735)	(217,202)
Council Tax Reduction Scheme Grant	(1,232)	0
Outcome Agreement Grant	(1,870)	(1,912)
Private Finance Initiative Grant	(7,308)	0
Total	(229,145)	(219,114)

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:

	2013/2014	2014/2015
	£000	£000
Capital Grants Receipts in Advance		
Opening balance as at 1 April	(994)	(994)
Planning	0	(470)
Education	0	40
Private Housing	0	(379)
Closing balance as at 31 March	(994)	(1,803)

Notes to the Core Financial Statements (continued)

10. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Investments				
Loans and receivables	4	4	74,854	133,785
Total investments	4	4	74,854	133,785
Debtors				
Loans and receivables	494	418	41,887	40,963
Total debtors	494	418	41,887	40,963
Borrowings				
Financial liabilities at amortised cost	(185,290)	(215,936)	(4,940)	(10,268)
Total borrowings	(185,290)	(215,936)	(4,940)	(10,268)
Other long term liabilities				
PFI and finance lease liabilities	(40,176)	(38,023)	(2,210)	(2,416)
Deferred Liabilities	(895)	(1,055)	0	0
Total other long term liabilities	(41,071)	(39,078)	(2,210)	(2,416)
Creditors				
Financial liabilities carried at contract amount	0	0	(51,244)	(60,708)
Total creditors	0	0	(51,244)	(60,708)

Income, Expenses, Gains and Losses	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000	Loans and receivables £000	Total £000
2014/2015			
Interest expense	16,023	0	16,023
Total expense in Surplus or Deficit on Provision of Services	16,023	0	16,023
Interest income	0	(747)	(747)
Total income in Surplus or Deficit on Provision of Services	0	(747)	(747)
Net (gain)/loss for the year	16,023	(747)	15,276

Notes to the Core Financial Statements (continued)

<u>Income, Expenses, Gains and Losses</u>	<u>Financial Liabilities</u>	<u>Financial Assets</u>	
	Liabilities measured at amortised cost £000	Loans and receivables £000	Total £000
2013/2014			
Interest expense	13,433	0	13,433
Total expense in Surplus or Deficit on Provision of Services	13,433	0	13,433
Interest income	0	(248)	(248)
Interest income accrued on impaired financial assets	0	(96)	(96)
Total income in Surplus or Deficit on Provision of Services	0	(344)	(344)
Net (gain)/loss for the year	13,433	(344)	13,089

Fair Values of Assets and Liabilities

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, but since the Premature Repayment rates of interest must be used in any rescheduling exercise or, in the case of Housing stock transfers where Public Works Loan Board (PWL) debt relating to the HRA is repaid prematurely, Fair Value based on these rates of interest would appear to be the most appropriate. Therefore, for 2014/2015 the Fair Value for PWLB loan debt has been arrived at using the PWLB repayment rate at 31 March 2015.

The assumptions used to determine the fair values of assets and liabilities are as follows:

- The fair values for financial liabilities (PWL) debt and market debt) have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWL) debt have also been calculated using the same procedures and interest rates and this provides a suitable approximation for fair value for these instruments.
- Estimated ranges of discount rates for liabilities at 31 March 2015 were of 0.19% to 2.21% for loans from the PWLB and the Market, and applied with reference to the number of years outstanding to the maturity date. For assets, the carrying amount 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 0.35%. Accrued interest has been included to the nominal amount in order to determine the fair value.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Notes to the Core Financial Statements (continued)

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	(243,684)	(300,216)	(289,327)	(402,334)
Long term creditors	(41,071)	(41,071)	(39,078)	(39,078)
	(284,755)	(341,287)	(328,405)	(441,412)

Analysis of Liabilities by maturity	31 March 2014	31 March 2015
	£000	£000
	Maturing within 1 year	(58,394)
Maturing in 1 - 2 years	(15,400)	(13,410)
Maturing in 2 - 5 years	(18,097)	(22,776)
Maturing in 5 - 10 years	(23,552)	(27,807)
Maturing in 10 - 15 years	(28,324)	(32,180)
Maturing in 15 - 20 years	(4,988)	(15,788)
Maturing in 20 - 25 years	(12,471)	(24,509)
Maturing in 25 - 30 years	(14,965)	(19,966)
Maturing in 30 - 35 years	(23,945)	(13,968)
Maturing in 35 - 40 years	(15,878)	(41,864)
Maturing in 40 - 45 years	(48,318)	(22,332)
Maturing in 45 - 50 years	0	0
Maturing in over 50 years	(20,423)	(20,411)
	(284,755)	(328,405)

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 2015) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	117,716	117,716	176,433	176,433
Long term debtors	494	494	418	418
	118,210	118,210	176,851	176,851

As at 31 March 2015, assets included deposits valued at nominal amounts plus accrued interest. The Authority had no Assets and Liabilities measured at Fair Value through Profit and Loss at 31 March 2015.

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 "2014/15 Annual Treasury Management Strategy and Investment Strategy (including Prudential Indicators)" was approved by Council on 26 February 2014 and is available on the Authority website.

Credit risk

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

The strategy employed for 2014/2015 followed that of 2013/2014, which restricted the placing of funds to the Debt Management Account Facility (DMADF) with the Debt Management Office (DMO) (the UK Government) and other local authorities to coincide 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 F1, Long Term A- (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

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.

Notes to the Core Financial Statements (continued)

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.

	<u>31 March 2014</u>	<u>31 March 2015</u>			<u>Estimated maximum exposure to default £000</u>
	<u>Estimated maximum exposure to default £000</u>	<u>Amount at 31 March 2015 £000</u>	<u>Historical experience of default %</u>	<u>Historic experience adjusted for market conditions at 31 March 2015 %</u>	
Counterparties rated:	A	B	C	(A x C)	
AAA	0	0	0.00%	0.00%	0
AA+	22	133,785	0.02%	0.03%	40
A	1	0	0.07%	0.07%	0
BBB+	0	0	0.00%	0.00%	0
Non-investment grade	0	0	0.00%	0.00%	0
Debtors - past due but not impaired	22	3,008	0.81%	0.81%	24
Total	45	136,793			64

The Authority's deposits are placed either directly with the counterparty or indirectly with the counterparty via London money market brokers. At 31 March 2015, the Authority's long-term and short-term investments, and cash and cash equivalents were deposited with UK counterparties in accordance with the approved treasury management Annual 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:

	<u>31 March 2014 £000</u>	<u>31 March 2015 £000</u>
Three to six months	386	476
Six months to one year	402	627
More than one year	1,750	1,905
	2,538	3,008

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.

Notes to the Core Financial Statements (continued)

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 2014/2015):

Prudential Indicator Analysis						
Period	Minimum	Maximum	31 March 2014		31 March 2015	
			£000		£000	
<12 Months	0%	35%	3,402	2%	9,410	4%
1-2 Years	0%	40%	5,464	3%	3,576	2%
2-5 Years	0%	50%	6,694	4%	9,282	4%
5-10 Years	0%	75%	9,040	5%	14,171	6%
>10 Years	0%	95%	160,681	86%	184,814	84%
			185,281	100%	221,253	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.

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.

Notes to the Core Financial Statements (continued)

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 2015, 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 decision to place deposits only with the Debt Management Account Facility (DMADF) (part of the Debt Management Office and therefore the UK Government) and other local authorities resulted in low returns of interest receivable for 2014/2015. According to the investment strategy, if interest rates had been 1% higher at 31 March 2015, 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	184
Increase in fair value of fixed rate investment assets	105
Impact on Other Comprehensive Income and Expenditure	105
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)	37,069

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.

HRA Self Financing Subsidy Reform

On 31 March 2015, the Authority entered into a loan agreement with the PWLB to raise a single annuity loan of £75.996m. The loan proceeds will credit the Authority's bank account on 2 April 2015 and therefore for this reason the Authority has not recognised this loan as a long-term financial liability as at 31 March 2015. The loan proceeds will be used to repay HM Treasury on 2 April 2015 in order to exit the HRA Subsidy system.

Notes to the Core Financial Statements (continued)

11. 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 2014/2015, the Authority paid an employer's contribution of £21.823m, representing 20.8% of the pensionable pay of employees who are members of the scheme into the Greater Gwent (Torfaen) Pension Fund (£20.928m representing 20.8% in 2013/2014), 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 2014/2015 these amounted to £1.364m, representing 1.3% of pensionable pay (£1.275m representing 1.27% in 2013/2014).

Teachers' Pension Scheme

In 2014/2015, the Authority paid £7.978m to Capita Teachers' Pensions in respect of teachers' pensions, which represents 14.1% of teachers' pensionable pay (£7.963m and 14.1% for 2013/2014). In addition, the Authority is responsible for all pension payments relating to added years that have been awarded, together with the related increases. In 2014/2015, these amounted to £1.734m, representing approximately 3.06% of pensionable pay (£1.729m and 3.06% for 2013/2014).

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, Tonypany 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	
	2013/2014	2014/2015	2013/2014	2014/2015
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
<i>Service cost comprising:</i>				
• current service cost	22,002	19,988	0	0
• past service costs	3,177	154	20	0
• (gain)/loss from settlements/curtailments	40	54	0	179
• administration expenses	401	417	0	0
<i>Financing and Investment Income and Expenditure</i>				
• net interest expense	12,541	10,658	1,226	1,358
Total Post Employment Benefits charged to the Surplus or Deficit on Provision of Services	38,161	31,271	1,246	1,537
<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	(5,791)	(38,255)	0	0
• actuarial (gains) / losses arising on changes in demographic assumptions	19,832	0	1,478	0
• actuarial (gains) / losses arising on changes in financial assumptions	(71,685)	135,094	(1,779)	2,573
• actuarial (gains) / losses - experience	(21,138)	0	966	50
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(40,621)	128,110	1,911	4,160

Notes to the Core Financial Statements (continued)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/2014	2014/2015	2013/2014	2014/2015
	£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	(38,161)	(31,271)	(1,246)	(1,537)
<i>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:</i>				
• employers' contributions payable to the scheme	21,481	22,397	2,164	2,185

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 2015 is a loss of £160.563m (£61.101m to 31 March 2014).

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:

	2013/2014	2014/2015
	£000	£000
Present value of the defined benefit obligation:		
• Local Government Pension Scheme	(761,453)	(933,729)
• Former Authorities' Liability	(8,420)	(8,720)
• Teachers' Unfunded Discretionary Pension	(24,436)	(26,111)
Fair value of plan assets:		
• Local Government Pension Scheme	514,244	580,807
Net liability arising from defined benefit obligations	<u>(280,065)</u>	<u>(387,753)</u>

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 2016 is £20.860m.

Notes to the Core Financial Statements (continued)

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

	<u>2014/2015</u>			
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	Total £000
Opening balance at 1 April	758,329	8,420	24,436	791,185
Current service cost	19,988	0	0	19,988
Interest cost	33,744	340	1,018	35,102
Contributions by scheme participants	6,522	0	0	6,522
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	135,094	550	2,023	137,667
• Actuarial (gains) / losses - experience	0	50	0	50
Past service costs	154	0	0	154
Losses / (gains) on curtailment	54	0	179	233
Benefits paid	(23,458)	(640)	(1,545)	(25,643)
Closing balance at 31 March	930,427	8,720	26,111	965,258
Other pension liabilities from discontinued operations	3,302	0	0	3,302
Closing balance at 31 March	933,729	8,720	26,111	968,560

	<u>2013/2014</u>			
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	Total £000
Opening balance at 1 April	791,312	9,220	23,889	824,421
Current service cost	22,002	0	0	22,002
Interest cost	32,921	370	856	34,147
Contributions by scheme participants	6,297	0	0	6,297
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	19,832	100	1,378	21,310
• Actuarial (gains) / losses arising from changes in financial assumptions	(71,685)	(390)	(1,389)	(73,464)
• Actuarial (gains) / losses - experience	(21,138)	(260)	1,226	(20,172)
Past service costs	53	20	0	73
Losses / (gains) on curtailment	40	0	0	40
Benefits paid	(21,305)	(640)	(1,524)	(23,469)
Closing balance at 31 March	758,329	8,420	24,436	791,185
Other pension liabilities from discontinued operations	3,124	0	0	3,124
Closing balance at 31 March	761,453	8,420	24,436	794,309

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	
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	482,001	514,244	0	0	0	0
Interest Income	20,380	23,264	0	0	0	0
Remeasurement gain/(loss)						
• return on plan assets, excluding the amount included in net interest expense	5,791	38,255	0	0	0	0
• member contributions	6,297	6,522	0	0	0	0
Contributions from employer	21,481	22,397	640	640	1,524	1,545
Benefits paid	(21,305)	(23,458)	(640)	(640)	(1,524)	(1,545)
Administration expenses	(401)	(417)	0	0	0	0
Closing fair value of scheme assets	514,244	580,807	0	0	0	0

The actual return on scheme assets in the year was £61.519m (return of £38.247m in 2013/2014).

Local Government Pension Scheme assets comprised:

	Quoted Y/N	Fair value of scheme assets	
		31 March 2014 £000	31 March 2015 £000
Cash and cash equivalents:	N	4,628	3,194
Equity instruments:			
• UK Quoted	Y	167,388	112,677
Investment Funds:			
• UK Equities	N	27,255	95,833
• US Equities	N	42,682	54,596
• European Equities	N	71,223	74,924
• Global Equities	N	44,739	52,273
• Japanese Equities	N	14,913	17,424
• Far East Equities	N	24,169	30,202
• Emerging Market Equities	N	10,285	14,520
• Government Bonds	N	37,540	44,722
• Corporate Bonds	N	38,568	45,303
Property:			
• UK Property Funds	N	13,370	15,682
Alternatives:			
• Global	N	14,913	16,843
• UK	N	2,571	2,614
Total assets		514,244	580,807

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. In previous years the actuaries based the discount rate on the yield on the iBoxx Sterling AA corporate bond over 15 years index. For the year ended 31 March 2015, 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 2014 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	
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
<u>Long-term expected rate of return on scheme assets:</u>						
Equity investments	7.0%	6.5%	n/a	n/a	7.0%	6.5%
Government Bonds	3.4%	2.2%	n/a	n/a	3.4%	2.2%
Other Bonds	4.3%	2.9%	n/a	n/a	4.3%	2.9%
Property	6.2%	5.9%	n/a	n/a	6.2%	5.9%
Cash/Liquidity	0.5%	0.5%	n/a	n/a	0.5%	0.5%
Other	n/a	n/a	n/a	n/a	n/a	n/a
<u>Mortality assumptions:</u>						
Longevity at 65 for current pensioners:						
- Men	23.0	23.0	22.9	23.0	23.0	23.0
- Women	25.4	25.5	25.8	25.9	25.4	25.5
Longevity at 65 for future pensioners:						
- Men	25.2	25.3	n/a	n/a	n/a	n/a
- Women	27.8	27.9	n/a	n/a	n/a	n/a
Rate of inflation	2.4%	2.0%	2.2%	1.8%	2.4%	2.0%
Rate of increase in salaries	3.9%	3.5%	n/a	n/a	3.9%	3.5%
Rate of increase in pensions	2.4%	2.0%	2.2%	1.8%	2.4%	2.0%
Rate for discounting scheme liabilities	4.5%	3.3%	4.2%	3.1%	4.3%	3.1%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a	n/a	n/a

Notes to the Core Financial Statements (continued)

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.

<i>Impact on the Defined Benefit Obligation in the Greater Gwent (Torfaen) Pension Scheme</i>	Increase in obligation	Decrease in obligation
	£000	£000
Longevity (increase in 1 year)	17,400	0
Rate of inflation (increase by 0.1%)	18,198	0
Rate of increase in salaries (increase by 0.1%)	5,203	0
Rate for discounting scheme liabilities (increase by 0.1%)	0	17,849

12. 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 22.

Notes to the Core Financial Statements (continued)

	31 March 2014			31 March 2015		
	Road £000	Schools £000	Total £000	Road £000	Schools £000	Total £000
Gross PFI Liabilities are due:						
- not later than 1 year	3,439	1,886	5,325	3,527	1,955	5,482
- later than 1 year, not later than 5 years	12,710	6,312	19,022	11,691	6,262	17,953
- later than 5 years	27,067	24,343	51,410	24,559	22,437	46,996
Total Gross Liabilities	43,216	32,541	75,757	39,777	30,654	70,431
Net PFI Liabilities are due:						
- not later than 1 year	1,425	624	2,049	1,614	744	2,358
- later than 1 year, not later than 5 years	5,884	1,685	7,569	5,289	1,777	7,066
- later than 5 years	17,329	15,206	32,535	16,147	14,446	30,593
Total Net Liabilities	24,638	17,515	42,153	23,050	16,967	40,017
Finance charges allocated to future periods	(18,578)	(15,026)	(33,604)	(16,727)	(13,687)	(30,414)
Reconciliation between Net Book Values of PFI Assets held under PFI schemes:						
Net Liability (as above)	24,638	17,515	42,153	23,050	16,967	40,017
Revaluations and impairments	0	15,205	15,205	0	21,980	21,980
Repayments/ Amortisation of capital sum	12,127	3,688	15,815	13,714	4,235	17,949
Accumulated Depreciation	(7,351)	(5,918)	(13,269)	(8,270)	(5,918)	(14,188)
Net Book value of PFI Assets	29,414	30,490	59,904	28,494	37,264	65,758

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 43).

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

	2013/2014 £000	2014/2015 £000
Balance brought forward	(12,724)	(12,953)
Amounts (set aside) / taken in year:		
Schools	(124)	28
Road	(105)	47
	(12,953)	(12,878)

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 2015/2016	1,588	1,614	1,913	5,115
Payable within 2 to 5 years	7,928	5,289	6,401	19,618
Payable within 6 to 10 years	9,893	6,961	5,562	22,416
Payable within 11 to 15 years	10,822	7,252	2,592	20,666
Payable within 16 to 20 years	7,785	1,934	259	9,978
	38,016	23,050	16,727	77,793

School	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2015/2016	2,197	744	1,211	4,152
Payable within 2 to 5 years	11,229	1,777	4,485	17,491
Payable within 6 to 10 years	15,365	4,065	4,592	24,022
Payable within 11 to 15 years	17,518	6,319	2,879	26,716
Payable within 16 to 20 years	9,384	4,062	520	13,966
	55,693	16,967	13,687	86,347

13. Operating Leases

Authority as Lessee

The Authority uses computer equipment, vehicles and plant and general office equipment financed under the terms of various operating leases. Operating lease rentals in respect of the above, paid to lessors in 2014/2015 totalled £82,066 (£82,066 in 2013/2014) and were charged to the relevant service area in the Comprehensive Income and Expenditure Statement. These leases expired in the 2014/2015 financial year, so no further amounts were due to lessors.

The Authority also 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 £1,367,386 in 2014/2015, (£1,069,785 in 2013/2014) and were charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements (continued)

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

	<u>2013/2014</u>	<u>2014/2015</u>		
	Total £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	989	1,023	0	1,023
Later than one year and not later than five years	2,665	3,404	0	3,404
Later than five years	8,616	13,237	0	13,237
	<u>12,270</u>	<u>17,664</u>	<u>0</u>	<u>17,664</u>

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. Such arrangements have been accounted for as operating leases for which the assets have a gross value of £41,720,060 as at 31 March 2015 and have been subject to accumulated depreciation of £1,399,411. (Gross value at 31 March 2014 £31,706,768 with accumulated depreciation of £1,428,465).

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. The gross book values of the assets concerned amount to £17,868,517 and are subject to accumulated depreciation of £421,258 (Gross book value of £14,865,875 at 31 March 2014 with accumulated depreciation of £172,170).

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

	<u>2013/2014</u>	<u>2014/2015</u>		
	Total £000	Industrial Units £000	Other Land & Buildings £000	Total £000
Not later than one year	622	382	212	594
Later than one year and not later than five years	1,116	506	432	938
Later than five years	438	19	443	462
	<u>2,176</u>	<u>907</u>	<u>1,087</u>	<u>1,994</u>

Notes to the Core Financial Statements (continued)

14. Finance Leases

Authority as a Lessee

The Authority acquired computer and other equipment under finance leases. The rentals payable under the arrangements in 2014/2015 were £183,770 (£276,642 in 2013/2014), being finance costs of £23,217 (debited to interest payable) and £160,553 writing down obligations to lessors.

The following values of assets are held under finance leases by the Authority, which are accounted for as part of Property, Plant and Equipment at the following net amounts:

	31 March 2014 £000	31 March 2015 £000
Vehicles, Plant, Furniture & Equipment	233	72
	233	72

The Authority is committed to making payments under these finance leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years whilst the liability remains outstanding. The minimum lease payments comprise:

	31 March 2014 £000	31 March 2015 £000
Finance lease liabilities (net present value of minimum lease payments)		
• Current	184	52
• Non- current	86	34
Finance costs payable in future years	(37)	(14)
Minimum lease payments	233	72

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2013/2014 £000	2014/2015 £000	2013/2014 £000	2014/2015 £000
Not later than one year	184	52	161	45
Later than one year and not later than five years	86	34	72	27
Later than five years	0	0	0	0
	270	86	233	72

Notes to the Core Financial Statements (continued)

The Authority has entered into a 35 year lease of a building for use in its social services provision. The land element of the lease has been accounted for as an operating lease and has been disclosed in Note 13 above, whilst the buildings element of the lease has been accounted for as a finance lease. The rentals payable under the arrangement in 2014/2015 were £58,519 (£58,519 in 2013/2014), being finance costs of £45,662 (debited to interest payable) and £12,857 writing down obligations to the lessor.

Future commitments for the finance lease

The following analysis shows the payments the Authority is committed to making under the finance lease obligations, together with a reconciliation between the net liability and the net book value of the asset:

	31 March 2014	31 March 2015
	Total	Total
	£000	£000
Gross Finance lease Liabilities are due:		
- not later than 1 year	59	59
- later than 1 year, not later than 5 years	234	234
- later than 5 years	1,364	1,305
Total Gross Liabilities	1,657	1,598
Net Finance lease Liabilities are due:		
- not later than 1 year	13	13
- later than 1 year, not later than 5 years	51	51
- later than 5 years	300	287
Total Net Liabilities	364	351
Finance charges allocated to future periods	(1,293)	(1,247)
Reconciliation between Net Book Values of assets held under finance leases:		
Net Liability (as above)	364	351
Revaluations and impairments	58	58
Repayments/ Amortisation of capital sum	86	99
Accumulated Depreciation	(86)	(97)
Net Book Value of leased assets	422	411

The Authority does not have any sub-leases nor any finance leases that include rentals contingent on events taking place after the lease was entered into, such as secondary rentals.

15. Members' Allowances

The total value of Members' Allowances payments in 2014/2015 was £1,211,214 (£1,217,042 in 2013/2014). 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)

16. 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 2015 were:

Remuneration Band	Number of employees		Total	Left in year
	School based	Non-School based		
£60,000 - £64,999	21	3	24	0
£65,000 - £69,999	4	1	5	0
£70,000 - £74,999	5	0	5	1
£75,000 - £79,999	5	2	7	0
£80,000 - £84,999	3	12	15	0
£85,000 - £89,999	1	3	4	0
£90,000 - £94,999	2	0	2	0
	41	21	62	1

The leaver in the year was school-based.

Remuneration Band	Number of employees		Total	Left in year
	School based	Non-School based		
£60,000 - £64,999	23	6	29	0
£65,000 - £69,999	7	0	7	0
£70,000 - £74,999	10	2	12	0
£75,000 - £79,999	6	2	8	0
£80,000 - £84,999	2	9	11	0
£85,000 - £89,999	1	0	1	0
£90,000 - £94,999	1	1	2	0
£95,000 - £99,999	1	0	1	0
	51	20	71	0

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

The Authority terminated the contracts of a number of employees in 2014/2015, incurring liabilities of £820,380 (£180,330 in 2013/2014). Of this total, £176,565 was paid to employees from Social Services, Leisure, Schools and Engineering for enhanced pension benefits as disclosed below (£125,822 was paid to employees from Housing, Corporate Finance and Schools in 2013/2014). £643,815 was payable to employees from Education, Social Services, Schools, Planning & Regeneration, Community Education, Leisure and Corporate Services who were made redundant as part of the Authority's rationalisation of these services and the end of fixed term contracts (£54,508 was paid to employees from Education, Social Services, Schools, Planning & Regeneration, Community Education and Leisure in 2013/2014).

Notes to the Core Financial Statements (continued)

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

(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 £	
	2013 / 2014	2014 / 2015	2013 / 2014	2014 / 2015	2013 / 2014	2014 / 2015	2013 / 2014	2014 / 2015
£0 - £20,000	4	10	18	42	22	52	104,691	401,915
£20,001 - £40,000	0	0	0	14	0	14	33,598	418,465
£40,001 - £60,000	0	0	1	0	1	0	42,041	0
Total	4	10	19	56	23	66	180,330	820,380

Other Departures include:

Redundancy payments at the end of Fixed Term Contracts
 Cases passed by Pensions Committee
 Early retirement by mutual consent
 Voluntary redundancy

	2013 / 2014	2014 / 2015
Redundancy payments at the end of Fixed Term Contracts	14	23
Cases passed by Pensions Committee	5	7
Early retirement by mutual consent	0	3
Voluntary redundancy	0	23
Total	19	56

Caerphilly County Borough Council

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.

2014/2015			Total Remuneration excluding Employer's Pension Contributions	Employer's Pension Contributions at 20.8%	Total Remuneration including Employer's Pension Contributions
Post	Salary £	Expenses £	£	£	£
Chief Executive *d	137,000	0	137,000	28,496	165,496
Acting Chief Executive *e	133,340	0	133,340	26,418	159,758
Interim Chief Executive *a	43,193	0	43,193	0	43,193
Interim Chief Executive *b	83,139	0	83,139	17,293	100,432
Director of Social Services	112,210	1,347	113,557	22,386	135,943
Acting Deputy Chief Executive & Director of Education	123,662	0	123,662	25,722	149,384
Acting Director of Corporate Services & S151 Officer *c	112,210	0	112,210	22,114	134,324
	744,754	1,347	746,101	142,429	888,530

*a The Interim Chief Executive left on 29 August 2014. The full annualised salary of the post was £92,151.

*b The Interim Chief Executive who left on 29 August 2014 was replaced by a new Interim Chief Executive on 1 September 2014. The full annualised salary of the post was £142,524.

*c In addition to those payments listed above, the Acting Director of Corporate Services received Returning Officer expenses during the year to 31 March 2015 of £400 in respect of European Parliamentary elections. These expenses were paid by Central Government.

*d 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. The total remuneration payment of £165,876 has been made by the Authority whilst the Chief Executive has been suspended.

*e 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 afore-mentioned police investigation. Remuneration costs of £114,583 (inclusive of employer's pension contributions) in the above table have been incurred by the Authority whilst the Acting Chief Executive has been suspended.

Notes to the Core Financial Statements (continued)

2013/2014			Total Remuneration excluding Employer's Pension Contributions £	Employer's Pension Contributions at 20.8% £	Total Remuneration including Employer's Pension Contributions £
Post	Salary £	Expenses £			
Chief Executive *a	137,000	380	137,380	28,496	165,876
Acting Chief Executive *b,c	127,850	0	127,850	26,418	154,268
Interim Chief Executive *d	63,664	0	63,664	0	63,664
Director of Social Services	104,491	1,151	105,642	21,559	127,201
Acting Deputy Chief Executive & Director of Education *e	119,246	160	119,406	24,803	144,209
Acting Director of Corporate Services & S151 Officer *f	104,470	0	104,470	21,570	126,040
	656,721	1,691	658,412	122,846	781,258

**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. The total remuneration payment of £165,876 has been made by the Authority whilst the Chief Executive has been suspended.*

**b The Acting Chief Executive received Returning Officer expenses during the year to 31 March 2014 of £291.50 in respect of a by-election. This has been excluded from the above figures as it was paid by the Welsh Government.*

**c 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 afore-mentioned police investigation. Remuneration costs of £114,583 (inclusive of employer's pension contributions) in the above table have been incurred by the Authority whilst the Acting Chief Executive has been suspended.*

**d The Interim Chief Executive was appointed on 24 July 2013 on a part-time basis of 3.5 days per week.*

**e In March 2013, The Director of Education also took on the role of Acting Deputy Chief Executive with responsibilities for the Environment Directorate.*

**f In March 2013, the Section 151 Officer also took on the role of Acting Director of Corporate Services.*

The annualised remuneration of the highest paid officer of the Authority (the Interim Chief Executive) in the financial year to 31 March 2015 was £142,524. This was 7.2 times the median remuneration of the workforce, which was £19,742. (The remuneration of the highest paid officer of the Authority (the Chief Executive) in the financial year to 31 March 2014 was £137,000. This was 7 times the median remuneration of the workforce, which was £19,571).

Notes to the Core Financial Statements (continued)

17. External Audit Costs

In 2014/2015 Caerphilly County Borough Council incurred the following fees relating to external audit and inspection.

	2013/2014 £000	2014/2015 £000
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	283	306
Fees payable to the Wales Audit Office in respect of statutory inspection	145	131
Fees payable to the Wales Audit Office for the certification of grant claims and returns	135	107
Fees payable to the Wales Audit Office in respect of the National Fraud Initiative	0	3
Refund in relation to 2013/2014 fees payable to the Wales Audit Office	0	(74)
Fees payable to the Wales Audit Office in respect of other services	153	4
	716	477

The fees for external audit services included additional audit fees for increased audit work in relation to the 2013/2014 Statement of Accounts.

18. 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.

<u>Lead Commissioning Arrangements</u>	2013/2014		2014/2015		
	Authority's Contribution £000	Total Funding £000	Other (ABHB) Contribution £000	Other LAs/WG Contribution £000	Authority's Contribution £000
Scheme					
Cancercareline	19	25	12	0	13
Age Concern	47	118	71	0	47
Care and Repair	12	33	21	0	12
Gwent Frailty	1,955	12,603	6,913	3,768	1,922
	2,033	12,779	7,017	3,768	1,994

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 49 – Jointly Controlled Operations.

Notes to the Core Financial Statements (continued)

19. 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 regarding grant income received and due can be found in notes 26 and 28, whilst details of revenue support grant received and NNDR Pool transactions are summarised in Note 9.

Precepts and Levies

Note 7 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 2014/2015 is shown in Note 15. 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 16. 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 18.

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 57 to 63.

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.

Caerphilly County Borough Council

Notes to the Core Financial Statements (continued)

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

	In-year transactions		Balances outstanding at 31 March	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed to Authority (debtor) £000	Owed by Authority (creditor) £000
2014/2015				
Related Party:				
Groundwork Trust Caerphilly	454	1	nil	17
Aneurin Bevan Health Board	7,035	7,294	3,315	5,484
<i>Included in above:</i>				
Section 28a Grant	n/a	2,674	nil	nil
NNDR	n/a	755	nil	nil
Education Achievement Service	2,062	461	nil	171

	In-year transactions		Balances outstanding at 31 March	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed to Authority (debtor) £000	Owed by Authority (creditor) £000
2013/2014				
Related Party:				
Groundwork Trust Caerphilly	527	2	nil	16
Aneurin Bevan Health Board	5,538	8,103	716	1,064
<i>Included in above:</i>				
Section 28a Grant	n/a	2,674	nil	nil
NNDR	n/a	670	nil	nil
Education Achievement Service	1,825	447	39	373

20. 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 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 4% of the non-housing Capital Financing Requirement (CFR) balance at the commencement of the financial year and 2% for the HRA CFR balance. In doing so, MRP on any particular borrowing commences to be charged the year following that in which the borrowing has been incurred.

Notes to the Core Financial Statements (continued)

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 the basis of equal instalments over the life of the asset for which the borrowing has been undertaken. In these circumstances, the MRP commences to be charged from the year following that in which the asset to which the borrowing relates becomes operational.

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.

21. Movements on Reserves

Movements in the Authority's Usable Reserves are detailed below, in the Movement in Reserves Statement and also in Notes 37 - 43, whilst details of the movements in Unusable Reserves are shown below and in Notes 32 - 36. 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.

<u>Usable Reserves</u>	Balance	Net	Balance	Net	Balance
<u>Reserve</u>	1 April	Movement	31 March	Movement	31 March
	2013	in year	2014	in year	2015
	£000	£000	£000	£000	£000
Council Fund	(14,272)	(1,862)	(16,134)	1,519	(14,615)
Housing Revenue Account (note 8 HRA)	(6,333)	(9,172)	(15,505)	(6,838)	(22,343)
Direct Service Earmarked Reserves (note 37)	(342)	325	(17)	(71)	(88)
Capital Earmarked Reserves (note 38)	(18,244)	10,043	(8,201)	(7,761)	(15,962)
Service Over/Underspend Reserves (note 39)	(5,449)	(1,244)	(6,693)	(3,125)	(9,818)
Schools Earmarked Reserves (note 41)	(4,731)	1,985	(2,746)	(312)	(3,058)
Insurance Earmarked Reserves (note 40)	(3,738)	(1,620)	(5,358)	(1,292)	(6,650)
Other Earmarked Reserves (note 43)	(21,788)	(956)	(22,744)	(1,759)	(24,503)
Usable Capital Receipts	(9,615)	(242)	(9,857)	(736)	(10,593)
Capital Grants Unapplied	(11,327)	1,418	(9,909)	78	(9,831)
Total Usable Reserves	(95,839)	(1,325)	(97,164)	(20,297)	(117,461)

Caerphilly County Borough Council

Notes to the Core Financial Statements (continued)

Unusable Reserves

Reserve	Balance 1 April 2013 £000	Net Movement in year £000	Balance 31 March 2014 £000	Net Movement in year £000	Balance 31 March 2015 £000	Purpose of Reserve	Further details of movements
Financial Instruments Adjustment Account	(1,436)	274	(1,162)	274	(888)	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	Note 32
Revaluation Reserve	(252,973)	(39,099)	(292,072)	(97,933)	(390,005)	Gains on revaluation of fixed assets not yet realised through sales.	Note 33
Capital Adjustment Account (CAA)	(469,014)	12,598	(456,416)	667	(455,749)	Capital resources set aside to meet past capital expenditure	Note 34
Deferred Capital Receipts	(33)	7	(26)	9	(17)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	
Pensions Reserve	342,420	(62,355)	280,065	107,688	387,753	Reserve set aside to mitigate the impact of pension liabilities on Council Tax as required by statute	Note 35
Accumulated Absences Account	2,360	1,495	3,855	(640)	3,215	Account to absorb differences arising on the Council Fund balance from accruing for compensated absences earned but not taken in the year.	Note 36
Total Unusable Reserves	(378,676)	(87,080)	(465,756)	10,065	(455,691)		

Notes to the Core Financial Statements (continued)

22. Property, Plant and Equipment

	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 2014	190,101	582,256	39,292	292,705	2,089	16,510	5,010	1,127,963	73,173
Additions	15,311	15,565	1,829	6,395	0	0	0	39,100	0
Revaluation Increases/(decreases) to Revaluation Reserve	(2,895)	106,387	0	0	3	0	0	103,495	6,775
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	0	6,951	0	0	0	(465)	0	6,486	0
Derecognitions - Disposals	(72)	(247)	0	0	0	0	0	(319)	0
Other movements in cost or valuations	(21,444)	(18,081)	(141)	(90)	(18)	39	(4,849)	(44,584)	0
At 31 March 2015	181,001	692,831	40,980	299,010	2,074	16,084	161	1,232,141	79,948
Accumulated Depreciation and impairment:									
At 1 April 2014	(1)	(11,288)	(26,621)	(78,957)	(13)	(1)	0	(116,881)	(12,562)
Depreciation Charge	(6,133)	(14,788)	(1,284)	(7,767)	(28)	(47)	0	(30,047)	(1,628)
Impairment losses/reversals to Revaluation Reserve	6,134	17,869	0	0	1	5	0	24,009	0
At 31 March 2015	0	(8,207)	(27,905)	(86,724)	(40)	(43)	0	(122,919)	(14,190)
Net Book Value at 31 March 2015	181,001	684,624	13,075	212,286	2,034	16,041	161	1,109,222	65,758

Caerphilly County Borough Council

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 2013	164,315	614,948	37,579	290,351	2,354	18,727	3,528	1,131,802	69,995
Additions	14,650	20,180	3,087	4,345	0	0	4,077	46,339	0
Revaluation Increases/(decreases) to Revaluation Reserve	34,019	3,747	0	0	0	(762)	0	37,004	4,325
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	840	7,914	0	0	0	0	0	8,754	(1,147)
Derecognitions - Disposals	(150)	(3,540)	0	(420)	0	(15)	0	(4,125)	0
Impairments	0	(22,735)	(1,253)	0	(265)	(1,440)	0	(25,693)	0
Other movements in cost or valuations	(23,573)	(38,258)	(121)	(1,571)	0	0	(2,595)	(66,118)	0
At 31 March 2014	190,101	582,256	39,292	292,705	2,089	16,510	5,010	1,127,963	73,173
Accumulated Depreciation and impairment:									
At 1 April 2013	(3,916)	(33,992)	(25,783)	(71,135)	(13)	(1)	0	(134,840)	(12,306)
Depreciation Charge	(5,013)	(17,911)	(959)	(9,434)	0	0	0	(33,317)	(256)
Depreciation written out to Surplus/Deficit on the Provision of Services	5	264	0	41	0	0	0	310	0
Other movements in Depreciation	8,924	40,352	121	1,571	0	0	0	50,968	0
At 31 March 2014	0	(11,287)	(26,621)	(78,957)	(13)	(1)	0	(116,879)	(12,562)
Net Book Value at 31 March 2014	190,101	570,969	12,671	213,748	2,076	16,509	5,010	1,011,084	60,611
Net Book Value at 31 March 2013	160,399	580,956	11,796	219,216	2,341	18,726	3,528	996,962	57,689

Notes to the Core Financial Statements (continued)

Assets under Construction

Assets under construction is analysed as follows:	31 March 2014	31 March 2015
Ystrad Mynach Sports Facility	£4.848m	-
Bargoed Cinema Development	£0.162m	£0.162m
	£5.010m	£0.162m

Assets due for closure

As at 31 March 2015, the Authority had taken the decision to close the following assets, which have a combined net book value of £700,529:

- Infoquest Youth Centre Pontllanfraith
- Pentrebane Street Day Centre
- Caerphilly Day Centre

Capital Commitments

At 31 March 2015, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/2015 and subsequent years budgeted to cost £6.054m. Similar commitments at 31 March 2014 were £13.919m. The major commitments are:

		31 March 2014	31 March 2015
		£000	£000
Highways and Transportation:	LGBI Highways Improvements	2,800	0
	Bargoed By Pass	200	227
	Ystrad Fawr Highway Improvements	500	0
	Historical Schemes	450	484
	Bridge Strengthening	310	100
	Land Drainage	200	145
	Monmouth & Brecon Canal	120	0
	Retaining Culverts	365	0
	Infrastructure Retaining Walls	0	383
	Major Highways Improvements	0	559
Education:	St James Primary School	273	130
	Cwm Ifor Primary School	323	131
	St Illans Comprehensive School	104	1,233
	Blackwood Youth Club	131	0
	Greenhill Primary School	100	100
	New Oakdale School	0	171
	Flying Start Schemes	0	297
	Asset Management	0	114
Property:	Ystrad Mynach Sports Facility	2,032	0
Economic Regeneration:	Llancaiach Fawr	0	122
Private Housing:	Home Improvement Loans	0	379
Public Protection:	Coed Top Landfill	0	150
Urban Renewal:	Newbridge Regeneration	2,330	617
	Bargoed Regeneration	1,431	712
	Bargoed Cinema	2,000	0
	Park Lane Demolition	250	0
		13,919	6,054

Notes to the Core Financial Statements (continued)

Revaluations

The Authority carries out a revaluation exercise at least every five years of all Property, Plant and Equipment required to be measured at fair value. Property, Plant and Equipment is also reviewed on an annual basis to ensure that the carrying amount is not materially different from the fair 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 fair value as these assets tend to be of low value and have a short asset life.

23. 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 2013	8,589	217	8,806
Additions	0	0	0
Disposals	0	0	0
Revaluations	477	0	477
Impairment (losses)/reversals recognised in the Revaluation Reserve	(24)	0	(24)
31 March 2014	9,042	217	9,259
Cost or Valuation			
1 April 2014	9,042	217	9,259
Opening balance adjustment / reclassification	56	0	56
Additions	0	0	0
Disposals	0	0	0
Revaluations	664	0	664
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0
31 March 2015	9,762	217	9,979

Notes to the Core Financial Statements (continued)

Heritage Assets: Five year summary of transactions

	2010/2011 £000	2011/2012 £000	2012/2013 £000	2013/2014 £000	2014/2015 £000
Initial Recognition / cost of acquisition of Heritage Assets:					
Land and Buildings	9,496	0	1	0	0
Civic Regalia	67	0	0	0	0
Total Cost of Assets	9,563	0	1	0	0
Revaluation of Heritage Assets:					
Land and Buildings	117	446	124	477	664
Civic Regalia	0	150	0	0	0
Total Revaluations	117	596	124	477	664
Other Movements:					
Reclassification	0	0	0	0	56
Disposals of Heritage Assets:					
Carrying Value	0	(180)	0	0	0
Proceeds	0	0	0	0	0
Impairment recognised in year:	0	(1,416)	1	(24)	0

The Authority has not received any donations of heritage assets in the five years shown above.

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 is 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 19th Century Welsh Language poet, Islwyn. The asset was valued at 31 March 2015 using the existing use value. The internal valuers carried out this valuation.

Notes to the Core Financial Statements (continued)

Elliot Colliery Winding House

This asset is an historical mining museum. It was valued at 31 March 2015 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 2015 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 17th 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.

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 2012 at £216,550 and it was also confirmed that this valuation holds true for the year ended 31 March 2015.

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.

Notes to the Core Financial Statements (continued)

24. 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	
	2014	2015
	£000	£000
Opening Capital Financing Requirement	284,167	272,241
Capital Investment:		
Operational Assets	46,338	39,100
Invest to Save	5	697
Intangible Assets	554	304
Revenue Expenditure funded from Capital Under Statute	6,262	3,749
Sources of Finance:		
Grants and Other Contributions	(25,456)	(20,000)
Capital Expenditure Funded from Revenue	(28,140)	(10,981)
Capital Receipts Set Aside	(631)	(884)
Minimum Revenue Provision	(10,858)	(10,741)
Closing Capital Financing Requirement	272,241	273,485

25. Long Term Debtors

	31 March	31 March
	2014	2015
	£000	£000
Car Loans	123	25
Housing - Right to Buy	10	2
Housing Advances	29	22
Transferred Debt - Former Authorities	147	147
Other	185	222
	494	418

Notes to the Core Financial Statements (continued)

26. Debtors

	31 March 2014			31 March 2015		
	Gross £000	Provision £000	Net £000	Gross £000	Provision £000	Net £000
Debtors						
Central Government Bodies	15,138	0	15,138	11,177	0	11,177
Other Local Authorities/public bodies	11,652	0	11,652	13,792	0	13,792
NHS Bodies	51	0	51	3,348	0	3,348
Other Entities and Individuals	20,625	(5,579)	15,046	18,892	(6,246)	12,646
	47,466	(5,579)	41,887	47,209	(6,246)	40,963
Debtors can be further analysed as follows:						
	31 March 2014			31 March 2015		
	Gross £000	Provision £000	Net £000	Gross £000	Provision £000	Net £000
Trade Customers:						
Council tenants	1,707	(1,049)	658	1,975	(1,177)	798
Other trade debtors	5,654	(922)	4,732	2,905	(1,768)	1,137
Sundry debtors	6,928	(858)	6,070	6,520	(557)	5,963
Tax Payers - Council Tax	3,665	(1,231)	2,434	3,580	(1,237)	2,343
Housing Benefit Sundry Debtors	1,828	(1,519)	309	1,929	(1,507)	422
Receivables from Related Parties:						
Grants	11,063	0	11,063	6,741	0	6,741
Other Local Authorities	1,660	0	1,660	2,198	0	2,198
Other Public Bodies	9,992	0	9,992	14,942	0	14,942
Prepayments:	716	0	716	1,417	0	1,417
Other Amounts:						
HM Revenue & Customs - Tax	103	0	103	104	0	104
HM Revenue & Customs - VAT	4,022	0	4,022	4,332	0	4,332
Car Loans	73	0	73	122	0	122
Housing Advances	39	0	39	27	0	27
Housing Right to Buy	16	0	16	15	0	15
Investments	0	0	0	402	0	402
	47,466	(5,579)	41,887	47,209	(6,246)	40,963

On the 9 September 2015 the Council received a dividend of £402k from the Administrator of Heritable Bank. As the dividend is in relation to an historical matter relating to investments held with failed Icelandic banks, the Authority has recorded the dividend as a balance sheet debtor as at 31 March 2015. The dividend equates to approximately 4% of the outstanding claim, bringing the total recovery to date to 98%. It is not known whether further dividends will be recovered and therefore it is assumed that no future dividends will be paid out.

Prior year figures for Central Government Bodies have been adjusted downwards by £9.992m as this amount has been reclassified into Other Local Authorities/Public Bodies.

Notes to the Core Financial Statements (continued)

Central Government Bodies include Government Grants Debtors, which comprise:	31 March 2014 £000	31 March 2015 £000
Education Support Grants	492	445
Foundation Phase Grant	6,164	65
School Effectiveness Grant	1,302	1,316
14-19 Grant	847	409
Basic Skills Grant	64	56
School Milk Subsidy	136	127
Countryside Grants	322	127
Concessionary Fares Grant	936	743
Domestic Violence Grant	14	0
Community Safety / Crime Reduction	21	2
European Regional Development Fund	75	24
European Social Fund	450	768
Sports and Leisure Grants	100	0
Environmental Grants	140	286
Pupil Derivation Grant	0	1,211
Schools Challenge Cymru	0	398
Welsh In Education	0	157
NNDR Exemptions & Relief Grant	0	287
Safeguarding Children Grant	0	113
Transport Grants	0	177
Road Safety Grant	0	30
	<u>11,063</u>	<u>6,741</u>

27. Cash and Cash Equivalents

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

	31 March 2014 £000	31 March 2015 £000
Cash in hand	680	756
Cash at Bank	291	925
Total cash and cash equivalents	<u>971</u>	<u>1,681</u>

Notes to the Core Financial Statements (continued)

28. Creditors

	31 March 2014 £000	31 March 2015 £000
Creditors		
Central Government Bodies	(4,388)	(4,667)
Other Local Authorities	(5,862)	(10,050)
Bodies External to Central Government	(3,848)	(4,079)
NHS Bodies	(27)	(5,484)
Other Entities and Individuals	(39,329)	(38,844)
Total Creditors excluding loans	(53,454)	(63,124)
Loans repayable within one year	(4,930)	(10,258)
Local bonds repayable within one year	(10)	(10)
Total Creditors	(58,394)	(73,392)

	31 March 2014 £000	31 March 2015 £000
Central Government Bodies include Government Grant Creditors comprising:		
Housing Subsidies	(77)	(188)
Basic Skills Agency	(11)	(11)
Flying Start	0	(9)
DCELLS	0	(9)
Autistic Spectrum Disorder	(60)	(60)
Families First Grant	(3)	(8)
School Effectiveness Grant	(25)	0
School Meals Subsidy	(27)	(27)
RAISE Grant	(71)	(71)
Foundation Phase Grant	(6)	0
Learning and Play Grant	(15)	(15)
Post 16 year olds	(9)	0
Family Learning Grant	(63)	(67)
European Social Fund	(33)	(214)
Specialist Equipment for Learners Grant	(10)	(10)
Flood Risk Alleviation Grant	(178)	(76)
Waste Management Grants	0	(200)
	(588)	(965)

Notes to the Core Financial Statements (continued)

29. Movements in Provisions

<u>Short Term Provisions</u>	Social				Total £000
	Social Services Provision £000	Corporate Provision £000	HRA Provision £000	Insurance Provision £000	
	Balance at 1 April 2014	(524)	(1,214)	(550)	
Additional provisions made in 2014/2015	(11)	(1,001)	0	(438)	(1,450)
Amounts used in 2014/2015	73	272	550	1,212	2,107
Unused amounts reversed in 2014/2015	82	823	0	290	1,195
Transfer to/from short term provisions in 2014/2015	0	(524)	0	(909)	(1,433)
Balance at 31 March 2015	(380)	(1,644)	0	(815)	(2,839)

<u>Long Term Provisions</u>	Economic			Total £000
	Corporate Provision £000	Development Provision £000	Insurance Provision £000	
	Balance at 1 April 2014	(4,378)	(32)	
Additional provisions made in 2014/2015	(199)	0	(1,312)	(1,511)
Amounts used in 2014/2015	2,620	0	0	2,620
Unused amounts reversed in 2014/2015	1,234	0	869	2,103
Transfer to/from short term provisions in 2014/2015	524	0	909	1,433
Balance at 31 March 2015	(199)	(32)	(2,445)	(2,676)

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 95.

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 £414,236 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.

Municipal Mutual Insurance Limited (MMI) - During 1992/93 Municipal Mutual Insurance Limited, the insurers of the former Gwent County Council, Mid Glamorgan County Council, Rhymney Valley District Council and Islwyn Borough Council ceased accepting new business. The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006) which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. As a result, the Scheme of Arrangement was triggered and the Scheme Administrator, Ernst & Young LLP, has taken over the management of the business of the Company.

Notes to the Core Financial Statements (continued)

The Authority received notification from the Scheme administrator on 2 April 2013 indicating that an initial levy rate of 15% on claims payments will be due from the Authority. The levy rate is subject to annual review by the Scheme Administrator who indicated in MMI's Annual report and Accounts for the year ended 30 June 2015 his intention to further review the levy rate in the second half of the year. This is due to the deterioration in the company's results as at 30 June 2015.

The Authority has released £483,951 representing the 15% levy due on the former Islwyn Borough Council and Rhymney Valley District Council claims and a total of £175,328 to Newport City Council in respect of MMI liabilities of the former Gwent County Council.

Rhondda Cynon Tâf County Borough Council is currently managing claims in respect of the Former Mid Glamorgan County Council. They are currently funding these claims from an earmarked reserve brought forward from Mid Glamorgan. If this reserve is depleted by additional claims or an increase in the levy claw back percentage, the Authority may become liable for a proportion of any future claims.

30. Contingent Liabilities

Equal Pay

The Authority had received a large number of equal pay claims. Further to an agreement to a Memorandum of Understanding and a further tranche of settlement offers, the Authority has reassessed this potential liability, which has significantly reduced in recent years due to the number of claims being settled. It is anticipated that the remaining provision represents a prudent approach based on information available to date.

As a result of retrospective legislation, compensation payments made since 1 April 2008 could now be classified as pensionable. Having taken independent legal advice the Authority does not believe that there will be any further pension liability. Consequently, given the uncertainty, the Authority has not made a provision in respect of pension contributions for compensation payments. Our estimate of the level of pension contribution is approximately £3.05m.

Landfill Allowance Scheme (Wales)

As a result of legislative changes in the Landfill Allowance Scheme (Wales), the Authority may be liable for penalties in respect of the scheme. The exact liability is not quantifiable at present.

Programme of Works

The Authority has received a claim in respect of its programme of works. The Authority is currently taking legal advice in respect of this claim. Discussions around this potential liability 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 a trustee basis, on behalf of clients, which are not consolidated in the balance sheet.

The total value of these accounts as at 31 March 2015 was:

£166,175 - relating to Education Trust Funds administered by the Interim Head of Corporate Finance, (£166,207 in 2013/2014). The Education trust funds are held to provide prizes and awards to pupils in the Authority's schools. Of these funds, £172 is vested in shareholdings and £166,003 is held in bank deposits (£172 and £166,035 respectively in 2013/2014). There are no other underlying assets or liabilities. The Trust Funds received £1,067 in dividends and interest on the funds during the year (£1,050 in 2013/2014) and incurred expenditure of £100 (£100 in 2013/2014).

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 2015 was £5,285,245 (£4,756,065 as at 31 March 2014).

32. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is required to balance the differences between gains and losses such as discounts or premia on the early repayment of debt recognised under the Code requirements and those that are required to be met under statute from the Council Fund or Housing Revenue Account. The balance is reduced to nil over the life of the loans.

	2013/2014	2014/2015
	£000	£000
Balance as at 1 April	(1,436)	(1,162)
Amortised to revenue in the year	284	284
Effective interest rate adjustment	(10)	(10)
Balance at 31 March	(1,162)	(888)

Notes to the Core Financial Statements (continued)

33. 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 2015 therefore only shows revaluation gains accumulated since 1 April 2007.

	2013/2014	2014/2015
	£000	£000
Balance as at 1 April	(252,973)	(292,072)
Downward revaluation of assets and impairment losses not charged to the Surplus and Deficit on the Provision of Services	39,102	22,214
Surplus on Revaluation of Assets	(82,034)	(126,374)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(42,932)	(104,160)
Difference between fair value depreciation and historical cost depreciation	3,833	6,227
Amount written off to the Capital Adjustment Account	3,833	6,227
Balance as at 31 March	(292,072)	(390,005)

Notes to the Core Financial Statements (continued)

34. 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 33 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.

	2013/2014		2014/2015	
	£000	£000	£000	£000
Balance as at 1 April		(469,015)		(456,416)
Set Aside - Capital Receipts		(631)		(884)
Funding:				
Revenue funding applied	(28,140)		(10,981)	
Capital receipts applied	(998)		0	
Capital grants and contributions applied	(23,504)		(19,439)	
Total Funding		(52,642)		(30,420)
MRP		(10,858)		(10,741)
Depreciation:				
In year charge	33,317		30,047	
Attributable to revaluations	(3,833)		(6,227)	
Written back on revaluations	1,620		(586)	
Written back on disposals	(309)		0	
		30,795		23,234
Amortisation of non-enhancing expenditure		20,135		21,105
Asset Revaluations / Impairments:				
Price adjustments	15,808		(6,486)	
		15,808		(6,486)
Disposals - Council Fund	3,975		248	
Disposals - HRA	150		72	
		4,125		320
Revenue Expenditure funded from Capital	6,262		3,749	
Funding of revenue expenditure funded from capital	(954)		(562)	
		5,308		3,187
Invest to save		5		697
Other adjustments		0		351
Amortisation of Intangible Assets		554		304
Total capital costs		65,872		31,971
Balance as at 31 March		(456,416)		(455,749)

Notes to the Core Financial Statements (continued)

35. Pensions Reserve

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

	2013/2014	2014/2015
	£000	£000
Balance as at 1 April	342,420	280,065
Actuarial gains or (losses) on pensions assets and liabilities	(78,117)	99,462
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	39,407	32,808
Employer's pension contributions and direct payments to pensioners payable in the year	(23,645)	(24,582)
Balance at 31 March	280,065	387,753

36. Accumulated Absences Account

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

	2013/2014	2014/2015
	£000	£000
Balance at 1 April	2,360	3,855
Settlement or cancellation of accrual made at the end of the preceding year	(2,360)	(3,855)
Amounts accrued at the end of the current year	3,855	3,215
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	1,495	(640)
Balance at 31 March	3,855	3,215

Notes to the Core Financial Statements (continued)

37. Movements in Direct Services Organisation Reserves

These reserves represent the cumulative surplus carried forward by the Authority's trading organisations. The reserves are used to fund future expenditure, and its use is under the control of individual direct service organisations.

<u>Reserve:</u>	Balance at 1 April 2014	Appropriations From Reserves	Appropriations To Reserves	Balance at 31 March 2015
	£000	£000	£000	£000
Highways Maintenance	(17)	0	(71)	(88)
	(17)	0	(71)	(88)

38. 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.

<u>Reserve:</u>	Balance at 1 April 2014	Appropriations From Reserves	Appropriations To Reserves	Balance at 31 March 2015
	£000	£000	£000	£000
Housing Earmarked Capital	(38)	0	0	(38)
Corporate - All Authority	(190)	1,880	(6,513)	(4,823)
Lifelong Learning	(182)	96	(70)	(156)
Planning	(33)	13	0	(20)
Social Services	0	67	(227)	(160)
Education	(5,986)	0	(735)	(6,721)
Highways and Transportation	(936)	17	(987)	(1,906)
Property	(363)	386	(872)	(849)
Corporate Services	(268)	173	0	(95)
Economic Development & Tourism	(112)	0	0	(112)
Environmental Health	0	0	(150)	(150)
Community & Leisure	(93)	246	(1,085)	(932)
	(8,201)	2,878	(10,639)	(15,962)

Notes to the Core Financial Statements (continued)

39. 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 2014 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2015 £000
Lifelong Learning	(772)	0	0	(772)
Economic Development and Tourism	(205)	6	0	(199)
Education	(2,439)	739	(1,622)	(3,322)
Corporate Services	(531)	597	(1,091)	(1,025)
Policy and Central Services	(289)	0	0	(289)
Social Services	(1,716)	2,096	(3,771)	(3,391)
Housing Non HRA	(472)	159	(28)	(341)
Directorate of the Environment	(269)	955	(1,165)	(479)
	(6,693)	4,552	(7,677)	(9,818)

40. 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 2014 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2015 £000
Insurance Reserve	(4,807)	0	(1,131)	(5,938)
Risk Management Reserve	(551)	0	(161)	(712)
	(5,358)	0	(1,292)	(6,650)

Notes to the Core Financial Statements (continued)

41. 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 2014 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2015 £000
Comprehensive Schools:				
Bedwas Comprehensive School	(127)	127	0	0
Cwmcarn High School	50	221	0	271
Heolddu Comprehensive School	(198)	51	0	(147)
Lewis School Pengam	(150)	22	0	(128)
Lewis Girls Comprehensive School	(90)	0	0	(90)
Newbridge Comprehensive School	(76)	149	0	73
Ysgol Gyfun Cwm Rhymni	24	0	(70)	(46)
Rhymney Comprehensive School	(156)	0	(162)	(318)
Risca Comprehensive School	(186)	75	0	(111)
St Martin Comprehensive School	(158)	0	(114)	(272)
Trinity Fields Special School	(449)	0	(124)	(573)
Other Comprehensive and Primary Schools with balances under £100k each	(1,230)	486	(973)	(1,717)
Total Schools Balances	(2,746)	1,131	(1,443)	(3,058)

42. 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 117, Note 8.

Notes to the Core Financial Statements (continued)

43. Movement in Other Earmarked Reserves

Reserve:	Balance at 1 April 2014 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2015 £000
Former Authority Liabilities Reserve	(180)	180	0	0
Waste Management Reserve	(585)	0	0	(585)
Superannuation Reserve	(25)	25	0	0
PFI Equalisation Reserve (Schools)	(10,045)	153	(124)	(10,016)
PFI Equalisation Reserve (Roads)	(2,908)	152	(105)	(2,861)
PIG Initiatives Reserve	(227)	251	(24)	0
Service Initiative Reserves	(3,837)	2,722	(5,134)	(6,249)
Carbon Trust Fund Reserve	(273)	235	(115)	(153)
Area Forum Reserve	(163)	0	(8)	(171)
Community Regeneration Fund Reserve	(223)	33	0	(190)
Cemeteries Reserve	(266)	87	(480)	(659)
Electoral Admin Reserve	(218)	0	(181)	(399)
PFI Schools Earmarked Reserve	(511)	0	(162)	(673)
Health & Safety Initiatives Reserve	(683)	0	0	(683)
Corporate PC Replacement Reserve	(1,738)	1,827	(1,222)	(1,133)
Other Reserves	(862)	185	(54)	(731)
	(22,744)	5,850	(7,609)	(24,503)

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

Former Authority Liabilities Reserve existed to meet certain employee payments made to staff, formerly employed by Rhymney Valley District Council, in accordance with their conditions of employment. This element of the reserve was cleared in 2010/2011 and any future liability will be met from the service accounts of the employing department.

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

Superannuation Reserve existed to meet additional pension related costs, including the effects of early retirements and increases in employer's contribution rates.

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 12 on page 63).

Performance Incentive Grant Initiatives Reserve represented amounts set aside to complete specific schemes undertaken with funds allocated from the Authority's Outcome Agreement Grant allocation (formerly the Performance Incentive Grant).

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.

Notes to the Core Financial Statements (continued)

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.

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

44. Cash Flow Statement – Adjustments to Surplus or Deficit

	2013/2014	2014/2015
	£000	£000
Adjustment to surplus or deficit on provision of services for non-cash movements		
Depreciation and Impairment	70,882	44,431
IAS19 Pensions Adjustment	15,762	8,226
Revenue Expenditure funded from Capital under Statute	5,313	3,884
Amortisation of Intangible Assets	554	304
Movements on Provisions	(1,460)	(5,064)
Contributions to / from Reserves	(22,223)	(38,351)
(Increase) / Decrease in Stocks	96	182
(Increase) / Decrease in Debtors	(3,484)	333
Increase / (Decrease) in Provision for Bad Debt	915	667
Increase / (Decrease) in Creditors	(1,597)	11,653
	64,758	26,265
	2013/2014	2014/2015
	£000	£000
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	(22,086)	(19,361)
Proceeds from the sale of property plant and equipment	1,950	(1,291)
	(20,136)	(20,652)

Notes to the Core Financial Statements (continued)

45. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

	2013/2014	2014/2015
	£000	£000
Interest received	(246)	(309)
Interest paid	10,398	9,361
	10,152	9,052

46. Cash Flow Statement – Investing Activities

	2013/2014	2014/2015
	£000	£000
Purchase of property, plant and equipment and intangible assets	(36,079)	(22,406)
Purchase of short-term and long-term investments	(1,792,040)	(1,834,994)
Proceeds from the sale of property, plant and equipment and intangible assets	998	1,610
Proceeds from the sale of short-term and long-term investments	1,794,556	1,776,062
Other receipts from investing activities	25,543	33,739
	(7,022)	(45,989)

47. Cash Flow Statement - Financing Activities

	2013/2014	2014/2015
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(243)	(160)
Repayments of short-term and long-term borrowing	(5,232)	(811)
Cash receipts of short-term and long-term borrowing	300	36,523
	(5,175)	35,552

48. Amounts Reported For Resource Allocation Decisions

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

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

Caerphilly County Borough Council

Notes to the Core Financial Statements (continued)

<u>2014/2015 Service Information</u>	Education & Leisure Directorate £000	Social Services Directorate £000	Directorate of Environment £000	Corporate Services £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(32,533)	(30,057)	(39,505)	(34,312)	(60,120)	(196,527)
Government Grants	(23,473)	(15,688)	(12,482)	(62,094)	0	(113,737)
Total income	(56,006)	(45,745)	(51,987)	(96,406)	(60,120)	(310,264)
Employee expenses	114,654	38,216	40,043	23,963	12,650	229,526
Other operating expenses	66,100	82,564	67,748	134,299	32,625	383,336
Total operating expenses	180,754	120,780	107,791	158,262	45,275	612,862
Net Cost of Services	124,748	75,035	55,804	61,856	(14,845)	302,598

Reconciliation to Surplus or Deficit on Provision of Services:

Cost of Services in Service Analysis	302,598
Taxation and Non-Specific Grant Income	(344,899)
Precepts	12,652
Add amounts not reported to Management:	
Depreciation, Amortisation and Impairment	44,735
Net Gain or Loss on Disposal of Assets	(1,291)
Capital Grants and Contributions	(19,360)
Minimum Revenue Provision	(10,741)
IAS 19 Pension adjustment	8,226
Accumulated Absence adjustment	(641)
Revenue Expenditure funded from Capital under Statute	3,187
Surplus or Deficit on Provision of Services	(5,534)

<u>Reconciliation to Subjective Analysis 2014/2015:</u>	Service Analysis £000	Not reported to Management £000	Corporate Amounts £000	Internal Recharge £000	Support Service Recharges £000	Total £000
Fees, charges & other service income	(196,527)	(2,173)	0	40,897	26,238	(131,565)
Government Grants	(113,737)	(19,360)	(274,496)	0	0	(407,593)
Council Tax income	0	0	(70,403)	0	0	(70,403)
Total income	(310,264)	(21,533)	(344,899)	40,897	26,238	(609,561)
Employee expenses	229,526	0	0	0	0	229,526
Other operating expenses	383,336	45,648	12,652	(40,897)	(26,238)	374,501
Total operating expenses	612,862	45,648	12,652	(40,897)	(26,238)	604,027
Net Cost of Services	302,598	24,115	(332,247)	0	0	(5,534)

Caerphilly County Borough Council

Notes to the Core Financial Statements (continued)

<u>2013/2014 Service Information</u>	Education & Leisure Directorate £000	Social Services Directorate £000	Directorate of Environment £000	Corporate Services £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(24,861)	(29,414)	(36,963)	(35,944)	(60,724)	(187,906)
Government Grants	(30,618)	(7,427)	(11,933)	(61,582)	5,978	(105,582)
Total income	(55,479)	(36,841)	(48,896)	(97,526)	(54,746)	(293,488)
Employee expenses	113,570	37,412	39,309	23,463	11,905	225,659
Other operating expenses	69,683	75,620	69,452	133,224	28,220	376,199
Total operating expenses	183,253	113,032	108,761	156,687	40,125	601,858
Net Cost of Services	127,774	76,191	59,865	59,161	(14,621)	308,370

Restated Reconciliation to Surplus or Deficit on Provision of Services:

Cost of Services in Service Analysis	308,370
Taxation and Non-Specific Grant Income	(350,998)
Precepts	12,264
Add amounts not reported to Management:	
Depreciation, Amortisation and Impairment	71,437
Net Gain or Loss on Disposal of Assets	1,950
Capital Grants and Contributions	(22,086)
Minimum Revenue Provision	(10,858)
IAS 19 Pension adjustment	15,762
Accumulated Absence adjustment	1,495
Revenue Expenditure funded from Capital under Statute	5,308
Surplus or Deficit on Provision of Services	32,644

Reconciliation to Subjective Analysis 2013/2014:	Service Analysis £000	Not reported to Management £000	Corporate Amounts £000	Internal Recharge £000	Support Service Recharges £000	Total £000
Fees, charges & other service income	(187,906)	(2,818)	0	32,720	27,446	(130,558)
Government Grants	(105,582)	(22,086)	(283,522)	0	0	(411,190)
Council Tax income	0	0	(67,476)	0	0	(67,476)
Total income	(293,488)	(24,904)	(350,998)	32,720	27,446	(609,224)
Employee expenses	225,659	0	0	0	0	225,659
Other operating expenses	376,199	87,912	12,264	(32,720)	(27,446)	416,209
Total operating expenses	601,858	87,912	12,264	(32,720)	(27,446)	641,868
Net Cost of Services	308,370	63,008	(338,734)	0	0	32,644

Notes to the Core Financial Statements (continued)

49. 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:

- Catalogue Supplies Service Joint Committee (County Borough Supplies)
- Glamorgan Archive Joint Committee
- Greater Gwent Cremation Joint Committee
- Gwent Joint Records Committee
- Gwent Wide Integrated Community Equipment Service Project (GWICES)
- Project Gwyrdd
- South East Wales Transport Alliance (SEWTA)
- Welsh Purchasing Consortium

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

Catalogue Supplies Service Joint Committee

The Catalogue Supplies Service Joint Committee (County Borough Supplies) is a joint supplies service, established in 1996, by the County Borough Councils of Bridgend, Caerphilly, Merthyr and Rhondda Cynon Tâf. The organisation forms part of the purchasing and supplies structures of each respective authority, providing a local supplies facility for a comprehensive range of goods required by schools, direct services and all other authority corporate services. The Joint Service is a self-standing organisation, working in a collaborative partnership with the Procurement Units of the participating authorities.

<u>Catalogue Supplies Service Joint Committee</u>	2013/2014		2014/2015	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Expenditure	6,504	1,245	6,252	1,197
Income	(6,680)	(1,279)	(6,552)	(1,255)
(Surplus) / Deficit for the Year	(176)	(34)	(300)	(58)
<u>Balance Sheet</u>				
Current assets	1,715	333	1,660	318
Current liabilities	(710)	(141)	(354)	(68)
Total Assets less Liabilities	1,005	192	1,306	250
Usable Reserves	1,008	193	1,304	250
Unusable Reserves	(3)	(1)	2	0
	1,005	192	1,306	250

Notes to the Core Financial Statements (continued)

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

	2013/2014		2014/2015	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Expenditure	1,112	122	1,167	128
Income	(1,523)	(185)	(1,387)	(153)
Net Cost of Service	(411)	(63)	(220)	(25)
Interest and investment income	300	33	285	31
(Surplus) / Deficit for the Year	(111)	(30)	65	6
<u>Balance Sheet</u>				
Long term assets	8,047	885	7,938	873
Current assets	583	64	326	36
Current liabilities	(36)	(4)	(22)	(2)
Long term liabilities	(5,573)	(613)	(5,289)	(582)
Total Assets less Liabilities	3,021	332	2,953	325
Usable reserves	(542)	(60)	(306)	(34)
Unusable reserve	(2,479)	(273)	(2,647)	(291)
	(3,021)	(332)	(2,953)	(325)

Caerphilly County Borough Council

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.

<u>Greater Gwent Cremation Joint Committee</u>	2013/2014		2014/2015	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Expenditure	668	101	864	131
Income	(1,498)	(227)	(1,727)	(262)
Net Cost of Service	(830)	(126)	(863)	(131)
Financing and Investment Income and Expenditure	762	116	753	114
Surplus/Deficit on Provision of Services	(68)	(10)	(110)	(17)
Deficit on revaluation of property	366	56	0	0
Actuarial Gains/Losses on Pensions Assets/Liabilities	(231)	(35)	105	16
Total Comprehensive Income and Expenditure	67	10	(5)	(1)
<u>Balance Sheet</u>				
Long term assets	2,448	372	2,362	359
Current assets	1,598	243	1,044	158
Current liabilities	(33)	(5)	(14)	(2)
Long term liabilities	(1,573)	(239)	(947)	(144)
Total Assets less Liabilities	2,440	370	2,445	371
Usable Reserves	(1,467)	(223)	(1,638)	(248)
Unusable Reserves	(973)	(148)	(807)	(123)
	(2,440)	(370)	(2,445)	(371)

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.

Gwent Joint Records Committee

	2013/2014		2014/2015	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Expenditure	996	145	1,101	161
Income	(929)	(135)	(942)	(138)
Net Cost of Service	67	10	159	23
Pension interest cost / expected return on assets	8	1	6	1
Net Operating Cost	75	11	165	24
Actuarial gains/losses on pension assets/liabilities	(80)	(12)	212	31
Total Comprehensive Income & Expenditure	(5)	(1)	377	55
<u>Balance Sheet</u>				
Current assets	501	73	318	46
Current liabilities	(175)	(26)	(131)	(19)
Pension liability	(169)	(25)	(407)	(59)
Total Assets less Liabilities	157	22	(220)	(32)
Pension Reserve	169	25	407	59
General Reserve	(326)	(47)	(187)	(27)
	(157)	(22)	220	32

Notes to the Core Financial Statements (continued)

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.

<u>Gwent Wide Integrated Community Equipment Service Project</u>	2013/2014		2014/2015	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Expenditure	2,937	610	3,589	745
Income	(2,937)	(610)	(3,589)	(745)
(Surplus) / Deficit for the Year	0	0	0	0
<u>Balance Sheet</u>				
Current assets	561	116	666	138
Current liabilities	(561)	(116)	(666)	(138)
Total Assets less Liabilities	0	0	0	0
Fund Balance	0	0	0	0
Fund Balances and Reserves	0	0	0	0

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.

<u>Project Gwyrdd</u>	2013/2014		2014/2015	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Expenditure	519	104	205	41
Income	(518)	(104)	(131)	(26)
Net Cost of Service	1	0	74	15
Interest and investment income	(1)	0	0	0
(Surplus) / Deficit for the Year	0	0	74	15
Net (Increase) / Decrease in General reserve balance	0	0	74	15
<u>Balance Sheet</u>				
Current assets	393	79	198	40
Current liabilities	(131)	(26)	(13)	(3)
Total Assets less Liabilities	262	53	185	37
Accumulated Absences Reserve	1	0	2	0
Joint Committee Reserves	(263)	(53)	(187)	(37)
Net Worth	(262)	(53)	(185)	(37)

Notes to the Core Financial Statements (continued)

South East Wales Transport Alliance

SEWTA (The South East Wales Transport Alliance) was a consortium established on 1 April 2003 by the ten local authorities in South East Wales to carry out their functions in respect of public transport and some other transport matters, working in close liaison with partners representing public transport operators and users. SEWTA ceased to exist after the 2013/2014 financial year.

<u>South East Wales Transport Alliance</u>	2013/2014	
	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>		
Expenditure	57,394	5,739
Income	(57,453)	(5,745)
(Surplus) / Deficit for the Year	(59)	(6)
<u>Balance Sheet</u>		
Current assets	14,154	1,415
Current liabilities	(13,986)	(1,398)
Total Assets less Liabilities	168	17
General Reserve	(168)	(17)
	(168)	(17)

Welsh Purchasing Consortium

The Welsh Purchasing Consortium (“the consortium”) is a partnership between sixteen County Borough and City Councils of South Wales. The Consortium exists to increase economies of scale by combining the purchasing requirements of the sixteen authorities.

<u>Welsh Purchasing Consortium</u>	2013/2014		2014/2015	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Expenditure	190	11	226	12
Income	(244)	(14)	(243)	(13)
Net Expenditure / (Income)	(54)	(3)	(17)	(1)
Appropriations (to)/from Reserves:				
IT Upgrade Reserve	25	1	(11)	(1)
Net (Surplus) / Deficit	(29)	(2)	(28)	(2)
<u>Balance Sheet</u>				
Current assets	416	24	437	23
Current Liabilities	(13)	(1)	(17)	(1)
Total Assets less Liabilities	403	23	420	22
General Reserves	(405)	(23)	(423)	(22)
Accumulated Absences Account	2	0	3	0
Net Worth	(403)	(23)	(420)	(22)

Notes to the Core Financial Statements (continued)

50. 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 interests in the following companies, they do 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.

The company's latest unaudited trading results for the year ending 31 March 2015 are:

<u>Statement of Profit or Loss</u>	Year Ended 31 March 2014 £000	Year Ended 31 March 2015 £000
Revenue	7,506	9,204
Cost of sales	(6,232)	(7,622)
Gross Surplus	1,274	1,582
Other operating income and expenditure	(1,080)	(1,371)
Operating Surplus	194	211
Financing costs	(194)	(115)
Surplus before Tax	0	96
Other Comprehensive Income		
Actuarial gain on pension scheme	2091	2156
Adjustment to underwritten balance	(2,194)	(2,156)
Other Comprehensive Income net of income tax	(103)	0
Total Comprehensive Income for the year	(103)	96

Notes to the Core Financial Statements (continued)

<u>Statement of Financial Position</u>	Year Ended 31 March 2014 £000	Year Ended 31 March 2015 £000
Non-Current Assets	2,881	5,189
Current Assets	1,646	2,632
Total Assets	4,527	7,821
Total Equity	0	(152)
Non-Current Liabilities	(2,842)	(5,133)
Current Liabilities	(1,685)	(2,536)
Total Liabilities	(4,527)	(7,669)
Total Equity and Liabilities	(4,527)	(7,821)

Capita Gwent Consultancy

The principal activity of the company is that of transport consultancy. The Authority holds a 12% shareholding in the company. The company's most recent audited trading results show:

<u>Profit and Loss Account</u>	Year Ended 31 December 2012 £000
Turnover	7,062
Cost of sales	(5,236)
Gross Profit	1,826
Administrative expenses	(1,930)
Operating loss	(104)
Other operating income and expenditure	(2)
Loss on ordinary activities before taxation	(106)
Taxation	12
Loss for the year	(94)

Notes to the Core Financial Statements (continued)

	Year Ended 31 December 2012 £000
Balance Sheet	
Non-Current Assets	44
Current Assets	4,584
Current Liabilities	(239)
Net current assets	4,345
Total assets less current liabilities	4,389
Provision for liabilities	(200)
Total Liabilities	4,189
Capital and Reserves	
Share premium account	1,000
Profit and loss account	3,189
Shareholders' funds	4,189

The Authority no longer receives any profit distribution, having previously extinguished these rights in return for a one-off payment in lieu of anticipated future lost profits. The Authority still retains its interest in the company. No assets or liabilities of the company are reflected in the consolidated balance sheet.

The company's immediate parent undertaking is Capita Symonds Group Limited (formerly Capita Property Consultancy Limited) with a holding of 51%. The remaining 49% holding of the company is shared equally between Blaenau Gwent, Caerphilly, Monmouthshire and Torfaen County Borough Councils. The original 10-year contract services framework ended on 31 August 2012.

The ultimate parent company of Capita Symonds Group Limited is the Capita Group Plc. Further information can be found in Capita Gwent Consultancy Limited's Financial Statements, which are available from the Company Secretary, Capita Gwent Consultancy Limited, St David's House, Pascal Close, St Mellons, Cardiff CF3 0LW.

51. Authorisation for Issue

The Acting Director of Corporate Services, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 29 September 2015. 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 2015**

Caerphilly County Borough Council

Housing Revenue Account

2013/2014	2014/2015		Note
<u>£000</u>	<u>£000</u>	<u>£000</u>	
Income			
(41,262) Dwelling rents	(41,704)		1
(362) Non-dwelling rents	(341)		
(1,625) Charges for services and facilities	(1,575)		
(2,102) Contributions towards expenditure	(2,491)		
(45,351) Total Income		(46,111)	
Expenditure			
12,629 Repairs and maintenance	12,467		
5,043 Supervision and management	5,755		
2,780 Special Services	2,557		
779 Rents, rates, taxes and other charges	1,026		
6,046 Negative housing revenue account subsidy payable	5,745		
4,300 Depreciation and impairment of non-current assets	6,293		2
14,650 Non-Enhancing capital expenditure	15,311		2
15 Debt Management Costs	16		
522 Increase in bad debt provision	483		
46,764 Total Expenditure		49,653	
		<u>3,542</u>	
1,413 Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement			
274 HRA services share of Corporate and Democratic Core Costs		251	
1,687 Net Expenditure of HRA Services		3,793	
1,933 Interest payable and similar charges	1,813		
(7,300) Major Repairs Allowance and other grants	(7,330)		9
(863) (Gain) / Loss on sale of HRA non-current assets	(1,223)		
(23) Interest and investment income	(53)		
(6,253)		(6,793)	
(4,566) (Surplus)/deficit for the year on HRA services		(3,000)	

Movement on the Housing Revenue Account Statement

2013/2014	2014/2015		
£000	£000	£000	Note
(6,333) Balance on the HRA at the end of the previous year		(15,505)	
(4,566) (Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	(3,000)		
(2,713) Adjustments between accounting basis and funding basis under statute	(4,055)		
(7,279) Net (increase)/decrease before transfers to or from reserves	(7,055)		
(1,893) Transfers to or (from) reserves	217		
(9,172) (Increase) or decrease in year on the HRA		(6,838)	
(15,505) Balance on the HRA at the end of the current year		(22,343)	8

Caerphilly County Borough Council

Notes to the Movement on the HRA Statement

2013/2014		2014/2015		
£000		£000	£000	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year				
(58)	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	(58)		
(4,300)	Depreciation and Impairment of non-current assets	(6,293)		2
(14,650)	Non-enhancing Capital Expenditure	(15,311)		2,6
863	Gain on sale of HRA non-current assets	1,223		
(1,919)	Net charges made for retirement benefits in accordance with IAS 19	(1,803)		10
7,300	Capital Grants and Contributions Applied (including Major Repairs Allowance)	7,330		
(12,764)			(14,912)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year				
1,816	Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	1,957		10
918	HRA Minimum Revenue Provision	887		
7,350	Capital expenditure funded by the HRA	8,014		6
(33)	Adjustment involving the Accumulated Absences Account	(1)		
(1,893)	Transfers (to) / from Reserves	217		
8,158			11,074	
(4,606)	Net additional amount required by statute to be credited to the HRA Balance for the year		(3,838)	

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 1.13% of lettable properties were void (a decrease on 1.23% in 2013/2014). The average weekly rent at 31 March 2015 was £80.78 (£77.92 in 2013/2014), based on a 48-week collection period.

2. Depreciation and Impairment

	2013/2014	2014/2015
	£000	£000
Operational assets comprising:		
Dwellings (refer to Note 22 Core Financial Statements)	5,013	6,133
Other Land & Buildings	128	131
Depreciation written back on revaluation of council dwellings	0	0
Asset Impairments/revaluations	(841)	29
Total HRA Depreciation and Impairment of Fixed Assets	4,300	6,293
Write off of non-enhancing expenditure	14,650	15,311
Total HRA depreciation, impairment and non-enhancing expenditure	18,950	21,604

3. Rent Arrears

The rent arrears encompass monies owed by both current and former council tenants. During the year, total rent arrears increased by £48,429. The total of current rent arrears represents 3.17% of Gross Rent Income.

	£000
Arrears at 31 March 2014	1,649
Bad Debt Provision 31 March 2014	(999)
Net Arrears at 31 March 2014	650
Arrears at 31 March 2015	1,875
Bad Debt Provision 31 March 2015	(1,177)
Net Arrears at 31 March 2015	698

4. Housing Subsidy

Housing Subsidy contributions of £5.757m were payable in 2014/2015. This compares to the previous year's subsidy of £6.055m. Approximately 70% of the Authority's tenants receive assistance to meet the cost of their rent.

Notes to the Housing Revenue Account (continued)

5. Housing Stock

The Authority was responsible for managing an average of 10,888 dwellings during 2014/2015. The type of stock managed by the Authority is made up of approximately 60% houses, 26% flats and 14% bungalows.

	2013/2014	2014/2015
	Number	Number
Stock at 1 April	10,912	10,895
Acquisitions/New Build	2	10
Sales/Demolitions/Expired Leases	(19)	(24)
Stock at 31 March	10,895	10,881

6. Capital Expenditure and Financing

	2013/2014	2014/2015
	Assets	Assets
	£000	£000
Capital Expenditure		
Operational Assets : Houses	14,650	15,311
Vehicles, Plant & Equipment	0	33
Total Expenditure	14,650	15,344
Capital Financing		
Major Repairs Allowance	(7,300)	(7,330)
Revenue Reserves	(7,350)	(8,014)
Total Income	(14,650)	(15,344)

7. Capital Receipts and Unapplied Capital Income

	2013/2014	2014/2015
	£000	£000
Balance at 1st April	(1,311)	(1,695)
Amounts received - Right to Buy	(823)	(1,173)
Amounts received - Other	(187)	(122)
Less Statutory Set aside for debt repayment	626	877
Balance at 31st March	(1,695)	(2,113)

Notes to the Housing Revenue Account (continued)

8. Balance Carried Forward

The working balance at 31 March 2015 was £22.343m, a net increase of £6.838m over the year.

<u>Reserve:</u>	Balance at 1 April 2014 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2015 £000
Housing Fund Balances	(14,136)	0	(6,917)	(21,053)
Supporting People	(306)	0	0	(306)
Week 53 Debit	(671)	0	0	(671)
HRA Earmarked Reserve	(392)	79	0	(313)
	(15,505)	79	(6,917)	(22,343)

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.

9. Major Repairs Allowance

	2013/2014 £000	2014/2015 £000
Amount Received in Year	(7,300)	(7,330)
Amounts Applied in Year	7,300	7,330
Amounts Carried Forward	0	0

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

	2013/2014 £000	2014/2015 £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	(1,919)	(1,803)
Employer's pension contributions and direct payments to pensioners payable in the year	1,816	1,957
Total Contribution (to) / from the Pension Reserve	(103)	154

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.

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. 2014/15.

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 2014/2015, it runs from 1 April 2014 to 31 March 2015.

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.

Heritage Asset - A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for its contribution to knowledge and culture.

GLOSSARY OF TERMS continued

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 (NDR) - 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.

Public Works Loans Board (PWLB) - This is a Government Agency which provides longer term loans to local authorities at preferential rates of interest.

GLOSSARY OF TERMS continued

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

Background

Since the publication of the previous year's Annual Governance Statement the Wales Audit Office (WAO) has published a follow up to the Corporate Governance Inspection. This was presented and agreed at Council on 27 January 2015 and acknowledged the significant progress in addressing the recommendations and proposals for improvement identified in the Special Inspection (SI) undertaken in the Autumn of 2013 and the two Public Interest Reports. The Improving Corporate Governance Programme Board is still meeting to ensure that the remaining actions are satisfactorily concluded. Reports are presented periodically to Cabinet.

Scope of responsibility

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 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of strategic effectiveness, service equality, service availability, fairness, sustainability, efficiency and innovation.

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.

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 Authority's communication department. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts & Audit (Wales) Regulations 2014 in relation to the publication of a statement on internal control.

The Authority has acknowledged and accepted that there had been serious shortcomings in respect of its duties identified in 2012 and 2013 by WAO. The Authority has undertaken significant work to improve those shortcomings, which were reflected in the SI published in January 2014 and the follow up CGI published in January 2015. These two reports were presented and approved at Council.

The purpose of the governance framework

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. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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.

The governance framework has been in place at the Authority for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

Annual Governance Statement (Continued)

The governance framework

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

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

- The Authority's Corporate Plan sets out the Authority's aspirations, priorities and Improvement 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.
- Long term outcomes and interim performance standards have been established for each Improvement Objective. Progress is reported via the Scrutiny Committee process.
- The Single Integrated Plan (forward looking plan) is published widely and is also available on the Authority website and intranet. Similarly the Authority's Corporate Plan is published on the website, and updated annually. Progress is reported via the Scrutiny Committee process.
- The Authority's Annual Performance Report (published in October) tells citizens and service users how we have performed against the Improvement Objectives as required under the Local Government Measure 2009.

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 Authority's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework has been developed.
- The Authority is a lead partner of the Caerphilly Local Service Board (LSB). The Single Integrated Plan implemented from April 2013 onwards details the LSB vision, and following analysis of a Unified Needs Assessment, has identified five outcomes for delivery, namely:

Prosperous Caerphilly
Safer Caerphilly
Healthier Caerphilly
Learning Caerphilly
Greener Caerphilly

The Policy and Resources Scrutiny Committee on 14 April 2015 received an update in respect of the Delivery of the Plan. The Scrutiny Committee acknowledged the good work undertaken to date and determined a further review by Scrutiny during 2015.

"Caerphilly Delivers" (The LSB Single Integrated Plan) was considered and approved by Caerphilly LSB on 17th April 2013 and Caerphilly County Borough Council on 23rd April 2013.

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 Authority'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 is in its second year of implementation. Challenge sessions with the Interim Chief Executive; Cabinet Member for Performance and Head of Property and Performance will be undertaken during the Summer of 2015. A review will be undertaken in the autumn to determine whether this process is adding value.

Annual Governance Statement (Continued)

- 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 Authority 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 with Cabinet Members, and Scrutiny Committees.
- Albeit that there is an established process in place, as outlined above, the reporting of performance is under review to ensure these procedures are best able to take the Authority forward in the medium term in light of reducing budgets

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 Authority's Constitution sets out how the Authority 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.
- The Constitution also sets out the situations where senior officers of the Authority can make decisions under delegated authority. Delegated power decisions and information items are published on the intranet.
- The Authority publishes an Annual Improvement Plan which sets out key priorities agreed by the Authority, its committees and chief officers under their delegated powers and a performance report which details progress against these.
- The Authority's Constitution is reviewed and refreshed on a regular basis to reflect current legislation and working practices with the most recent report having been presented to Council at the Annual General Meeting. In addition, further consideration is to be given to the adoption of the new All Wales Framework Constitution, which to date has only been adopted by a few authorities in Wales.
- Various guidance notes for officers have been prepared to sit alongside the Authority's Constitution and training has been rolled out. The documentation is available on the Authority's corporate governance page. In addition and as one of the formal recommendations of the CGI a decision making protocol for recording decisions at Corporate Management Team was established and successfully implemented. Currently officers are rolling out training for members on the Authority's Constitution and decision making processes, this is ongoing and forms part of the Member's Mandatory training requirements approved by Full Council.

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

- The Authority's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. 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 Authority's intranet.
- The WAO Public Interest Reports issued in March and December 2013 both raised significant concerns in respect of conflicts of interest, particularly with regard to the role of officers. Much work has been undertaken to ensure formal notification and acceptance of the Code of Conduct by all staff, plus training events to raise awareness. This work has been reported to the IGPB and Cabinet.

Annual Governance Statement (Continued)

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 Authority'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 Standing Orders have recently been reviewed to reflect the new European Regulations.
- 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.
- This area was strengthened during 2013/14. A Risk Management Strategy was formally agreed, training on risk was delivered to Audit Committee and Cabinet Members. This training is ongoing. The Corporate Risk Register is reported to Audit Committee and Cabinet periodically after consideration by Corporate Management Team.

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

- The Authority 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.

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

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

Monitoring Officer;
Section 151 Officer;
Internal Audit;
External Audit;
Performance Management Framework;
Corporate Management Team.

- The WAO Public Interest Reports issued in March and December 2013 identified serious failings in this area.
- In the light of these Public Interest Reports, the Interim Chief Executive has strengthened the roles of both the Monitoring Officer and Section 151 Officer. 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 Authority 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 Authority's Corporate Management Team for action. In addition to the above, the Authority has a Deputy S151 and Monitoring Officer to ensure adequate cover for these roles is in place

Annual Governance Statement (Continued)

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

- The Authority has reviewed its Whistleblowing Policy in line with legislative changes, and following the work of the Whistleblowing Commission by Public Concern at Work. Public Concern at Work is a leading Charity and has been identified as an organisation leading best practice in this area. The Authority has developed a new policy following their assistance and model of best practice. This revised Policy has been approved, implemented and staff have been made aware of its existence using a number of communication channels.
- The Authority also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- The Audit Committee has a more proactive role to play in monitoring the level of complaints and the procedures that are in place. Reports are regularly presented. In addition, individual Scrutiny Committees receive reports on complaints.

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 appraisal 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 has approved the implementation of a new, more focused training regime for members this includes the identification of certain aspects of training as mandatory.
- 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 prior to formal consultation/approval.
- Appropriate training has and will continue to be delivered where identified in the Action Plan.

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

- Up to date strategies are in place in respect of communications, marketing and consultation.
- A corporate database of formal consultations is maintained to reduce duplication of consultation.
- An extensive consultation process was introduced in respect of the 2014/15 Budget Strategy.

Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- The Authority has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Authority'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 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.

Annual Governance Statement (Continued)

- Key partnerships and partners are invited to attend the biannual Caerphilly Local Service Board Standing Conference, which focuses on communicating progress made on the delivery of LSB priorities, which include “Caerphilly Delivers” (the Single Integrated Plan), tackling the impact of poverty and reducing the harm caused by alcohol, and associated programmes/projects/initiatives.
- During 2014/15, the detailed piece of work involving the identification of all partnerships and collaborations continued. Governance arrangements for these have also been collated. Reports in respect of this piece of work have been reported to Audit Committee, IGPB and CMT. The Corporate Governance Panel randomly selected a small number of partnerships which have been audited in order to review the robustness of the governance arrangements, and the ability for the partnership to be held to account through scrutiny. The conclusions of these reviews by Internal Audit have been reported to the Audit Committee.
- In addition, a Collaboration and Partnership Strategy has been developed and approved which sets out the requirements for creating new Partnerships and Collaborations and importantly includes the arrangements for disbanding and exiting arrangements.

Review of effectiveness

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 Authority’s activities, including in particular those designed to ensure:

- The Authority’s policies are put into place.
- The Authority’s values are met.
- 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 and other resources are managed efficiently and effectively.
- Services are delivered efficiently and effectively.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Authority’s governance framework:

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;
- Head of Legal Services and Monitoring Officer;
- Head of Performance and Property;
- Internal Audit Manager;
- Head of ICT and Customer Services/SIRO

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

The arrangements have been strengthened since March 2013 taking on board the findings of a WAO report on the AGS Statement.

Annual Governance Statement (Continued)

Directorate Level Review

The Authority 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.

Scrutiny Committees

The Authority 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.

Following the CGI Follow Up Report by WAO published in January 2015, the Authority's Scrutiny arrangements are currently under review. This work is planned to conclude with recommendations for improvement to Council in October 2015.

Audit Committee

The Authority 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.

Standards Committee

The Authority 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 Authority's Constitution.

Performance Management

The Performance Management Unit (PMU) is responsible for developing and maintaining the Authority's performance management framework in accordance with the Wales Programme for Improvement. It supports and challenges the Authority 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.

Information Governance

The Head of ICT and Customer Services is the Authority's Senior Information Risk Owner (SIRO), whose role is to assure the Authority's information through implementation of the Authority's Information Risk Management Policy. The SIRO assesses quarterly 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 a network of information governance stewards within each Directorate who communicate key messages to staff and management across the organisation, and assist Heads of Service in assuring the information that is managed and used by their Service area.

Annual Governance Statement (Continued)

Information assurance is also supported by the work of the Corporate Information Governance Unit and the Information Governance Project Team. This includes training a wide cross-section of staff and achieving over 99.5% completion of Protecting Information e-learning for Authority computer users. The Authority's Data Protection Policy and staff leaflet was sent to all employees alongside the Code of Conduct. An Information Asset Register has also been developed and the security, access and storage of information assets are under evaluation.

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 findings in the SI undertaken by WAO, the role of the Internal Audit team will be changing over a 2/3 year period as recently reported to Audit Committee. The focus will move from predominantly finance based with thematic reviews undertaken where there is identified risk. More non financial audits will be introduced. There will also be a role in respect of the review of the Risk Management process, focusing on the effectiveness of the mitigation of risks.

The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

The Internal Audit Section is subject to regular inspection by the Authority's external auditors.

External Audit

In accordance with the Audit Commission's Code of Audit Practice, the Authority receives regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

Review Outcome

It is acknowledged that a significant amount of work has been undertaken to improve and strengthen the Authority's governance arrangements. Reports on progress have been presented on a regular basis to Audit Committee, Council and Cabinet. Progress made by the Authority was recognised by WAO in the SI published in January 2014 and again in January 2015. The work in respect of Improving Governance will continue to be undertaken and monitored.

The previous year's AGS had highlighted 2 areas where improvements were required to strengthen the governance arrangements, these were:-

- **Interim Management Arrangements**

The SI recognised that the extent of interim arrangements in respect of senior staff could create instability in the Authority moving forward. The Authority had acknowledged that this was a concern.

Annual Governance Statement (Continued)

- **Improving timeliness of response to Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests**

The Authority is subject to increasing numbers of requests for information and response within the statutory 20 working day period is challenging, as reported to Policy and Resources Scrutiny Committee. Failure to comply with a minimum of 85% of requests within 20 working days could result in monitoring by the Information Commissioner, which would lead to regulatory action if the Authority had not improved within a specified timescale. Failure to comply with recommendations made as part of regulatory action would be dealt with as contempt of Court. A number of measures have been taken to improve performance including a reminder from the Interim Chief Executive to all Managers of the importance of prompt responses, and the situation is continually monitored.

In addition to the above, there was one outstanding area for improvement from the previous year deemed incomplete:-

- The further development of the Authority's Business Continuity arrangements.

During the last year, the interim arrangements in respect of Senior Staff have been strengthened, particularly in respect of the appointment of a further Interim Chief Executive, Chris Burns. The current Interim Chief Executive is a full time appointment. There is an option to extend the Contract. A report to Council will be recommending a further 12 month extension. Other interim arrangements have now been in place in some instances for over 2 years. These officers are now very experienced which reduces the risk to the Authority moving forward. Hence, it is recommended that this area for improvement be removed from the AGS.

The second area for improvement relating to FOI response times saw significant progress since 2013. 72% of FOI responses occurred within 20 working days. In 2014, this increased to 76%. For the quarter, Jan 2015 to March 2015, this increased to 83%. Hence, it is recommended that this area for improvement be removed from the AGS but monitored by the Corporate Governance Panel to ensure continuous improvement is maintained.

The third area of improvement relates to Business Continuity. It has been identified via the Audit Committee process that Business Continuity exists in most front line service areas and IT but that there is no consistent approach. Recent reports to the Corporate Governance Panel and CMT have agreed a strategy that has been adopted by the Authority, which should ensure that there is both a strategic and consistent approach to Business Continuity. Progress to date has been reported to the Audit Committee since March 2014. A report presented in March 2015 acknowledged that significant progress has been achieved.

Based on the progress made, it is proposed that this area is also removed from the AGS, albeit that reports will continue to be made to Audit Committee.

Annual Governance Statement (Continued)

There is one new area for improvement that has been identified during the 2014/15 review process :-

The effectiveness of the current Scrutiny arrangements has been identified as an area that could be improved and to ensure that they are effective and productive a review of the current processes is to be undertaken. The review will ensure that any weaknesses or shortcomings will be addressed and current best practice will be built into our procedures going forward. It is intended that the review be completed by October 2015.

Signed

Keith Reynolds
Leader of the Authority

Chris Burns
Interim Chief Executive