Financial Accounts

For the year ended

31 March 2011

Mae'r ddogfen hon ar gael yn Gymraeg, ac mewn ieithoedd a fformatau eraill ar gais.
This document is available in Welsh, and in other languages and formats on request.

Financial Accounts for the year ended 31 March 2011

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 172,000.

The accounts on the following pages show the financial performance for the year of all activities undertaken by the Authority. Whilst the accounts have been presented as clearly as possible, local authority accounts are technical and complex. Consequently, the purpose of this 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)

2010/2011 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Comprehensive Income and Expenditure Statement on page 19. The account is classified according to service expenditure areas.

In 2010/2011, the Authority's expenditure and income compared to budget was:

Service Area	Original Estimate £000	Revised Estimate £000	Outturn £000	(Overspend) /Underspend £000
Education and Leisure	140,346	140,502	136,350	4,152
Social Services	73,513	73,517	72,400	1,117
Environment	44,036	45,437	44,647	790
Chief Executive's	6,848	6,822	5,937	885
Corporate Services	51,901	50,593	40,767	9,826
Direct Services	(658)	(546)	(907)	361
HRA	0	0	(1,931)	1,931
Total Service Expenditure	**315,986**	**316,325**	**297,263**	**19,062**
Funding Income	(315,986)	(315,986)	(317,076)	1,090
(Surplus) / Deficit on Provision of Services	**0**	**339**	**(19,813)**	**20,152**
In-Year Use of General Fund Reserves	0	0	(5,213)	5,213
In-Year Use of Earmarked Reserves	0	(339)	12,274	(12,613)
Total Outturn	**0**	**0**	**(12,752)**	**12,752**
Transfer to Earmarked Reserves				(3,904)
Transfer to General Fund Reserves				(8,850)
General Fund Reserves as at 31 March 2010				**(12,984)**
Budget Strategy Contribution				0
Use of Balances in Year				5,213
Service Outturn Contribution				(8,850)
General Fund Reserves as at 31 March 2011				**(16,621)**

Explanatory Foreword (continued)

Further details of the Authority's outturn performance against budget can be found in the Director of Corporate Services, Provisional Outturn Report 2010/2011 presented to Special Cabinet on the 5 July 2011. The report may be obtained on 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, IAS19 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	**(19,813)**
Depreciation	11,629
Impairment of Assets	31,498
Non-enhancing Expenditure	15,388
Amortisation of Intangible Assets	345
Capital Grants and Contributions Applied	(26,837)
Revenue Expenditure Funded from Capital Under Statute	1,722
Net Gain or Loss on Disposal of assets	(5,533)
Minimum Revenue Provision	(10,595)
Capital Grants and Contributions Unapplied	(628)
IAS19 Pension Adjustment	(31,109)
Accumulated Absence Adjustment	22
Total Adjustments	(14,098)
(Surplus) / Deficit on Provision of Services per Comprehensive Income & Expenditure Account	**(33,911)**

Funding Income

The following table details the main sources of income received by the Authority to fund service expenditure in 2010/2011:

	2010/2011			
	Original Estimate £000	**Revised Estimate £000**	**Outturn £000**	**Variance £000**
Funding Income				
Council Tax (Net of Police Authority and Community Council Precepts)	(52,008)	(52,008)	(53,098)	1,090
Revenue Support Grant	(206,600)	(206,600)	(206,600)	0
Non Domestic Rates	(47,584)	(47,584)	(47,584)	0
Outcome Agreement Grant	(1,881)	(1,881)	(1,881)	0
Private Finance Initiative Grant	(7,913)	(7,913)	(7,913)	0
Total Funding Income	**(315,986)**	**(315,986)**	**(317,076)**	**1,090**

Explanatory Foreword (continued)

Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 117 to 122. For 2010/2011, actual outturn compared to budget was as follows:

	2010/2011		
	Original Estimate £000	Actual Outturn £000	Variance £000
Expenditure	32,380	70,730	(38,350)
Income	(32,380)	(48,771)	16,391
	0	21,959	(21,959)
Net additional amounts required by statute to be debited or credited to the HRA Balance for the year	0	(21,664)	21,664
Deficit for the year	**0**	**295**	**(295)**
Transfer from/(to) Other Service Earmarked Reserves	0	(2,226)	2,226
HRA Outturn per Foreword (page 3)	**0**	**(1,931)**	**1,931**

Direct Labour and Direct Service Organisations (DLOs and DSOs)

During the year, the Authority operated 2 Direct Labour Organisations (DLOs) and 3 Direct Service Organisations (DSOs) at arms 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 9, in accordance with CIPFA's Best Value Accounting Code of Practice.

Provisions

Movements upon provisions are detailed in note 31, page 93 together with explanations of what each provision is for.

	1 April 2010 Bfwd £000	Movement £000	31 March 2011 Cfwd £000
Short term provisions	(1,234)	(951)	(2,185)
Long term provisions	(9,511)	722	(8,789)
	(10,745)	(229)	(10,974)

Reserves

The amounts shown as non-usable reserves relate to capital and pension reserves, which do not constitute 'usable resources'. The movements are detailed in note 22, page 81.

	1 April 2010 Bfwd £000	Movement £000	31 March 2011 Cfwd £000
Reserves - Usable	(65,473)	(20,357)	(85,830)
- Unusable	(501,332)	(136,721)	(638,053)
	(566,805)	(157,078)	(723,883)

Explanatory Foreword (continued)

Icelandic Banks

The sub-prime crisis of early 2008 was followed by the banking crisis of autumn 2008. The world banking system came near to collapse and governments around the world were forced to rescue their major banks.

Unfortunately, Iceland's economy was not strong enough to provide the necessary support for its banks and subsequently, Landsbanki, Kaupthing and Glitnir collapsed. The UK subsidiaries of these banks, Heritable and Kaupthing Singer and Friedlander also went into administration.

The Authority had deposits in Heritable and Landsbanki totalling £15m at the time of collapse and these sums are subject to the ongoing administration and recovery procedures. Based on the information available at that time, the Authority considered that an impairment (the difference between the amount outstanding and the amount likely to be recovered) should be recognised in the 2008/2009 accounts, by writing off £4.565m against revenue.

The current position regarding the outstanding debt is detailed in Note 11 in the Note to the Core Financial Statements (page 55).

Loan Debt

The total amount outstanding as at 31 March 2011 was £196m 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 55 (note 11).

The nominal value shown represents the principal amount outstanding at the Balance Sheet date.

	2009/2010 £000	2010/2011 £000
Amortised Cost of Loans:		
Loan debt repayable in one year	(3,290)	(2,126)
Loan debt repayable in more than one year	(192,734)	(193,377)
	(196,024)	**(195,503)**
Nominal Value of Loans:		
Loan debt repayable in one year	(3,269)	(2,039)
Loan debt repayable in more than one year	(189,421)	(190,166)
	(192,690)	**(192,205)**

Policy on Payment of Creditors

It is the Authority's policy to repay its creditors promptly and without undue delay, within a 30-day target settlement period. In 2010/2011, 94% of payments were made by the target date (91% in 2009/2010).

Explanatory Foreword (continued)

Pension Liability

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

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

Liabilities – the retirement benefits that have been promised under the formal terms of the pension scheme.

Assets – the Authority's attributable share of the investments held in the pension scheme to cover its liabilities, measured at fair value.

The total net liability included for 2010/2011 is some £232.776m (£310.553m in 2009/2010). 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 on page 64, note 12.

Local Government Reorganisation

On 1 April 1996 the Authority inherited its share of the assets and liabilities of Gwent County Council, Mid Glamorgan County Council, Islwyn Borough Council and Rhymney Valley District Council. The realisation of the current assets and liabilities of Gwent County Council was undertaken by Newport County Borough Council.

The audit of Mid Glamorgan County Council was completed on 25 November 1998. Rhondda Cynon Taff County Borough Council had the responsibility for closing these accounts and has provided the successor authorities (including Caerphilly) with an analysis of assets and liabilities to be transferred and these figures have been incorporated into the Authority's Statement of Accounts. The disaggregation of these assets and liabilities has been finalised, following a previous without prejudice distribution of outstanding balances having been made (see note 32, page 94 to the Financial Statements).

Rhondda Cynon Taff County Borough Council has now concluded this process, with the signing of a Section 56 agreement in accordance with the Local Government (Wales) Act 1994, on behalf of all successor authorities. However, the treatment of material liabilities arising since the balance sheet date ("post balance sheet events") has yet to be finalised.

The Authority has adopted a prudent approach and provided for all known liabilities and only those assets it is certain of receiving. Nevertheless certain assets transferred to the Authority could bring with them unknown liabilities, which have not been recognised and accounted for.

Explanatory Foreword (continued)

2010/2011 Capital Expenditure

Capital expenditure is shown in note 23 to the Financial Statements and amounted to some £47.371m (2009/2010 - £42.572m).

The major items within this figure are identified below:

Capital expenditure was financed by borrowing (£6.992m), grants (£35.593m) and other sources (£4.786m). The Authority has also entered into a number of finance leases to acquire computer equipment in its schools. Further details regarding these leases can be found in note 15, (page 74) to the Core Financial Statements.

	£000	£000
Housing:		
Repairs and Improvements	9,601	
Security Equipment	83	
Improvement Grants & Private Sites	5,209	
		14,893
Non Housing:		
Education	13,047	
Social Services	511	
Highways & Transportation and Land Reclamation	9,924	
Lifelong Learning and Leisure	1,675	
Economic Development/Tourism	783	
Planning	4,275	
Environmental Services	360	
Other	1,903	
		32,478
		47,371

Financed by:	Grants inc MRA	35,593
	Borrowing	6,992
	Other	4,786
		47,371

Explanatory Foreword (continued)

Future Financial Developments

The Authority's budget for 2011/2012 was approved on 24 February 2011. The budget was developed against a background of global recession and economic slowdown, consequent reductions in the bank base rate and developer investment, increased costs, and a growth in the demands placed upon services.

The Welsh Government's (WG) revenue settlement for the Authority decreased by 1.79% for 2011/12. Efficiency savings identified of £12.5m resulted in the Council setting a balanced budget and achieving a revenue contribution to capital of £3.3m for 2011/12. The Council agreed to freeze its Council Tax at 2010/2011 prices.

The capital settlement received from WG, for 2011/12, represented a very severe cut of 19.2% (or £2.293m) as compared to 2010/2011. The revenue contribution to capital of £3.3m, combined with one-off surpluses and capital receipts received in 2010/2011 of £10m has helped alleviate some of the pressures, albeit that this is a key issue for the Authority moving forward.

WG has provided indicative Revenue Support Grant (RSG) figures for 2012/13 and 2013/14 which have been used to agree a Medium Term Financial Plan (MTFP). The MTFP was presented to Council on the 24th February 2011. The Council has to deliver a further £2.8m of savings by 2013/14.

Since 2003, the Authority's Housing Stock Business Plans (submitted annually to the Welsh Government) have shown a shortfall in resources to meet and maintain the Welsh Housing Quality Standard (WHQS). As a result, an independent Housing Options Appraisal was commissioned which examined all the financial options available to the Authority to maintain the WHQS.

On 18th February 2010, full Council made a decision to ballot tenants on transferring the housing stock to a new Registered Social Landlord. The Authority has made good progress in this regard; the Offer document for submission to WG was approved at Council 21st June 2011. The ballot process is expected to take place in late November/early December 2011.

The estimated financial impact of a stock transfer has been factored into the MTFP.

Explanatory Foreword (continued)

2010 Code of Practice on Local Authority Accounting

The above publication, 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 2010/2011.

The 2010 Code of Practice is the first to be based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Boards (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Previous years' Financial Accounts were based on UK Generally Accepted Accounting Practice (UK GAAP). The move to an IFRS-based Code has resulted in a significant number of changes, as follows:

a) Grants and contributions for capital purposes are recognised as income immediately when the conditions for recognising the income are met, rather than being deferred and released to revenue to match depreciation;

b) The main financial statements have changed and there are additional requirements regarding segmental reporting (see page 14 "Introduction to Accounting Statements");

c) There is greater emphasis on component accounting in respect of non-current assets and a greater emphasis on derecognising parts of an asset that are replaced;

d) Property leases are classified and accounted for as separate leases of land and buildings and all contracts and other arrangements need to be assessed to ascertain whether any contain the substance of a lease;

e) Investment properties are measured at fair value, with gains and losses recognised in the Surplus or Deficit on Provision of Services rather than through the Revaluation Reserve;

f) Impairment losses are taken initially to the Revaluation Reserve to the extent that there is a balance on that reserve relating to the specific asset. Previously losses that arose as a result of a clear consumption of economic benefits were taken to the relevant service revenue account, with other impairment losses being taken initially to the Revaluation Reserve (where a previous valuation gain was charged) or with any excess charged to the relevant service revenue account;

g) There is a new category of non-current assets held for sale, with specific criteria applying to this classification;

h) Employees' benefits are accounted for as they are earned by the employees, requiring accruals for items such as holiday pay;

i) The definition of associates is based on the ability to control rather than actual control, leading to potential changes in group boundaries.

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

Responsibilities of the Head of Corporate Finance

The Head of Corporate Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Corporate Finance has:

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

The Head of Corporate Finance has also:

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

Certificate of the Head of Corporate Finance

I certify that the accounts, set out on pages 14 to 122, give a true and fair view of the financial position of the Authority as at 31 March 2011 and its income and expenditure for the year then ended.

N. Scammell
Head of Corporate Finance **Date**

Nicole Scammell 26/9/11

The accounts were approved by the Council on

Signed on behalf of Caerphilly County Borough Council:

Councillor V. Jenkins, Mayor
Chair of Meeting Approving the Accounts **Date**

26/09/11

Independent Auditor's Report to Members of Caerphilly County Borough Council

I have audited the accounting statements and related notes of Caerphilly County Borough Council for the year ended 31 March 2011 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 2010/11 based on International Financial Reporting Standards (IFRSs).

The maintenance and integrity of the Caerphilly County Borough Council web site is the responsibility of Caerphilly County Borough Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to 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. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Independent Auditor's Report to Members of Caerphilly County Borough Council continued

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 2011 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 2010/11.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

28 **September 2011**

Introduction to Accounting Statements

The Authority's accounts for the year 2010/2011 are set out in the following pages. They consist of:

a) **The Movement in Reserves Statement (MiRS**) – which shows 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' shows the true economic cost of providing the Authority's services and 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** – which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with regulations; this 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)** – which has been 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, on the basis on 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 Accounts and the Auditor's Report.

Movement in Reserves Statement

For the year ended

31 March 2011

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**	Note
Balance at 1 April 2009	**(10,812)**	**(30,163)**	**(4,422)**	**(4,257)**	**(516)**	**(50,170)**	
Movement in reserves during 2009/2010							
(Surplus)/deficit on provision of services (accounting basis)	2,392	0	(875)	0	0	1,517	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	
Other Comprehensive Income and Expenditure	**2,392**	**0**	**(875)**	**0**	**0**	**1,517**	
Adjustments between accounting basis and funding basis under regulations	(9,211)	87	(941)	(4,668)	(2,087)	(16,820)	**6**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(6,819)	87	(1,816)	(4,668)	(2,087)	(15,303)	
Transfers (to)/from Earmarked Reserves	4,647	(4,946)	176	123	0	0	**7**
(Increase)/Decrease in Year	**(2,172)**	**(4,859)**	**(1,640)**	**(4,545)**	**(2,087)**	**(15,303)**	
Balance at 31 March 2010	**(12,984)**	**(35,022)**	**(6,062)**	**(8,802)**	**(2,603)**	**(65,473)**	

	Unusable Reserves £000	**Total Authority Reserves £000**	**Note**
Balance at 1 April 2009	**(567,635)**	**(617,805)**	
Movement in reserves during 2009/2010			
(Surplus)/deficit on provision of services (accounting basis)	0	1,517	
Other Comprehensive Income and Expenditure	49,484	49,484	**11,12, 35**
Other Comprehensive Income and Expenditure	**49,484**	**51,001**	
Adjustments between accounting basis and funding basis under regulations	16,820	0	**6**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	66,304	51,001	
Transfers (to)/from Earmarked Reserves	0	0	
(Increase)/Decrease in Year	**66,304**	**51,001**	
Balance at 31 March 2010	**(501,331)**	**(566,804)**	

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**	**Note**
Balance at 1 April 2010	**(12,984)**	**(35,022)**	**(6,062)**	**(8,802)**	**(2,603)**	**(65,473)**	
Movement in reserves during 2010/2011							
(Surplus)/deficit on provision of services (accounting basis)	(55,870)	0	21,959	0	0	(33,911)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	
Other Comprehensive Income and Expenditure	**(55,870)**	**0**	**21,959**	**0**	**0**	**(33,911)**	
Adjustments between accounting basis and funding basis under regulations	40,994	0	(21,450)	(628)	(5,919)	12,997	**6**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(14,876)	0	509	(628)	(5,919)	(20,914)	
Transfers (to)/from Earmarked Reserves	11,239	(11,024)	(215)	0	558	558	**7**
(Increase)/Decrease in Year	**(3,637)**	**(11,024)**	**294**	**(628)**	**(5,361)**	**(20,356)**	
Balance at 31 March 2011	**(16,621)**	**(46,046)**	**(5,768)**	**(9,430)**	**(7,964)**	**(85,829)**	

	Unusable Reserves £000	**Total Authority Reserves £000**	**Note**
Balance at 1 April 2010	**(501,331)**	**(566,804)**	
Movement in reserves during 2010/2011			
(Surplus)/deficit on provision of services (accounting basis)	0	(33,911)	
Other Comprehensive Income and Expenditure	(123,167)	(123,167)	**12,35**
Other Comprehensive Income and Expenditure	**(123,167)**	**(157,078)**	
Adjustments between accounting basis and funding basis under regulations	(12,997)	0	**6**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(136,164)	(157,078)	
Transfers (to)/from Earmarked Reserves	(558)	0	
(Increase)/Decrease in Year	**(136,722)**	**(157,078)**	
Balance at 31 March 2011	**(638,053)**	**(723,882)**	

Comprehensive Income and Expenditure Statement

For the year ended

31 March 2011

Comprehensive Income and Expenditure Statement

	31 March 2010			31 March 2011			
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Note
Central Services to the Public	3,762	(928)	2,834	3,693	(1,109)	2,584	
Cultural, Environmental, Regulatory and Planning Services	69,243	(23,692)	45,551	66,157	(25,915)	40,242	
Education and Children's Services	209,475	(51,429)	158,046	208,152	(53,915)	154,237	
Highways and Transport Services	34,125	(7,424)	26,701	34,910	(7,229)	27,681	
Local Authority Housing (HRA)	47,389	(39,852)	7,537	69,982	(39,597)	30,385	
Other Housing Services	77,253	(75,200)	2,053	82,405	(79,891)	2,514	
Adult Social Care	67,745	(16,838)	50,907	71,963	(17,175)	54,788	
Corporate and Democratic Core Costs	4,619	(134)	4,485	4,455	(164)	4,291	
Non Distributed Costs	3,883	(394)	3,489	4,236	(425)	3,811	
Pension Past Service Cost credited to Non Distributed Costs	0	0	0	(38,972)	0	(38,972)	
Cost of Services	**517,494**	**(215,891)**	**301,603**	**506,981**	**(225,420)**	**281,561**	
Other Operating Expenditure	22,205	(3,264)	18,941	20,496	(5,919)	14,577	8
Financing and Investment Income and Expenditure	84,052	(57,369)	26,683	75,854	(50,314)	25,540	9
Taxation and Non-Specific Grant Income	0	(345,710)	(345,710)	0	(355,589)	(355,589)	10
(Surplus)/Deficit on Provision of Services			**1,517**			**(33,911)**	
(Surplus)/Deficit on revaluation of non-current assets			(29,540)			(76,498)	35
(Surplus)/Deficit on revaluation of available for sale financial assets			279			0	
Actuarial (gains)/losses on pensions assets/liabilities			78,745			(46,669)	12
Other Comprehensive Income and Expenditure			**49,484**			**(123,167)**	
Total Comprehensive Income and Expenditure			**51,001**			**(157,078)**	

Balance Sheet

As at 31 March 2011

Balance Sheet

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000	Note
Property, Plant & Equipment	1,094,332	1,110,322	1,166,159	23
Long Term Investments	7,850	6,696	3,398	25
Long Term Debtors	1,351	586	548	26
Long Term Assets	**1,103,533**	**1,117,604**	**1,170,105**	
Short Term Investments	69,857	51,275	69,827	11
Inventories	816	898	948	27
Short Term Debtors	32,409	26,246	31,316	28
Cash and Cash Equivalents	2,391	408	5,043	29
Current Assets	**105,473**	**78,827**	**107,134**	
Short Term Borrowing	(4,260)	(3,290)	(2,126)	11
Short Term Creditors	(58,485)	(61,367)	(64,157)	30
Short Term Provisions	(1,389)	(1,234)	(2,185)	31
Current Liabilities	**(64,134)**	**(65,891)**	**(68,468)**	
Long Term Provisions	(25,183)	(9,511)	(8,789)	31
Long Term Borrowing	(217,608)	(192,734)	(193,377)	11
Other Long Term Liabilities	(277,273)	(360,720)	(281,305)	11
Capital Grants Receipts in Advance	(7,003)	(770)	(1,417)	10
Long Term Liabilities	**(527,067)**	**(563,735)**	**(484,888)**	
Net Assets	**617,805**	**566,805**	**723,883**	
Usable Reserves	(50,170)	(65,473)	(85,830)	22
Unusable Reserves	(567,635)	(501,332)	(638,053)	22
Total Reserves	**(617,805)**	**(566,805)**	**(723,883)**	

Cash Flow Statement

For the year ended 31 March 2011

Cash Flow Statement

	2009/2010 £000	2010/2011 £000	Note
Net surplus or (deficit) on provision of services	**(1,517)**	**33,911**	
Adjust net surplus or deficit on the provision of services for non cash movement	40,843	16,547	48
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(28,273)	(32,998)	48
Net cash flows from Operating Activities	**11,053**	**17,460**	49
Investing Activities	12,648	(9,366)	50
Financing Activities	(25,684)	(3,459)	51
Net increase or (decrease) in cash and cash equivalents	**(1,983)**	**4,635**	
Cash and cash equivalents at the beginning of the reporting period	2,391	408	
Cash and cash equivalents at the end of the reporting period	**408**	**5,043**	

Notes

to the

Core Financial Statements

Notes to the Core Financial Statements

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/2011 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005 required in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 (the Code), and the Best Value Accounting Code of Practice 2010/2011 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.

b. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c. 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)

d. Items of a Material nature

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.

e. 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.

f. 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.

g. 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 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 revenue 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 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 when the Authority is demonstrably committed to the termination of the employment of an officer or a group of officers or making an offer to encourage voluntary redundancy.

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 Children, Schools and Families (DCSF).
- 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 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 Service revenue account 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.

- The discount rate to be applied to scheme liabilities is specified by CIPFA in the Code. In 2010/2011 this was calculated as a weighted average of "spot yields" on the iBoxx Sterling AA Rated Corporate Bond rate, which was 5.5% (5.7% in 2009/2010).

- 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 seven components:
  - Current service cost – the increase in liabilities as 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Surplus / Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Surplus / Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – credited or debited to the Comprehensive Income and Expenditure Statement
  - Contributions paid to the Torfaen Pension Fund – cash paid as employer's contributions to the pension fund.

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 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 any amounts payable to the fund but unpaid at the year-end.

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.

h. 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.
- 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.

Notes to the Core Financial Statements (continued)

i. 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 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 Surplus / Deficit on Provision of Services 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, regulations require the impact on the Council Fund balance to be 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 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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)

Available-for-Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income from the asset is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

- Instruments with quoted market prices – the market price (bid price); or
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain / loss is recognised in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain / loss for the assets accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge is made to the Comprehensive Income and Expenditure Statement, along with any accumulated gains / losses previously recognised in the Comprehensive Income and Expenditure Statement. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

j. 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.

k. Government Grants and Contributions

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

- The Authority will comply with the conditions attached to the payments, and
- The grants 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 are 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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements (continued)

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.

l. 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.

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

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

m. Interest in Companies

The Authority holds a financial interest, with shareholding, in the Trehir Development Company Ltd (TDC). This investment in TDC is accounted for on the basis of the lower of cost or net realisable value, which means that the value is written down where the financial performance of the company so dictates.

Further information in respect of the shareholding is detailed in note 25 to the Financial Statements.

Notes to the Core Financial Statements (continued)

n. Inventories and Long-Term Contracts

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.

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

o. 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.

p. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Notes to the Core Financial Statements (continued)

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense 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.

Finance Leases

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

q. 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 *Best Value Accounting Code of Practice 2010/2011* (BVACOP). 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Notes to the Core Financial Statements (continued)

r. 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.

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

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

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.

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).

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.

Notes to the Core Financial Statements (continued)

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.

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).

Deprecation is calculated on a straight line basis as follows:

- council dwellings – 15 to 40 years
- buildings – 15 to 40 years
- vehicles, furniture and equipment – 3 to 5 years
- infrastructure assets – 10 to 40 years
- mobile plant – 5 to 10 years

Notes to the Core Financial Statements (continued)

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charges are made to the service revenue accounts and DSO/DLO and other 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. The annual charge is based on the value of assets at 1 April in each financial year. No depreciation is charged on assets in the year of acquisition, but depreciation is charged in the year of disposal

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 sale is expected to qualify for recognition as a completed sale within one year of the date of classification and action 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.

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.

Notes to the Core Financial Statements (continued)

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge of 6.81% for the road and 10.54% 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 13 and 47 for the PFI Equalisation Reserves).

t. Provisions and Reserves, Contingent Assets and Contingent Liabilities

Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised under IAS 37 when:

- The Authority has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Reserves

Reserves are maintained to meet future expenditure of a general nature not covered by the definition of provisions, and could potentially be used for the funding of capital expenditure, the replacement or renewal of assets, or the sponsorship of a major event by the Authority.

The Code requires the maintenance of additional non-distributable reserves, two in respect of the capital accounting system, two in respect of financial instruments and one in respect of pensions:

- The Revaluation Reserve, which records the accumulated gains on non-current assets held by the Authority arising from increases in value (from 1 April 2007), as a result of inflation or other factors;

Notes to the Core Financial Statements (continued)

- The Capital Adjustment Account, which records the write down of the historical cost of non-current assets as they are consumed by depreciation and impairments or are written-off on disposal, the resources that have been set aside to finance capital expenditure and unrealised valuation gains pre-1 April 2007;
- The Available-for-Sale Reserve, which records the store of gains on revaluation of investments not yet realised through sales;
- The Financial Instruments Adjustment Account, which records the amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts; and
- A Pensions Reserve, per the requirements of IAS19 "Employee Benefits". Statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund in the year and not the amount calculated in accordance with IAS19. In the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the debits and credits for retirement benefits and replace them with the charge for the cash paid to the pension fund (including any amounts payable to the fund unpaid at the year-end).

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.

u. 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.

Notes to the Core Financial Statements (continued)

v. 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.

w. 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.

x. Related Party Transactions

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

y. Value Added Tax

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

z. 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 are 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.

Notes to the Core Financial Statements (continued)

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.

2. Transition to IFRS

The Statement of Accounts for 2010/2011 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010.

The following tables explain the material differences between the amounts presented in the 2009/2010 financial statements and the equivalent amounts presented in the 2010/2011 financial statements.

<u>Short-term accumulating compensated absences</u>

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

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Notes to the Core Financial Statements (continued)

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/2010 financial statements:

Opening 1 April 2009 Balance Sheet	2008/2009 Statements £000	Adjustments Made £000	Note
Creditors	(57,493)	(5,925)	30
Accumulated Absences Account	0	5,925	38

31 March 2010 Balance Sheet	2009/2010 Statements £000	Adjustments Made £000	Note
Creditors	(59,368)	(5,218)	30
Accumulated Absences Account	0	5,218	38

2009/2010 Comprehensive Income and Expenditure Statement

Cost of Services (Net):	2009/2010 Statements £000	Adjustments Made £000
Central Services to the Public	2,777	(11)
Cultural, Environmental, Regulatory and Planning Services	44,063	(283)
Education and Children's Services	154,802	39
Highways and Transport Services	21,005	(36)
Local Authority Housing (HRA)	286	(49)
Other Housing Services	2,079	(26)
Adult Social Care	51,122	(215)
Corporate and Democratic Core Costs	4,475	(4)
Non Distributed Costs	3,499	(10)
Financing and Investment Income and Expenditure	25,722	(112)

Leases

The Code requires lease classification to be made at the inception of the lease and requires that where the present value of the minimum lease payments amounts to at least “substantially all” of the fair value of the leased asset, this would indicate a finance lease. Previously, the SoRP quantified “substantially all” as being “normally 90% or more” (the so-called 90% rule), but the Code has removed this quantitative test and instead suggests that professional judgement is used to assess “substantially all”. The substance of the transaction has to be looked at rather than merely the form of the contract with reference to certain indicators that a lease could be a finance lease rather than an operating lease, such as whether ownership of the asset is transferred to the lessee by the end of the lease term, whether there is an option to purchase at less than fair value, whether the lease term is for the major part of the economic life of the asset and whether the asset is so specialised that only the lessee can use it without major modifications.

Notes to the Core Financial Statements (continued)

As a consequence of reviewing the Authority's lease agreements, items of office and computer equipment have been reclassified from operating leases to finance leases. This has resulted in all previous lease transactions being reversed out of the service revenue accounts. The fair value and associated liability of each asset has been assessed and payments between the lease inception and 31 March 2009 have been apportioned between finance charges and capital repayments. Interest rates implicit in each lease agreement have been obtained, but where these rates were not available, the Authority has used its incremental borrowing rate. Depreciation has also been charged between each lease inception and 31 March 2009 along with minimum revenue provision (MRP) charges. This has resulted in the following changes being made to the 2009/2010 financial statements:

Opening 1 April 2009 Balance Sheet	**2008/2009 Statements £000**	**Adjustments Made £000**	**Note**
Property, Plant and Equipment (leased assets)	9,391	257	**22**
Creditors (excluding short term loans)	(52,487)	(73)	**29**
Other Long-term Liabilities (finance lease liabilities)	(103)	(184)	**39**
Capital Adjustment Account	(316,759)	0	**35**

31 March 2010 Balance Sheet	**2009/2010 Statements £000**	**Adjustments Made £000**	**Note**
Property, Plant and Equipment (leased assets)	8,323	184	**22**
Creditors (excluding short term loans)	(56,078)	(71)	**29**
Other Long-term Liabilities (finance lease liabilities)	(32)	(113)	**39**
Capital Adjustment Account	(307,963)	0	**35**

2009/2010 Comprehensive Income and Expenditure Statement

Cost of Services (Net):	**2009/2010 Statements £000**	**Adjustments Made £000**
Education and Children's Services	154,802	(40)
Financing and Investment Income and Expenditure	25,722	40

The net change to Education and Children's Services consists of the removal of the operating lease charges for the equipment (reduction of £113,000) and the inclusion of the depreciation charge and the finance charge (increase of £73,000 and £40,000 respectively). The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

Notes to the Core Financial Statements (continued)

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/2010; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/2010 but not used. Previously no income was recognised in respect of these grants, which were shown in the Capital Grants Unapplied Account within the liabilities section of the Balance Sheet. Following the change in accounting policy, the grants have been recognised in full and transferred to the Capital Grants Unapplied Account within the reserves section of the Balance Sheet.

Opening 1 April 2009 Balance Sheet	**2008/2009 Statements £000**	**Adjustments Made £000**	**Note**
Government Grants Deferred Account	(163,544)	163,544	
Capital Adjustment Account	(316,759)	(163,544)	**35**
Capital Grants and Contributions Unapplied	(11,464)	11,464	
Capital Grants Receipts in Advance	0	(7,003)	**9**
Capital Grants Unapplied Account	0	(4,257)	
Capital Earmarked Reserve	(433)	(204)	**41**

31 March 2010 Balance Sheet	**2009/2010 Statements £000**	**Adjustments Made £000**	**Note**
Government Grants Deferred Account	(166,414)	2,870	
Capital Adjustment Account	(307,963)	(2,870)	**35**
Capital Grants and Contributions Unapplied	(9,899)	(1,565)	
Capital Grants Receipts in Advance	0	6,233	**9**
Capital Grants Unapplied Account	0	(4,545)	
Capital Earmarked Reserve	(3,490)	(123)	**41**

Notes to the Core Financial Statements (continued)

3. Accounting Standards that have been issued but have not yet been adopted

FRS30 Heritage Assets has been issued, but not yet adopted by the Authority. The standard will be adopted for the 2011/2012 Financial Statements where Heritage Assets will be recognised for the first time as a separate class of assets. The assets that will be recognised and classified as heritage assets are as follows:

Asset:	Classification in 2010/2011	Net Book Value
Babell Chapel	Operational Land & Buildings	£80,000
Drenewydd (Butetown) Museum	Operational Land & Buildings	£168,752
Elliott Colliery Winding House	Operational Land & Buildings	£2,531,254
Llancaiach Fawr	Operational Land & Buildings	£6,209,882

The expected effect of revaluation gains, losses, depreciation and impairment on the above assets is not yet known.

4. 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:

- The Authority had £15m deposited across two Icelandic Banks, Heritable Bank LT and Landsbanki Islands hf, with varying maturity dates and interest rates. In October 2008 these institutions went into administration. The Authority considered it appropriate to recognise an impairment of £4.565m in 2008/09 in respect of these deposits. This original impairment has been revised to £4.271m in 2010-11. Further information is disclosed in Note 11 to the accounts.

- 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 £36.812m) and Road (valued at £33.118m) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

- The Authority has £1.166bn recognised as Property, Plant and Equipment on its Balance Sheet as at 31 March 2011. Note 23 to the accounts details the revaluations to land, property, plant and equipment during the accounting period to ensure that Property, Plant and Equipment is included in the accounts at 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 by the Authority's in-house Corporate Property Department on an annual basis in line with the rolling program. 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.

5. Assumptions about the future / other major 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.

Notes to the Core Financial Statements (continued)

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 2011 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 £11.079m - see note 31.	If the Authority has over provided for the potential liabilities the over provision will be released increasing the available funds in working balances. If the Authority has underprovided for the potential liabilities the under provision will be a charge to the Authority's Comprehensive Income and Expenditure Statement, with a reduction in working balances.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £11.132m. However, the assumptions interact in complex ways. During 2010/2011, the Authorities actuaries advised that the net pensions liability had decreased by £77.777m as a result of estimates being corrected as a result of experience, and increase in assets of £7.363m and a gain in liabilities of £15.008m attributable to updating of the assumptions.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors of £6.668m of which £2.717m were over three months old.	Based on past experience of default, (0.9% of debtors defaulting), the estimated maximum exposure to default is £60,000. If this percentage were to increase by 50%, the maximum exposure to default would be £90,000.

Notes to the Core Financial Statements (continued)

6. Adjustments between accounting basis and funding basis under Regulations

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

2009/2010 Comparative	Usable Reserves					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Council Fund Reserves	
	£000	£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	(29,314)	(2,951)	0	0	0	32,265
Revaluation losses on Property Plant and Equipment	(5,420)	(8,526)	0	0	0	13,946
Amortisation of intangible assets	(167)	0	0	0	0	167
Capital grants and contributions applied	19,400	7,300	0	(4,668)	0	(22,032)
Revenue expenditure funded from capital under statute	(872)	0	0	0	0	872
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	461	1,112	(3,264)	0	87	1,604
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	8,994	1,046	0	0	0	(10,040)
Capital expenditure charged against the Council Fund and HRA balances	1,574	800	0	0	0	(2,374)

Notes to the Core Financial Statements (continued)

2009/2010 Comparative	Usable Reserves: Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Council Fund Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,177	0	0	(1,177)
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	1,173	(72)	0	0	0	(1,101)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(29,565)	(357)	0	0	0	29,922
Employer's pensions contributions and direct payments to pensioners payable in the year	23,867	658	0	0	0	(24,525)
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	658	49	0	0	0	(707)
Total Adjustments	(9,211)	(941)	(2,087)	(4,668)	87	16,820

Notes to the Core Financial Statements (continued)

2010/2011	Usable Reserves: Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(25,327)	(33,188)	0	0	58,515
Amortisation of intangible assets	(345)	0	0	0	345
Capital grants and contributions applied	19,437	7,400	0	0	(26,837)
Revenue expenditure funded from capital under statute	(1,942)	0	0	0	1,942
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	4,491	1,042	(5,919)	0	386
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	9,586	1,009	0	0	(10,595)
Capital expenditure charged against the Council Fund and HRA balances	3,656	2,284	0	0	(5,940)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	628	0	0	(628)	0

Notes to the Core Financial Statements (continued)

2010/2011	Usable Reserves: Council Fund Balance £000	Usable Reserves: Housing Revenue Account £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	**Movement in Unusable Reserves £000**
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	7,579	(534)	0	0	(7,045)
Employer's pensions contributions and direct payments to pensioners payable in the year	23,456	608	0	0	(24,064)
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	(9)	(13)	0	0	22
Total Adjustments	**40,994**	**(21,450)**	**(5,919)**	**(628)**	**(12,997)**

Notes to the Core Financial Statements (continued)

7. 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 2010/2011.

	Balance at 1 April 2009 £000	Transfers Out 2009/2010 £000	Transfers In 2009/2010 £000	Balance at 31 March 2010 £000	Transfers Out 2010/2011 £000	Transfers In 2010/2011 £000	Balance at 31 March 2011 £000
Council Fund:							
Balances held by schools under a scheme of delegation (note 45)	(5,620)	831	(2,051)	**(6,840)**	1,229	(1,191)	**(6,802)**
Capital Earmarked Reserves (note 42)	(760)	300	(3,357)	**(3,817)**	1,606	(10,804)	**(13,015)**
Direct Services Earmarked Reserves (note 41)	(1,937)	468	(42)	**(1,511)**	1,028	(123)	**(606)**
Service over/undersprend Reserves (note 43)	(3,572)	3,264	(4,025)	**(4,333)**	6,662	(7,888)	**(5,559)**
Insurance Earmarked Reserves (note 44)	(784)	401	(2,402)	**(2,785)**	1,246	(1,427)	**(2,966)**
Other Earmarked Reserves (note 47)	(17,613)	4,348	(2,471)	**(15,736)**	557	(1,920)	**(17,099)**
Total	**(30,286)**	**9,612**	**(14,348)**	**(35,022)**	**12,328**	**(23,353)**	**(46,047)**
Housing Revenue Account:							
HRA Fund Balance	**(4,422)**	**1,656**	**(3,296)**	**(6,062)**	**2,689**	**(2,395)**	**(5,768)**

8. Other Operating Expenditure

Other operating expenditure is made up as follows:

	2009/2010 £000	2010/2011 £000
Community Council Precepts	537	541
Gwent Police Authority Precept	10,066	10,507
Levies	9,911	9,062
(Gains)/losses on the disposal of non-current assets	(1,573)	(5,533)
Total	**18,941**	**14,577**

Notes to the Core Financial Statements (continued)

Levies	2009/2010 £000	2010/2011 £000
South Wales Fire Authority	9,551	8,672
Gwent Coroners' Service	131	146
Glamorgan Archives' Service	98	101
Gwent Archives' Service	131	143
Total Levies	**9,911**	**9,062**

Precepts Community Councils	2009/2010 £000	2010/2011 £000
Aber Valley Community Council	27	30
Argoed Community Council	9	9
Bargoed Town Council	62	60
Bedwas, Trethomas and Machen Community Council	53	53
Blackwood Community Council	35	34
Caerphilly Town Council	73	73
Darren Valley Community Council	12	12
Gelligaer Community Council	68	70
Llanbradach Community Council	27	28
Maesycwmmer Community Council	14	14
Nelson Community Council	23	23
New Tredegar Community Council	17	17
Penyrheol, Trecenydd and Energlyn Community Council	54	55
Rhymney Community Council	35	35
Rudry Community Council	8	8
Van Community Council	20	20
	537	**541**
Gwent Police Authority	**10,066**	**10,507**
Total Precepts upon the Authority	**10,603**	**11,048**

Notes to the Core Financial Statements (continued)

9. Financing and Investment Income and Expenditure

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

	2009/2010 £000	2010/2011 £000
Interest payable and similar charges	13,433	13,303
Pensions interest costs and expected return on pensions assets	17,808	13,386
Interest receivable and similar income	(1,661)	(1,046)
Income and expenditure in relation to investment properties and changes in their fair value	0	0
Other investment income	0	0
(Gains)/losses on direct labour/service organisations trading	(2,438)	(1,373)
(Gains)/losses on other trading accounts	(459)	1,270
Total	**26,683**	**25,540**

	2009/2010 (Surplus)/ Deficit £000	2010/2011 Income £000	2010/2011 Expenditure £000	2010/2011 (Surplus)/ Deficit £000
Highway Maintenance	(498)	(7,475)	6,636	(839)
Public Cleaning & Refuse Collection	(851)	(8,977)	9,247	270
Building Cleaning	27	(3,150)	2,966	(184)
Vehicle Maintenance	(89)	(1,137)	1,081	(56)
Catering	121	0	0	0
Leisure	64	0	0	0
Grounds Maintenance	(385)	(4,509)	4,409	(100)
Building Services	(770)	(16,569)	16,099	(470)
Fleet Management	(57)	(4,792)	4,798	6
Total (gains)/losses on direct service/labour organisations trading	**(2,438)**	**(46,609)**	**45,236**	**(1,373)**

	2009/2010 (Surplus)/ Deficit £000	2010/2011 Income £000	2010/2011 Expenditure £000	2010/2011 (Surplus)/ Deficit £000
Industrial Estates	(404)	(2,052)	3,411	1,359
Housing Agency	(55)	(601)	512	(89)
Total (gains)/losses on other trading accounts	**(459)**	**(2,653)**	**3,923**	**1,270**

Notes to the Core Financial Statements (continued)

10. Taxation and non-specific grant income

	2009/2010 £000	2010/2011 £000
Council tax income	(61,849)	(64,146)
Non domestic rates	(45,530)	(47,584)
Non-ringfenced government grants	(211,630)	(216,394)
Capital grants and contributions	(26,701)	(27,465)
Total	**(345,710)**	**(355,589)**

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, Gwent Police Authority 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, £897.84 in 2010/2011 (£872.53 in 2009/2010) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2010/2011 was £64.343m (£62.205m in 2009/2010).

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	8,445	18,067	14,228	8,077	6,558	2,967	1,094	173	109

Analysis of the net proceeds from council tax:	2009/2010 £000	2010/2011 £000
Council tax collectable		
Caerphilly County Borough Council	(51,602)	(53,295)
Gwent Police Authority - see note 8	(10,066)	(10,507)
Community Councils - see note 8	(537)	(541)
Total amount due	(62,205)	(64,343)
Less: Bad Debt Provision	356	197
Net proceeds from council tax	**(61,849)**	**(64,146)**

NNDR Income

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate (40.9p in 2010/2011, 48.9p in 2009/2010) 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.

Notes to the Core Financial Statements (continued)

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 2010/2011 was £47.584m in total (£45.53m in 2009/2010).

The anticipated NNDR proceeds of £29.5m for 2010/2011 (£32.3m in 2009/2010) was based on an average rateable value of £88.1m for the year (£74.54m for 2009/2010).

Analysis of the net proceeds from Non-Domestic Rates:	**2009/2010 £000**	**2010/2011 £000**
Anticipated proceeds	(32,314)	(29,521)
Less: Discretionary relief	273	226
Cost of collection	281	316
Bad and doubtful debts	713	546
Contribution to NNDR Pool	**(31,047)**	**(28,433)**
Redistributed amount due from NNDR Pool	(45,530)	(47,584)
Amount received from NNDR Pool	**(45,530)**	**(47,584)**

Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/2011:

	2009/2010 £000	**2010/2011 £000**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(199,149)	(206,600)
Outcome Agreement Grant	(1,901)	(1,881)
Deprivation Grant	(2,466)	0
Private Finance Initiative Grant	(8,114)	(7,913)
Total	**(211,630)**	**(216,394)**

The Authority received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require that the monies be returned to the giver
The balances at the year-end are as follows:

Capital Grants Receipts in Advance	**31 March 2010 £000**	**31 March 2011 £000**
Opening balance	**(7,003)**	**(770)**
Planning grants	(166)	(179)
Highways and Transportation grants	3,449	(289)
Education grants	184	0
Lifelong Learning and Leisure grants	2,672	0
Property grants	69	0
Private Housing grants	25	0
Social Services	0	(179)
	(770)	**(1,417)**

Notes to the Core Financial Statements (continued)

11. Financial Instruments

Categories of Financial Instruments

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

	Long Term			Current		
	1 April 2009	31 March 2010	31 March 2011	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000	£000	£000	£000
Investments						
Loans and receivables	7,762	6,696	3,398	59,977	51,275	69,827
Available-for-sale financial assets	0	0	0	9,880	0	0
Unquoted equity investment at cost	88	0	0	0	0	0
Total investments	**7,850**	**6,696**	**3,398**	**69,857**	**51,275**	**69,827**
Debtors						
Financial assets carried at contract amounts	1,351	586	548	32,409	26,246	31,316
Total debtors	**1,351**	**586**	**548**	**32,409**	**26,246**	**31,316**
Borrowings						
Financial liabilities at amortised cost	(217,608)	(192,734)	(193,377)	(4,260)	(3,290)	(2,126)
Total borrowings	**(217,608)**	**(192,734)**	**(193,377)**	**(4,260)**	**(3,290)**	**(2,126)**
Other long term liabilities						
PFI and finance lease liabilities	(51,502)	(49,475)	(47,942)	(1,888)	(1,937)	(1,831)
Pension Liability	(224,981)	(310,553)	(232,776)	0	0	0
Long Term Provisions	(25,183)	(9,511)	(8,789)	0	0	0
Deferred Liabilities	(790)	(692)	(587)	0	0	0
Total other long term liabilities	**(302,456)**	**(370,231)**	**(290,094)**	**(1,888)**	**(1,937)**	**(1,831)**
Creditors						
Financial liabilities carried at contract amount	0	0	0	(59,874)	(62,601)	(66,342)
Total creditors	**0**	**0**	**0**	**(59,874)**	**(62,601)**	**(66,342)**

Notes to the Core Financial Statements (continued)

Income, Expenses, Gains and Losses

31 March 2010	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Total £000
Interest expense	13,433	0	0	13,433
Total expense in Surplus or Deficit on the Provision of Services	**13,433**	**0**	**0**	**13,433**
Interest income	0	(1,145)	(516)	(1,661)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(1,145)**	**(516)**	**(1,661)**
Losses on revaluation			279	279
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			**279**	**279**
Net (gain)/loss for the year	**13,433**	**(1,145)**	**(237)**	**12,051**

31 March 2011	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000	Loans and receivables £000	Total £000
Interest expense	13,303	0	13,303
Total expense in Surplus or Deficit on the Provision of Services	**13,303**	**0**	**13,303**
Interest income	0	(584)	(584)
Interest income accrued on impaired financial assets	0	(462)	(462)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(1,046)**	**(1,046)**
Net (gain)/loss for the year	**13,303**	**(1,046)**	**12,257**

Notes to the Core Financial Statements (continued)

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.

In previous years the Council showed the Fair Value for Public Works Loan Board (PWLB) debt based on the PWLB New Loan rates of interest and provided by the Council's Treasury Management Advisors. Although the PWLB provided a Fair Value figure itself, this was based on the PWLB Premature Repayment rates of interest and was provided as a total figure which could not be confirmed.

However, for 2010/2011, the PWLB have supplied the information on a loan-by-loan basis which can now be confirmed. 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 PWLB debt relating to the HRA is repaid prematurely, Fair Value based on these rates of interest would appear to be the most logical. Therefore, for 2010/2011 the Fair Value for PWLB loan debt has been arrived at using the PWLB's own method of calculation.

The fair values calculated are as follows:

	1 April 2009		**31 March 2010**		**31 March 2011**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial liabilities	(281,742)	(308,769)	(258,625)	(284,789)	(261,845)	(295,598)
Long term creditors	(77,475)	(77,475)	(59,678)	(59,678)	(57,318)	(57,318)
	(359,217)	**(386,244)**	**(318,303)**	**(344,467)**	**(319,163)**	**(352,916)**

Analysis of Liabilities by maturity	**1 April 2009 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Maturing within 1 year	(67,710)	(70,667)	(73,053)
Maturing in 1 - 2 years	(32,528)	(14,062)	(11,876)
Maturing in 2 - 5 years	(12,929)	(11,837)	(18,949)
Maturing in 5 - 10 years	(22,593)	(23,311)	(19,643)
Maturing in 10 - 15 years	(17,022)	(18,885)	(18,492)
Maturing in 15 - 20 years	(29,635)	(32,520)	(33,214)
Maturing in 20 - 25 years	(19,411)	(13,469)	(10,396)
Maturing in 25 - 30 years	(12,471)	(14,965)	(14,965)
Maturing in 30 - 35 years	(14,965)	(19,954)	(23,945)
Maturing in 35 - 40 years	(23,945)	(13,968)	(9,977)
Maturing in 40 - 45 years	(51,228)	(41,863)	(50,196)
Maturing in 45 - 50 years	(26,804)	(22,332)	(14,000)
Maturing in over 50 years	(27,976)	(20,470)	(20,457)
	(359,217)	**(318,303)**	**(319,163)**

Notes to the Core Financial Statements (continued)

Short–term debtors and creditors are carried at cost as this is a fair approximation of their value. The fair value of the financial liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	1 April 2009		31 March 2010		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	110,116	112,019	84,217	84,217	104,541	104,541
Long term debtors	1,351	1,351	586	586	548	548
	111,467	**113,370**	**84,803**	**84,803**	**105,089**	**105,089**

As at 1 April 2009, the fair value of assets is higher than the carrying amount because long term investments are included at market value. As at 31 March 2010 and 2011, there were no long-term investments. Assets included deposits valued at nominal amounts plus accrued interest. The Authority had no Asset and Liabilities at Fair Value Through Profit and Loss at 31 March 2011.

Nature and Extent of Risks arising from Financial Instruments

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

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

The Authority's overall risk management programme seeks to minimise potential adverse effects on the resources available to fund services. A central treasury management team carries out risk management under policies most recently approved by the Authority in the Treasury Management Annual Strategy Report presented to Council in February 2010. The Authority provides written principles for the overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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.

Due to the continued uncertainty following the collapse of the financial markets in October 2008, and the subsequent potential loss of sums invested in Icelandic banks (see below re Impairment of Investments) the strategy employed for 2010/2011 followed that of 2009/2010, 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. Small sums were also held in two bank call accounts with immediate access.

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.

Notes to the Core Financial Statements (continued)

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

	1 April 2009	31 March 2010	31 March 2011			
	Estimated maximum exposure to default and un-collectability £000	Estimated maximum exposure to default and un-collectability £000	Amount at 31 March 2011 £000	Historical experience of default %	Historic experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and un-collectability £000
			A	B	C	(A x C)
Deposits with banks and financial institutions	4,565	4,565	81,284	5.48%	5.25%	4,271
Debtors - past due but not impaired	37	47	2,717	0.90%	0.90%	24
	4,602	**4,612**				**4,295**

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:

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Three to six months	155	344	478
Six months to one year	335	378	726
More than one year	828	1,297	1,513
	1,318	**2,019**	**2,717**

Impairment of Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Authority had £15m deposited across two of these institutions, Heritable Bank LT and Landsbanki Islands hf, with varying maturity dates and interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. The Authority considered it appropriate to recognise an impairment of £4.565m in the 2008/2009 accounts. Whilst progress has been made in respect of one of the banks involved (Heritable), the situation relating to the other is more uncertain. As a result, the Authority considers it prudent that an adjustment to the original impairment can be made in respect of Heritable, but no adjustment made in respect of Landsbanki.

Notes to the Core Financial Statements (continued)

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst and Young, dated 10 August 2011 outlined that the return to creditors was projected to be between 86p and 90p in the £ by January 2013. Three dividend payments were made in 2010/2011 equating to 15.13p in the £ (£1.528m). As the overall estimate of the total amount to be received has been increased, the Authority has decided to reduce the impairment by some £523k based on the recovery of 88.03p in the £. It is anticipated that a final sale of assets will take place after the books have been run down to the January 2013, but that dividends will be made on a more frequent basis than originally anticipated, giving the following assumptions regarding timing of recoveries:

- July 2009 16.13%
- December 2009 12.66%
- March 2010 6.19%
- July 2010 6.27%
- October 2010 4.14%
- January 2011 4.72%
- April 2011 6.25%
- July 2011 4.05%
- October 2011 4.50%
- January 2012 4.50%
- April 2012 4.50%
- July 2012 4.50%
- October 2012 4.50%
- January 2013 5.12%

Recoveries are expressed as a percentage, totalling 88.03%, of the Authority's claim in the administration, which includes interest, accrued up to 6 October 2008. The foregoing percentages are subject to change as the administration progresses.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 27 May 2010 and can be viewed on its website. This and other relevant information indicates that recovery of between 90-100% could be achieved, and the best estimate of the amount to be repaid to preferential claimants is 94.85%. The Authority has however decided to continue to recognise an impairment based on it recovering 83p in the £ as determined in the accounts for 2008/2009.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy priority creditor status, which has been tested favourably through the Icelandic courts, but is subject to appeal.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Although Local Government's legal advice is that local authority depositors should be treated as preferential creditors, failure to secure such status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 38.21p in the £ based on latest reports.

Notes to the Core Financial Statements (continued)

The resolution committee has not provided any information about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the original impairment, the Authority has used the estimated repayment timetable as follows as a basis for its assumption about the timing of recoveries:

- March 2010 21.00%
- December 2010 21.00%
- December 2011 21.00%
- December 2012 20.00%

However, the most up to date model of the estimated priority status (preferential creditor) recovery timetable is as follows:

- December 2011 22.17%
- December 2012 8.87%
- December 2013 8.87%
- December 2014 8.87%
- December 2015 8.87%
- December 2016 8.87%
- December 2017 8.87%
- December 2018 19.46%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009 (as per Icelandic Act No 44/2009). In cases where the maturity date was before 22 April 2009, interest between the maturity date and 22 April 2009 will be credited at a penalty rate of 22% and claims should include calculations based on this amount.

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Recoverable Amount £000	Impairment £000
Heritable Bank LT	11/07/2008	10/10/2008	3,000	5.92	2,418	711
Heritable Bank LT	14/07/2008	13/10/2008	1,500	5.90	1,208	355
Heritable Bank LT	21/08/2008	19/11/2008	1,500	5.83	1,203	351
Heritable Bank LT	26/08/2008	24/11/2008	1,000	5.84	801	234
Heritable Bank LT	02/09/2008	01/12/2008	2,000	5.84	1,600	467
Heritable Bank LT	09/09/2008	08/12/2008	1,000	5.81	800	232
Landsbanki Islands	15/07/2008	13/10/2008	1,000	5.89	699	343
Landsbanki Islands	20/08/2008	19/11/2008	3,000	5.83	2,093	1,014
Landsbanki Islands	15/09/2008	12/12/2008	1,000	5.78	697	335
		Totals	**15,000**		**11,519**	**4,042**

Add:		
Interest due to date of collapse		278
Original amount outstanding		**15,278**
Additional interest assumed to 31 March 2009		283
Additional interest to end of recovery period		2,301
Loss of capital and accrued interest:		
	Capital	1,437
	Interest	21
Impairment		**4,042**

The recoverable amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on statements made by the administrators:

Notes to the Core Financial Statements (continued)

Year End	Heritable Bank LT	Landsbanki Islands	Total
	£000	£000	£000
31 March 2010	3,532	0	3,532
31 March 2011	1,528	0	1,528
31 March 2012	1,948	1,152	3,100
31 March 2013	1,880	461	2,341
31 March 2014	0	461	461
31 March 2015	0	461	461
31 March 2016	0	461	461
31 March 2017	0	461	461
31 March 2018	0	461	461
31 March 2019	0	1,012	1,012
		Totals	**13,819**

Interest from the investments credited to the Comprehensive Income and Expenditure Statement is as follows:

Bank	Credited 2009/10 £	Received 2009/10 £	Credited 2010/11 £	Received 2010/11 £
Heritable Bank LT	33,953	33,953	255,189	14,685
Landsbanki Islands	0	0	221,488	0

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.

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 Surplus or Deficit on the Provision of Services will rise;
- For borrowings at fixed rates the fair value of the borrowings will fall;
- For investments at variable rates the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- For investments at fixed rates the fair value of the assets will fall.

Borrowings are not carried at fair value (but are carried on the Balance Sheet at amortised cost) so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance pound for pound. Movements in fair value of available-for-sale investments will be reflected in Other Comprehensive Income and Expenditure.

Notes to the Core Financial Statements (continued)

The Authority has a number of strategies for managing interest rate risk. Its policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans when interest rate levels are favourable. However, as at 31 March 2011, 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 DMADF and other local authorities resulted in low returns of interest receivable for 2009/2010. However, in February 2010, an opportunity arose to prematurely repay PWLB loans totalling some £21m, which resulted in savings in interest and the receipt of a discount, not only helping to support the Comprehensive Income and Expenditure Statement in 2010/2011, but also for subsequent years.

According to the assessment strategy, if interest rates had been 1% higher at 31 March 2011, 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	0
Increase in fair value of fixed rate investment assets	21
Impact on Other Comprehensive Income and Expenditure	**21**
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)	**22,874**

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.

Price risk

The Authority does not generally invest in equity shares but did have a 100% shareholding with a negative net asset value of £532k in the Trehir Development Company Ltd represented by 100 £1 shares, (see note 25). The company was dissolved in November 2010. The Authority was consequently exposed to losses arising from movements in the worth of the company. As the shareholdings arose in the acquisition of specific interests, the Authority was not in a position to mitigate exposure to risk by diversifying its portfolio. The shares were classed as available-for-sale, with all movements in price impacting on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign exchange risk

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

Notes to the Core Financial Statements (continued)

12. Retirement Benefits

Defined Benefit Scheme

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits and participates in two different pension schemes – the Local Government Pension Scheme and the Teachers' Pension Scheme.

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 2010/2011, the Authority paid an employer's contribution of £20.432m, representing 21.0% of the pensionable pay of employees who are members of the scheme into the Greater Gwent (Torfaen) Pension Fund (£20.749m representing 21.0% in 2009/2010), 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 2010/2011 these amounted to £2.240m, representing 2.30% of pensionable pay (£2.417m representing 2.45% in 2009/2010).

Teachers' Pension Scheme

In 2010/2011, the Authority paid £8.021m to Capita Teachers' Pensions in respect of teachers' pensions, which represents 14.1% of teachers' pensionable pay (£7.960m and 14.1% for 2009/2010). In addition, the Authority is responsible for all pension payments relating to added years that have been awarded, together with the related increases. In 2010/2011, these amounted to £1.607m, representing approximately 2.80% of pensionable pay (£1.746m and 3.07% for 2009/2010).

Former Authorities' Liability

The former authorities' liability exists in respect of previous years 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 report is available on request from the Director of Finance, Rhondda Cynon Tâf County Borough Council, The Pavilions, Cambrian Park, Clydach Vale, Tonypandy CF40 2XX.

Notes to the Core Financial Statements (continued)

Unfunded Teachers Pensions Liability

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the Council Fund 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	
	2009/2010 £000	2010/2011 £000	2009/2010 £000	2010/2011 £000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
• current service cost	11,328	17,985	0	0
• past service costs	212	(36,456)	480	(1,989)
• settlements and curtailments	94	28	0	0
Financing and Investment Income and Expenditure				
• interest cost	31,916	36,097	1,676	1,534
• expected return on scheme assets	(15,784)	(24,244)	0	0
Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services	**27,766**	**(6,590)**	**2,156**	**(455)**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	73,975	(47,644)	4770	975
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**101,741**	**(54,234)**	**6,926**	**520**
Movement in Reserves Statement:				
• reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(27,766)	6,590	(2,156)	455
Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:				
• employers' contributions payable to the scheme	22,463	22,069	2,062	1,995
• retirement benefits payable to pensioners	0	0	0	0

Notes to the Core Financial Statements (continued)

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 2011 is a loss of £39.98m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

	2009/2010			
	Greater Gwent Scheme	Former Authorities Liability	Unfunded Teachers' Pension	Total
	£000	£000	£000	£000
Opening balance at 1 April	448,287	7,570	17,134	472,991
Current service cost	11,328	0	0	11,328
Interest cost	31,916	510	1,166	33,592
Contributions by scheme participants	6,291	0	0	6,291
Actuarial (gains) / losses	158,937	1,540	3,230	163,707
Benefits paid	(15,149)	(650)	(1,412)	(17,211)
Past service costs	212	30	450	692
Curtailments	94	0	0	94
Settlements	0	0	0	0
Closing balance at 31 March	**641,916**	**9,000**	**20,568**	**671,484**

	2010/2011			
	Greater Gwent Scheme	Former Authorities Liability	Unfunded Teachers' Pension	Total
	£000	£000	£000	£000
Opening balance at 1 April	641,916	9,000	20,568	671,484
Current service cost	17,985	0	0	17,985
Interest cost	36,097	440	1,094	37,631
Contributions by scheme participants	6,259	0	0	6,259
Actuarial (gains) / losses	(40,281)	430	546	(39,305)
Benefits paid	(18,891)	(640)	(1,355)	(20,886)
Past service costs	(36,456)	(840)	(1,149)	(38,445)
Curtailments	28	0	0	28
Settlements	0	0	0	0
Closing balance at 31 March	**606,657**	**8,390**	**19,704**	**634,751**

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.

In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011, public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Authority's liabilities in the pension funds by £38.972m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the Council Fund or the Housing Revenue Account.

Notes to the Core Financial Statements (continued)

Reconciliation of fair value of the scheme assets:

	Greater Gwent Scheme		Former Authorities Liability		Unfunded Teachers' Pension	
	2009/2010 £000	2010/2011 £000	2009/2010 £000	2010/2011 £000	2009/2010 £000	2010/2011 £000
Opening balance at 1 April	246,580	360,931	0	0	0	0
Expected rate of return	15,784	24,244	0	0	0	0
Actuarial gains / (losses)	84,962	7,363	0	0	0	0
Employer contributions	22,463	22,069	650	640	1,412	1,355
Contributions by scheme participants	6,291	6,259	0	0	0	0
Benefits paid	(15,149)	(18,891)	(650)	(640)	(1,412)	(1,355)
Settlements	0	0	0	0	0	0
Closing balance at 31 March	**360,931**	**401,975**	**0**	**0**	**0**	**0**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £26.949m (return of £100.746m in 2009/2010).

Scheme History:

	2006/2007 £000	2007/2008 £000	2008/2009 £000	2009/2010 £000	2010/2011 £000
Present value of liabilities:					
• Local Government Pension Scheme	(465,360)	(526,591)	(445,362)	(641,916)	(606,657)
• Former Authorities' Liability	(8,470)	(8,040)	(7,570)	(9,000)	(8,390)
• Teachers' Unfunded Discretionary Pension	(13,806)	(19,872)	(17,134)	(20,568)	(19,704)
Fair value of assets:					
• Local Government Pension Scheme	304,479	304,221	245,085	360,931	401,975
• Former Authorities' Liability	0	0	0	0	0
• Teachers' Unfunded Discretionary Pension	0	0	0	0	0
Surplus/(deficit) in the scheme:					
• Local Government Pension Scheme	(160,881)	(222,370)	(200,277)	(280,985)	(204,682)
• Former Authorities' Liability	(8,470)	(8,040)	(7,570)	(9,000)	(8,390)
• Teachers' Unfunded Discretionary Pension	(13,806)	(19,872)	(17,134)	(20,568)	(19,704)
Total	**(183,157)**	**(250,282)**	**(224,981)**	**(310,553)**	**(232,776)**

Notes to the Core Financial Statements (continued)

The liabilities show the underlying commitments that the Authority has to pay future retirement benefits. In addition, the Authority has liabilities for discretionary pension payments outside the main schemes. The total liability of £232.776m has a substantial impact on the net worth of the Authority, but statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. 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 2012 is £19m.

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 2011, 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.

Our actuaries assumed that 50% of employees retiring after 6 April 2011 would take advantage of this change to the pension scheme. Our 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%

Notes to the Core Financial Statements (continued)

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Former Authorities' Liability		Teachers' Pension Scheme	
	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011
Long-term expected rate of return on scheme assets:						
Equity investments	7.5%	7.5%	8.0%	8.4%	7.5%	7.5%
Government Bonds	4.5%	4.4%	4.5%	4.4%	4.5%	4.4%
Other Bonds	5.2%	5.1%	5.5%	5.1%	5.2%	5.1%
Property	6.5%	6.5%	8.5%	7.9%	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%	0.7%	1.5%	0.5%	0.5%
Mortality assumptions:						
Longevity at 65 for current pensioners:						
- Men	21.2	21.2	21.2	23.1	21.2	21.2
- Women	24.1	23.4	23.6	24.4	24.1	23.4
Longevity at 65 for future pensioners:						
- Men	22.2	22.3	23.5	25.0	22.2	22.3
- Women	25.0	25.6	25.8	26.4	25.0	25.6
Rate of inflation	3.5%	3.0%	3.8%	2.7%	3.2%	2.8%
Rate of increase in salaries	4.8%	4.4%	n/a	n/a	4.8%	4.4%
Rate of increase in pensions	3.5%	3.0%	3.8%	2.7%	3.2%	2.8%
Rate for discounting scheme liabilities	5.7%	5.5%	5.5%	5.5%	5.5%	5.4%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a	n/a	n/a

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2011
Equity investments	80.4%	81.1%
Government Bonds	8.1%	7.6%
Other Bonds	7.7%	7.3%
Property	1.9%	2.1%
Cash/Liquidity	1.9%	1.8%
Other	0.0%	0.1%
	100.0%	**100.0%**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/2011 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

Notes to the Core Financial Statements (continued)

	2006/2007 %	2007/2008 %	2008/2009 %	2009/2010 %	2010/2011 %
Local Government Pension Scheme:					
Differences between the expected and actual return on assets	2.1	(11.7)	(37.4)	(23.5)	(1.8)
Experience gains and losses on liabilities	0	0.2	0	0	2.7
Former Authorities' Liability:					
Differences between the expected and actual return on assets	0	0	0	0	0
Experience gains and losses on liabilities	(16.6)	(3.4)	(5.3)	2.3	0.4
Teachers' Unfunded Discretionary Pension:					
Differences between the expected and actual return on assets	0	0	0	0	0
Experience gains and losses on liabilities	0	(5.0)	0	0	5.8

As outlined above, the decision to uplift public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the Government have not been assessed.

13. 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 SEW 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 SEW Ltd, for the purposes of building and operating the road, for the lifetime of the contract. At the expiry of the contract term, the Authority has the option of extending the contract. If this option is not taken, the asset reverts to the ownership of the Authority.

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

Notes to the Core Financial Statements (continued)

	1 April 2009			31 March 2010			31 March 2011		
	Road £000	Schools £000	Total £000	Road £000	Schools £000	Total £000	Road £000	Schools £000	Total £000
Gross PFI Liabilities are due:									
- not later than 1 year	4,030	1,863	5,893	3,874	1,907	5,781	3,747	1,768	5,515
- later than 1 year and not later than 5 years	14,810	6,932	21,742	14,375	6,912	21,287	14,154	7,098	21,252
- later than 5 years	43,216	32,541	75,757	39,777	30,655	70,432	36,251	28,700	64,951
Total Gross Liabilities	**62,056**	**41,336**	**103,392**	**58,026**	**39,474**	**97,500**	**54,152**	**37,566**	**91,718**
Net PFI Liabilities are due:									
- not later than 1 year	1,464	424	1,888	1,438	499	1,937	1,420	411	1,831
- later than 1 year and not later than 5 years	5,747	1,498	7,245	5,767	1,591	7,358	5,984	1,951	7,935
- later than 5 years	25,038	17,043	42,081	23,581	16,454	40,035	21,840	15,896	37,736
Total Net Liabilities	**32,249**	**18,965**	**51,214**	**30,786**	**18,544**	**49,330**	**29,244**	**18,258**	**47,502**
Finance charges allocated to future periods	**(29,807)**	**(22,371)**	**(52,178)**	**(27,240)**	**(20,930)**	**(48,170)**	**(24,908)**	**(19,308)**	**(44,216)**
Reconciliation between Net Book Values of PFI Assets held under PFI schemes:									
Net Liability (as above)	32,249	18,965	51,214	30,786	18,544	49,330	29,244	18,258	47,502
Revaluations and impairments	0	11,027	11,027	0	21,560	21,560	0	21,560	21,560
Repayments/ Amortisation of capital sum	4,514	2,456	6,970	5,979	2,876	8,855	7,521	3,162	10,683
Accumulated Depreciation	(2,727)	(4,284)	(7,011)	(3,646)	(5,458)	(9,104)	(3,646)	(6,168)	(9,814)
Net Book value of PFI Assets	**34,036**	**28,164**	**62,200**	**33,119**	**37,522**	**70,641**	**33,119**	**36,812**	**69,931**

The Authority receives funding from the Welsh Government, via specific grant payments, 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 47).

Notes to the Core Financial Statements (continued)

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

	2009/2010 £000	2010/2011 £000
Balance brought forward	(10,020)	(11,080)
Amounts set aside in year:		
Schools	(761)	(204)
Road	(299)	(297)
	(11,080)	**(11,581)**

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 2011/2012	1,333	1,420	2,327	5,080
Payable within 2 to 5 years	5,967	5,984	8,170	20,121
Payable within 6 to 10 years	9,814	6,729	7,553	24,096
Payable within 11 to 15 years	10,109	7,204	4,840	22,153
Payable within 16 to 20 years	11,127	7,479	1,923	20,529
Payable within 21 to 25 years	5,378	428	95	5,901
	43,728	**29,244**	**24,908**	**97,880**

School	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011/2012	2,059	411	1,357	3,827
Payable within 2 to 5 years	9,013	1,951	5,147	16,111
Payable within 6 to 10 years	13,880	2,578	5,638	22,096
Payable within 11 to 15 years	16,063	4,054	4,419	24,536
Payable within 16 to 20 years	18,009	6,779	2,509	27,297
Payable within 21 to 25 years	5,545	2,485	238	8,268
	64,569	**18,258**	**19,308**	**102,135**

14. 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 2010/2011 totalled £294,409 (£532,003 in 2009/2010) which have been charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements (continued)

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 £756,810 in 2010/2011, (£760,486 in 2009/2010) which have been charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

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

	2009/2010	2010/2011		
	Total £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	948	648	142	790
Later than one year and not later than five years	2,392	2,035	164	2,199
Later than five years	2,104	1,649	0	1,649
	5,444	**4,332**	**306**	**4,638**

The Authority has sub-let some of the accommodation held under these operating leases. At 31 March 2011, the minimum payments expected to be received under non-cancellable sub leases were as follows:

	2009/2010	2010/2011		
	Total £	Industrial Units £	Other Land & Buildings £	Total £
Not later than one year	1	0	5	5
Later than one year and not later than five years	4	0	4	4
Later than five years	15	0	14	14
	20	**0**	**23**	**23**

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 £38,646,941 as at 31 March 2011 and have been subject to accumulated depreciation of £2,036,490. (Gross value at 31 March 2010 £16,798,825 with accumulated depreciation of £1,450,468).

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 £45,645,131 and are subject to accumulated depreciation of £3,748,458 (Gross book value of £57,224,616 at 31 March 2010 with accumulated depreciation of £3,677,529).

Notes to the Core Financial Statements (continued)

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

	2009/2010	2010/2011		
	Total	Industrial Units	Other Land & Buildings	Total
	£000	£000	£000	£000
Not later than one year	1,355	853	88	941
Later than one year and not later than five years	2,263	1,594	274	1,868
Later than five years	927	371	172	543
	4,545	**2,818**	**534**	**3,352**

15. Finance Leases

Authority as a Lessee

The Authority has acquired computer and other equipment under finance leases. The rentals payable under these arrangements in 2010/2011 were £360,046 (£207,872 in 2009/2010), charged to the Comprehensive Income and Expenditure Statement as £66,032 as finance costs (debited to interest payable). The write down of obligations to the lessor amounted to £294,013.

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:

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Vehicles, Plant, Furniture & Equipment	446	288	674
	446	**288**	**674**

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 are made up of the following amounts:

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments)			
• Current	208	190	283
• Non- current	386	197	510
Finance costs payable in future years	(148)	(99)	(119)
Minimum lease payments	**446**	**288**	**674**

Notes to the Core Financial Statements (continued)

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

	Minimum Lease Payments			Finance Lease Liabilities		
	2008/2009 £000	2009/2010 £000	2010/2011 £000	2008/2009 £000	2009/2010 £000	2010/2011 £000
Not later than one year	208	190	283	158	143	234
Later than one year and not later than five years	386	197	510	288	145	440
Later than five years	0	0	0	0	0	0
	594	**387**	**793**	**446**	**288**	**674**

The Authority does not have any finance leases that include rentals contingent on events taking place after the lease was entered into, such as secondary rentals.

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 2011 were:

2009/2010	**Number of employees**			
Remuneration Band	**School based**	**Non-School based**	**Total**	**Left in year**
£60,000 - £64,999	12	9	21	1
£65,000 - £69,999	5	5	10	0
£70,000 - £74,999	6	9	15	0
£75,000 - £79,999	5	2	7	0
£80,000 - £84,999	3	0	3	1
£85,000 - £89,999	1	1	2	0
£90,000 - £94,999	1	0	1	0
	33	**26**	**59**	**2**

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

Notes to the Core Financial Statements (continued)

2010/2011	Number of employees			
Remuneration Band	School based	Non-School based	Total	Left in year
£60,000 - £64,999	9	9	18	0
£65,000 - £69,999	16	5	21	1
£70,000 - £74,999	5	6	11	0
£75,000 - £79,999	4	3	7	0
£80,000 - £84,999	1	1	2	0
£85,000 - £89,999	1	0	1	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	0	1	0
	37	**24**	**61**	**1**

The leaver in the year was Non-School-based.

In accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010, 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.

2009/2010 Post	Salary £	Expenses £	Total Remuneration excluding Employer's Pension Contributions £	Employer's Pension Contributions at 21% £	Total Remuneration including Employer's Pension Contributions £
Chief Executive *a	131,645	1,939	**133,584**	27,645	**161,229**
Director of Corporate Services	100,682	906	**101,588**	21,143	**122,731**
Director of the Environment	97,631	1,322	**98,953**	20,502	**119,455**
Director of Social Services	94,477	2,325	**96,802**	19,840	**116,642**
Director of Education	94,325	1,337	**95,662**	19,808	**115,470**
S151 Officer	69,330	1,065	**70,395**	14,559	**84,954**
	588,090	8,894	**596,984**	123,497	**720,481**

***a** *The Chief Executive received Returning Officer expenses during the year to 31 March 2010 in respect of European elections. These amounted to £5,628 and are excluded from the above figures as they were paid by Central Government.*

Notes to the Core Financial Statements (continued)

2010/2011 Post	Salary £	Expenses £	Total Remuneration excluding Employer's Pension Contributions £	Employer's Pension Contributions at 21% £	Total Remuneration including Employer's Pension Contributions £
Chief Executive *b	103,531	572	**104,103**	13,823	**117,926**
Chief Executive *c	59,838	670	**60,508**	12,566	**73,074**
Deputy Chief Executive *d	58,627	586	**59,213**	12,312	**71,525**
Director of Corporate Services *d	50,341	625	**50,966**	10,572	**61,538**
Director of the Environment *c	51,924	737	**52,661**	10,904	**63,565**
Director of Social Services	97,631	2,387	**100,018**	20,502	**120,520**
Director of Education	97,631	1,118	**98,749**	20,502	**119,251**
S151 Officer	71,496	1,130	**72,626**	15,014	**87,640**
	591,019	7,825	**598,844**	116,195	**715,039**

b *The Chief Executive retired on 30 September 2010. His full annualised salary was £131,645. In addition, he received Returning Officer expenses of £5,585 in respect of Parliamentary Elections, which have been excluded from the above figures as they were paid by Central Government.*

c *The Director of the Environment post was removed from the Authority's structure when the Director of the Environment took over the role of Chief Executive. The full annualised salary of the Director of the Environment was £100,682,whilst the full annualised salary of the new Chief Executive was £123,665. In addition, the new Chief Executive received Returning Officer expenses of £6,099 during the year in respect of the Welsh Referendum, which have been excluded from the above figures as they were paid by the Welsh Government.*

d *The Director of Corporate Services post was removed from the Authority's structure when the Director of Corporate Services took over the role of Deputy Chief Executive. The full annualised salary of the Director of Corporate Services was £100,682,whilst the full annualised salary of the Deputy Chief Executive was £118,840. In addition, the Deputy Chief Executive received Returning Officer expenses of £1,000 in respect of the Welsh Referendum, which have been excluded from the above figures as they were paid by the Welsh Government.*

17. Members' Allowances

The total value of Members' allowances payments in 2010/2011 was £1,236,902 (£1,234,532 in 2009/2010). More detailed information on Members' Allowances can be obtained from the Head of People Management, Penallta House, Tredomen Park, Ystrad Mynach, Hengoed CF82 7PG.

Notes to the Core Financial Statements (continued)

18. External Audit Costs

In 2010/2011 Caerphilly County Borough Council incurred the following fees relating to external audit and inspection.

	2009/2010 £000	2010/2011 £000
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	235	220
Fees payable to the Wales Audit Office in respect of statutory inspection	198	155
Fees payable to the Wales Audit Office for the certification of grant claims and returns	135	73
Fees payable to the Wales Audit Office in respect of the National Fraud Initiative	4	4
Fees payable to the Wales Audit Office in respect of other services	3	23
	575	**475**

The fees paid for "other services" were for advice received from the Wales Audit Office in respect of the sale of Islwyn Borough Transport and a complaint received from an external organisation.

19. Pooled Budgets / Lead Commissioning Arrangements

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

Lead Commissioning Arrangements	2009/2010	2010/2011		
	Authority's Contribution	Total Funding	Other (ABHB) Contribution	Authority's Contribution
Scheme	£000	£000	£000	£000
Cancercareline	18	31	12	19
Age Concern	46	152	105	47
Care and Repair	12	33	21	12
	76	**216**	**138**	**78**

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.

Pooled budgets:
Gwent Wide Integrated Community Equipment Service Project – see Note 53 – Jointly Controlled Operations.

Notes to the Core Financial Statements (continued)

20. Related Party Transactions

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

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

Central Government - in respect of revenue and capital grants, revenue support grant and NNDR Pool transactions. Further details regarding grant income received and due can be found on pages 89 and 90, whilst details of revenue support grant received is shown in Note 10 and NNDR Pool transactions are also summarised in Note 10.

Precepts and Levies – Note 8 provides details of precepts collected on behalf of other organisations and amounts levied on the Authority by Joint Committees.

Chief Officers and Members - details of officers' emoluments and members' allowances are provided in Notes 16 and 17. During 2010/2011 all "declaration of interest" returns were received showing that there were no other material related party transactions identified involving these individuals.

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 and payments outstanding are shown on pages 64 to 69.

Groundwork Trust Caerphilly - the Authority is represented on the Board of this organisation. During the course of 2010/2011, the Authority made payments to the Trust of £675,492 (£461,380 in 2009/2010) and received income from the Trust of £80,719 (£39,489 in 2009/2010). At the year-end, the Authority owed £11,000 to Groundwork (£19,189 at 31 March 2010) and £480 was owed from Groundwork to the Authority (£nil at 31 March 2010).

Trehir Development Company Limited - the principal activity of the company is the ownership of the former Trehir landfill disposal site near Llanbradach. The site ceased operation during the course of 2005/2006 and is currently in the process of being restored. The nature of the Authority's involvement and the financial performance of the company are detailed on page 87. During the course of 2010/2011, the Authority made no payments on behalf of the Company (2009/2010 - £395,515) and the company was dissolved in November 2010.

Education Support and Inspection Service (ESIS) - is a Joint Committee providing advisory and inspection services to the Local Education Authority and its schools. The Authority provides the administrative support to the Joint Committee, and funds its activities in conjunction with Bridgend, Merthyr Tydfil and Rhondda Cynon Taff County Borough Councils. At 31 March 2011, £1,465,369 was held on behalf of ESIS in the Authority's bank account (£1,546,951 at 31 March 2010). During the course of 2010/2011, the Authority made payments to the Joint Committee of £1,284,149 (£1,628,337 in 2009/2010) and received payments from the Joint Committee of £2,840 (£5,373 in 2009/2010), whilst as at 31 March 2011 balances of some £234 were due from the Authority to ESIS (£39,164 at 31 March 2010).

Notes to the Core Financial Statements (continued)

Aneurin Bevan Health Board – the Authority is represented on the Board of this organisation. During the course of 2010/2011, the Authority made payments to the Board of some £1,248,105 (£1,570,389 in 2009/2010) and received income of £4,961,868 from the Board (Including Section 28a grant income of £2,859,159) (£3,445,300 and £3,064,236 respectively in 2009/2010) and NNDR income of £764,133, was collected from the Board (£1,980 in 2009/2010). At 31 March 2011, £395,718 was due from the Authority to the Health Board (£800,725 at 31 March 2010) and £367,802 was due from the Health Board to the Authority (£708,151 at 31 March 2010).

21. Minimum Revenue Provision (MRP) Adjustment

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

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

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.

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.

Notes to the Core Financial Statements (continued)

22. Movements on Reserves

Movements in the Authority's Usable Reserves are detailed below, in the Movement in Reserves Statement and also in Notes 41 - 47, whilst details of the movements in Unusable Reserves are shown below and in Notes 34 - 39. Some reserves are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Usable Reserves

Reserve	Balance 1 April 2009 £000	Net Movement in year £000	Balance 31 March 2010 £000	Net Movement in year £000	Balance 31 March 2011 £000
Council Fund	(10,812)	(2,172)	(12,984)	(3,637)	(16,621)
Housing Revenue Account (note 8 HRA)	(4,422)	(1,640)	(6,062)	294	(5,768)
Direct Service Earmarked Reserves (note 41)	(1,937)	426	(1,511)	905	(606)
Capital Earmarked Reserves (note 42)	(433)	(3,384)	(3,817)	(9,198)	(13,015)
Service Over/Underspend Reserves (note 43)	(3,572)	(761)	(4,333)	(1,226)	(5,559)
Schools Earmarked Reserves (note 45)	(5,620)	(1,220)	(6,840)	38	(6,802)
Insurance Earmarked Reserves (note 44)	(784)	(2,001)	(2,785)	(181)	(2,966)
Other Earmarked Reserves (note 47)	(17,817)	2,081	(15,736)	(1,363)	(17,099)
Usable Capital Receipts	(516)	(2,087)	(2,603)	(5,361)	(7,964)
Capital Grants Unapplied	(4,257)	(4,545)	(8,802)	(628)	(9,430)
Total Usable Reserves	**(50,170)**	**(15,303)**	**(65,473)**	**(20,357)**	**(85,830)**

Notes to the Core Financial Statements (continued)

Unusable Reserves

2009/2010 Reserve	Balance 1 April 2009 £000	Net Movement in year £000	Balance 31 March 2010 £000	Purpose of Reserve	Further details of movements
Financial Instruments Adjustment Account	(1,155)	(1,101)	(2,256)	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	Note 34
Available-for-sale Reserve	(279)	279	0	Store of gains on revaluation of investments not yet realised through sales.	
Revaluation Reserve	(316,659)	(23,665)	(340,324)	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 35
Capital Adjustment Account (CAA)	(480,303)	5,924	(474,379)	Store of capital resources set aside to meet past expenditure	Note 36
Deferred Capital Receipts	(145)	0	(145)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	Note 37
Pensions Reserve	224,981	85,572	310,553	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 38
Accumulated Absences Account	5,925	(707)	5,218	Account to absorb differences arising on the Council Fund balance from accruing for compensated absences earned but not taken in the year.	Note 39
Total Unusable Reserves	**(567,635)**	**66,302**	**(501,333)**		

Notes to the Core Financial Statements (continued)

2010/2011 Reserve	Balance 1 April 2010 £000	Net Movement in year £000	Balance 31 March 2011 £000	Purpose of Reserve	Further details of movements
Financial Instruments Adjustment Account	(2,256)	274	(1,982)	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	Note 34
Revaluation Reserve	(340,324)	(68,362)	(408,686)	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 35
Capital Adjustment Account (CAA)	(474,379)	9,040	(465,339)	Store of capital resources set aside to meet past expenditure	Note 36
Deferred Capital Receipts	(145)	83	(62)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	Note 37
Pensions Reserve	310,553	(77,777)	232,776	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 38
Accumulated Absences Account	5,218	22	5,240	Account to absorb differences arising on the Council Fund balance from accruing for compensated absences earned but not taken in the year.	Note 39
Total Unusable Reserves	**(501,333)**	**(136,720)**	**(638,053)**		

Notes to the Core Financial Statements (continued)

23. 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 2009	102,355	783,006	26,114	222,208	1,172	8,258	45,954	1,189,067	69,212
Additions	8,526	10,721	1,271	10,815	0	0	1,503	32,836	0
Revaluation Increases/(decreases) to Revaluation Reserve	(6,150)	22,413	0	(3,536)	0	0	0	12,727	10,533
Written off enhancement expenditure					0	0	0	0	0
Derecognitions - Disposals	0	(148)	0	0	0	(26)	0	(174)	0
Derecognitions - Other	0	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in cost or valuations	(396)	1,699	0	0	0	0	(1,303)	0	0
At 31 March 2010	104,335	817,691	27,385	229,487	1,172	8,232	46,154	1,234,456	79,745
Accumulated Depreciation and impairment:									
At 1 April 2009	0	(39,441)	(16,539)	(38,812)	(14)	(4)	0	(94,810)	(7,011)
Depreciation Charge	(2,832)	(19,158)	(2,339)	(7,869)	7	0	0	(32,191)	(2,093)
Depreciation written out to Revaluation Reserve	2,832	35	0	0	0	0	0	2,867	0
Depreciation written out to Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses / reversals to Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses / reversals to Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
At 31 March 2010	0	(58,564)	(18,878)	(46,681)	(7)	(4)	0	(124,134)	(9,104)
Net Book Value at 31 March 2010	**104,335**	**759,127**	**8,507**	**182,806**	**1,165**	**8,228**	**46,154**	**1,110,322**	**70,641**

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 2010	104,335	817,691	27,385	229,487	1,172	8,232	46,154	1,234,456	79,745
Additions	9,684	9,440	3,521	5,468	0	0	10,336	38,449	
Revaluation Increases/(decreases) to Revaluation Reserve	(33,411)	44,126	147	(3,594)	223	1,666	0	9,157	0
Revaluation Increases/(decreases) to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognitions - Disposals	0	(390)	0	0	0	0	0	(390)	0
Derecognitions - Other	0	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in cost or valuations	0	7,547	0	248	0	0	(7,795)	0	0
At 31 March 2011	80,608	878,414	31,053	231,609	1,395	9,898	48,695	1,281,672	79,745
Accumulated Depreciation and impairment:									
At 1 April 2010	0	(58,564)	(18,878)	(46,681)	(7)	(4)	0	(124,134)	(9,104)
Depreciation Charge	(2,981)	(23,469)	(2,611)	(7,407)	0	(4)	0	(36,472)	(710)
Depreciation written out to Revaluation Reserve	0	0	0	0	0	0	0	0	0
Depreciation written out to Surplus / Deficit on the Provision of Services	2,981	4	0	0	0	0	0	2,985	0
Impairment losses / reversals to Revaluation Reserve	0	41,913	153	34	0	8	0	42,108	0
Impairment losses / reversals to Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
At 31 March 2011	0	(40,116)	(21,336)	(54,054)	(7)	0	0	(115,513)	(9,814)
Net Book Value at 31 March 2011	**80,608**	**838,298**	**9,717**	**177,555**	**1,388**	**9,898**	**48,695**	**1,166,159**	**69,931**

Notes to the Core Financial Statements (continued)

Assets under Construction

Assets under construction is analysed as follows:	**31 March 2011**
Land formation for Economic and Urban Development	£4.486m
Highway Infrastructure – Public Transport Facilities	£37.332m
Primary Schools	£6.877m
	£48.695m

Assets due for closure

As at 31 March 2011, the Authority had taken no decisions to close any currently operational assets.

Depreciation

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

- council dwellings – 15 to 40 years
- buildings – 15 to 40 years
- vehicles, furniture and equipment – 3 to 5 years
- infrastructure – 10 to 40 years
- mobile plant – 5 to 10 years

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and subsequent years budgeted to cost £18.834m. Similar commitments at 31 March 2010 were £14.630m. The major commitments are:

		2009/2010 £000	**2010/2011 £000**
Highways and Transportation:	Bargoed Retail Plateau	300	163
	Bargoed By Pass	887	1,624
	Ystrad Fawr Highway Improvements	10,997	8,504
	South East Wales Transport Alliance	2,446	2,344
	St Cenydd Safe Routes to Schools	0	962
	Sirhowy Enterprise Way	0	820
	Regional Transport Consortia	0	710
Education:	St James Primary School	0	500
	Aberbargoed Primary School	0	150
	Cwm Ifor Primary School	0	3,057
		14,630	**18,834**

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Assets included in the Balance Sheet at fair value at 31 March 2011 have also been revalued in the current year to ensure that their carrying amount is not materially different from their fair value at the year end. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or the latest list prices adjusted for the condition of the asset.

Notes to the Core Financial Statements (continued)

24. Capital Expenditure and Capital Financing

	31 March 2010 £000	31 March 2011 £000
Opening Capital Financing Requirement	297,111	295,435
Capital Investment:		
Operational Assets	32,636	38,424
Invest to Save	0	219
Non-operational Assets (Work in Progress)	200	0
Intangible Assets	167	345
Revenue Expenditure funded from Capital Under Statute	9,569	10,478
Sources of Finance:		
Grants	(30,729)	(35,592)
Capital Receipts Applied	(404)	0
Capital Expenditure Funded from Revenue	(2,374)	(5,940)
Capital Receipts Set Aside	(774)	(641)
Minimum Revenue Provision	(10,683)	(11,017)
Commutation Adjustment	716	422
Closing Capital Financing Requirement	**295,435**	**292,133**

25. Long Term Investments

Investments consisted of a 100% shareholding in Trehir Development Company Ltd (TDC) (registration number 2146992) represented by 100 £1 shares – see note 20 on page 79. The company is no longer trading as a landfill site and the site is in the process of being restored. The company was dissolved in November 2010.

The Authority had considered consolidating the TDC accounts with its own accounts to produce a set of group accounts and it was determined that, on the grounds of materiality, group accounts were not required and the Authority could comply with the Code by disclosing the transactions and balances with TDC and by including TDC's primary financial statements as a note to the accounts below.

The following is an extract from the unaudited accounts of Trehir Development Company Ltd, for year ended 31 March 2011.

Notes to the Core Financial Statements (continued)

Trehir Development Company Ltd - Profit and Loss Account for the year ended 31 March

	2010 £000	2011 £000
Turnover from continuing operations	0	0
Operating costs	(395)	0
Operating Profit / (Loss)	**(395)**	**0**
Interest Receivable and Similar Income	0	0
Interest payable and Similar Charges	0	0
Loan Waiver	0	0
Loss on Ordinary Activities Before Taxation	**(395)**	**0**
Tax on Loss on Ordinary Activities	0	0
Profit / (Loss) for the financial year	(395)	0
Dividends	0	0
Profit / (Loss) for the Financial Year After Taxation	**(395)**	**0**

Trehir Development Company Ltd - Balance Sheet as at 31 March

	2010 £000	2011 £000
Current Assets		
Stocks	0	0
Debtors	0	0
Cash at bank and in hand	0	0
	0	**0**
Creditors: Amounts falling due within one year	0	0
Net Current Liabilities	**0**	**0**
Creditors: Amounts falling due after more than one year	(532)	(532)
Provision for liabilities and charges	0	0
	(532)	**(532)**
Capital and Reserves		
Called up Share Capital	0	0
Profit and Loss Account	(532)	(532)
Equity Shareholders' Funds	**(532)**	**(532)**

Trehir Development Company Ltd - Reconciliation of Movement in Shareholders' Funds

	2010 £000	2011 £000
Opening Shareholders' Funds	(137)	(532)
Profit / (Loss), after dividends, for the Financial Year	(395)	0
Other Recognised Gains and Losses	0	0
Closing Shareholders' Funds	**(532)**	**(532)**

The Authority received no dividend payments from this wholly owned subsidiary during the financial year 2010/2011 (£nil in 2009/2010).

A copy of the dissolution accounts for Trehir Development Company Limited can be obtained from the Head of Corporate Finance, Caerphilly County Borough Council, Penallta House, Tredomen Park, Ystrad Mynach, Hengoed CF82 7PG.

Notes to the Core Financial Statements (continued)

26. Long Term Debtors

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Car Loans	267	225	216
Housing - Right to Buy	85	37	46
Housing Advances	116	117	88
Transferred Debt - Former Authorities	241	174	174
Advances to IBT	600	0	0
Other	42	33	24
	1,351	**586**	**548**

27. Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Total	
	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000
Balance held at start of year	277	271	497	573	39	54	813	898
Purchases	3,574	3,868	2,287	2,107	77	87	5,938	6,062
Recognised as an expense in the year	(3,579)	(3,831)	(2,209)	(2,122)	(62)	(47)	(5,850)	(6,000)
Written off balances	(1)	(3)	(2)	(9)	0	0	(3)	(12)
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0
Balance held at end of year	**271**	**305**	**573**	**549**	**54**	**94**	**898**	**948**

28. Debtors

Debtors	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Central Government Bodies	16,254	11,673	15,815
Other Local Authorities	2,214	1,969	2,539
NHS Bodies	1,813	706	314
Public Corporations and Trading Funds	0	0	0
Other Entities and Individuals	15,643	15,865	16,717
	35,924	**30,213**	**35,385**
Provision for Bad Debt -			
Other Entities and Individuals	(3,515)	(3,967)	(4,069)
Total provision for bad debt	**(3,515)**	**(3,967)**	**(4,069)**
Total Debtors	**32,409**	**26,246**	**31,316**

Notes to the Core Financial Statements (continued)

Central Government Bodies include Government Grant Debtors, which comprise:	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Education Support Grants	485	542	721
Laptops for Schools Grant	0	0	19
Basic Skills Grant	0	0	266
School Milk Subsidy	114	108	131
CILT Cymru	5	0	0
Primary School Free Breakfast Initiative	231	559	277
Youth Training Grants	36	0	0
Sports Development Grant	11	3	11
Community Safety / Crime Reduction	128	420	34
Substance Misuse Grant	660	0	534
European Regional Development Fund	2,192	504	24
Local Regeneration Fund	149	419	54
European Social Fund	271	569	636
Land Reclamation Grants	0	257	0
Regeneration Grants	0	55	0
Contaminated Land Grant	0	55	0
Town Centre and Environmental Grants	0	0	171
Invasive Species Grant	0	0	100
Department for Economy & Transport	1,042	0	8
Transport Grant	187	0	0
Concessionary Fares Grant	905	0	0
Fairer Charging Grant - Social Services	273	273	23
Housing Subsidy Grant	0	0	73
Other	11	4	0
	6,700	**3,768**	**3,082**

29. Cash and Cash Equivalents

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

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Cash in hand	106	106	92
Bank current accounts	2,363	1,044	6,186
Bank overdraft	(78)	(742)	(1,235)
Total cash and cash equivalents	**2,391**	**408**	**5,043**

Notes to the Core Financial Statements (continued)

30. Creditors

Creditors	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Central Government Bodies	(7,521)	(9,491)	(7,668)
Other Local Authorities	(5,429)	(5,099)	(6,604)
Bodies External to Central Government	(1,367)	(3,145)	(1,745)
NHS Bodies	(538)	(633)	(867)
Public Corporations and Trading Funds	0	(48)	(176)
Other Entities and Individuals	(43,630)	(42,951)	(47,097)
Total Creditors excluding loans	**(58,485)**	**(61,367)**	**(64,157)**
Loans repayable within one year	(4,250)	(3,280)	(2,116)
Local bonds repayable within one year	(10)	(10)	(10)
Total Creditors	**(62,745)**	**(64,657)**	**(66,283)**

Notes to the Core Financial Statements (continued)

Central Government Bodies include Government Grant Creditors, which comprise:	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Housing Subsidies	(66)	(67)	(111)
Basic Skills Agency	(124)	(111)	(110)
Assembly Learning Grant - Student Awards	(398)	(378)	(138)
Early Years Development	(35)	(36)	(73)
Behaviour Management Training	0	0	(15)
Autistic Spectrum Disorder	0	0	(60)
School Based Counselling	(61)	(86)	(216)
School Effectiveness	0	0	(25)
School Special Grant	0	0	(8)
School Meals Subsidy	0	0	(27)
DE&T - Derelict Land Grant	(4)	0	0
RAISE Grant	0	0	(96)
Community Focus Grant	(14)	(14)	(14)
Education Support and Training	(32)	(32)	0
Learning and Play Grant	0	(14)	(25)
Flying Start	(424)	(135)	0
Post 16 year olds	(51)	(159)	(223)
Foundation Phase Pilot	(28)	(28)	(28)
Student Awards	0	0	(238)
Cymorth	(22)	(3)	(20)
Educational Support for Looked After Children	(344)	(58)	0
Specialist Equipment for Learners Grant	(10)	(10)	(10)
Disabled Facilities Grant	(60)	(60)	0
Social Services Joint Working Grant	0	(13)	(13)
Social Services Court Fees Grant	0	0	(34)
Social Services Short Breaks Grant	0	0	(34)
Social Services IT Consortium Grant	0	0	(6)
Sports Council	(29)	0	0
Performance Management Grant	(120)	(12)	0
Independence & Wellbeing Grant	(220)	(43)	(18)
Other	(8)	(48)	(21)
	(2,050)	**(1,307)**	**(1,563)**

Included in “Other Local Authorities” is £4,556 due to Isle of Anglesey County Council in respect of the dissolution of the former Residuary Body for Wales. This body formerly existed to realise the value of certain local authority assets following local government reorganisation in 1996. The balance will be paid out within the next financial year, all other balances having been distributed in accordance with an agreed basis of allocation, to the other Welsh local authorities.

Notes to the Core Financial Statements (continued)

31. Movements in Provisions

Short Term Provisions	Social Services Provision £000	Corporate Provision £000	Insurance Provision £000	Total £000
Balance at 1 April 2010	0	0	(1,234)	(1,234)
Transfer from long term provisions in 2010/2011	(666)	0	0	(666)
Additional provisions made in 2010/2011	0	(304)	(422)	(726)
Amounts used in 2010/2011	82	0	(294)	(212)
Unused amounts reversed in 2010/2011	0	0	653	653
Unwinding of discounting in 2010/2011	0	0	0	0
Balance at 31 March 2011	**(584)**	**(304)**	**(1,297)**	**(2,185)**

Long Term Provisions	Insurance Provision £000	Social Services Provision £000	Corporate Provision £000	Total £000
Balance at 1 April 2010	(3,703)	(769)	(5,039)	(9,511)
Additional provisions made in 2010/2011	(1,267)	0	0	(1,267)
Amounts used in 2010/2011	(880)	0	140	(740)
Unused amounts reversed in 2010/2011	1,958	0	0	1,958
Transfer to short term provisions/creditors in 2010/2011	0	666	105	771
Balance at 31 March 2011	**(3,892)**	**(103)**	**(4,794)**	**(8,789)**

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 101. The provision is released annually as required to cover insurance liability claims.

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. Part of the provision also relates to the former Mid Glamorgan County Council as outlined in Note 32. Any release is subject to finalisation of the outstanding liabilities by the lead authority, Rhondda Cynon Tâf County Borough Council. The short term element of the corporate provision relates to a potential liability in respect of Microsoft licences.

Social Services provision – includes provision for S117 Mental Health Act 1983 liabilities in relation to mental health service clients charged in error. At this time, the Authority is unable to anticipate the likely date of release for this provision, as any release is reliant upon clients submitting claims. The short-term element of the provision relates to re-instatement work at the former Hawtin Park offices.

Notes to the Core Financial Statements (continued)

32. Contingent Liabilities

Former Authorities

As explained on page 7, the previously outstanding disaggregation position in respect of the former Mid Glamorgan County Council has now been resolved and an agreed rate of contribution has been agreed between each of the successor Authorities.The Authority has a potential liability of £0.225m in respect of schemes undertaken by the former Mid Glamorgan County Council. The Authority made provision for £0.043m in respect of settled schemes in its 2010/2011 accounts. The settlements of such liabilities remain pending. Any currently unknown liabilities that may subsequently arise, due to the action of the former Rhymney Valley District Council and Islwyn Borough Council, as well as the Mid Glamorgan and Gwent County Councils, may also have to be met by the Authority, either in whole or in part.

Equal Pay

The Authority had received a large number of equal pay claims. The Authority made offers to various individuals in settlement of the potential equal pay liability in the financial year 2009/2010. The offers were accepted in the majority of cases, which has reduced any potential equal pay liability for future years. It is impossible to quantify what, if any, the potential equal pay liability is likely to be in future years. It is anticipated that the remaining provision represents a prudent approach based on information available to date.

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.

Municipal Mutual Insurance Limited (MMI)

During 1992/93 Municipal Mutual Insurance Ltd, the insurers of both Rhymney Valley District Council and Islwyn Borough Council ceased accepting new business. As a result the Council may have to meet any unsettled claims formerly covered by MMI. The maximum potential liability, which the Council could face, is £3.065m. However both former councils entered into a Scheme of Arrangement through which all outstanding claims should be settled. The Scheme of arrangement is only triggered in the unlikely event of MMI not meeting their liabilities. The latest report from MMI indicates that they will meet all of their liabilities. The Authority has therefore treated this potential liability as a contingent liability.

Notes to the Core Financial Statements (continued)

33. 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 31st March 2011 was:

£161,657 - relating to Education Trust Funds administered by the Head of Corporate Finance, (£160,497 in 2009/2010).

The Education trust funds are held to provide prizes and awards to pupils in the Authority's schools. Of these funds, £2,772 is vested in shareholdings and £158,885 is held in bank deposits (£2,772 and £157,725 respectively in 2009/2010). There are no other underlying assets or liabilities. The Trust Funds received £1,259 in dividends and interest on the funds during the year (£1,951 in 2009/2010) and incurred expenditure of £100 (£22,953 in 2009/2010).

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 2011 was £3,319,356 (£1,373,656 as at 31 March 2010).

34. 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.

	2009/2010 £000	2010/2011 £000
Balance as at 1 April	**(1,155)**	**(2,256)**
Discounts on early repayment of loans	(1,380)	0
Amortised to revenue in the year	284	284
Effective interest rate adjustment	(5)	(10)
Balance at 31 March	**(2,256)**	**(1,982)**

Notes to the Core Financial Statements (continued)

35. 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 2011 therefore only shows revaluation gains accumulated since 1 April 2007.

	2009/2010	2010/2011	
	£000	£000	£000
Balance as at 1 April	(316,659)		(340,324)
Downward revaluation of assets and impairment losses not charged to the Surplus and Deficit on the Provision of Services	0	519	
Surplus on Revaluation of Assets	(29,540)	(77,017)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(29,540)		(76,498)
Difference between fair value depreciation and historical cost depreciation	5,875	7,965	
Depreciation Released on Disposals	0	0	
Accumulated gains on assets sold or scrapped	0	169	
Amount written off to the Capital Adjustment Account	5,875		8,134
Balance as at 31 March	**(340,324)**		**(408,688)**

Notes to the Core Financial Statements (continued)

36. 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 35 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.

	2009/2010		2010/2011	
	£000	£000	£000	£000
Balance as at 1 April		**(480,301)**		**(474,379)**
Set Aside - Capital Receipts		(774)		(578)
Set Aside - Deferred Capital Receipts		0		(63)
Funding:				
Revenue funding applied	(2,374)		(5,940)	
Capital receipts applied	(404)		0	
Capital grants and contributions applied	(22,032)		(26,837)	
Total Funding		(24,810)		(32,777)
MRP	(10,683)		(11,017)	
Commutation Adjustment	716		422	
		(9,967)		(10,595)
Depreciation:				
In year charge	32,191		36,471	
Attributable to revaluations	(5,875)		(7,965)	
Written back on revaluations	0		(27,824)	
Written back on disposals	0		(4)	
		26,316		678
Amortisation of non-enhancing expenditure		13,864		15,388
PFI Unitary Charge Adjustment		0		0
Asset Revaluations / Impairments:				
Price adjustments	81		34,480	
		81		34,480
Disposals - Council Fund	173		221	
Disposals - HRA	0		0	
Transfer to Revaluation Reserve	0		0	
		173		221
Revenue Expenditure funded from Capital	9,569		10,478	
Funding of revenue expenditure funded from capital	(8,697)		(8,755)	
		872		1,723
Invest to save		0		219
Amortisation of Intangible Assets		167		345
Total capital costs		31,506		42,458
Balance as at 31 March		**(474,379)**		**(465,339)**

Notes to the Core Financial Statements (continued)

37. Deferred Capital Receipts

Deferred capital receipts are amounts derived from the sale of assets, which will be received in instalments over agreed periods of time. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve. Such receipts arise principally from mortgages on the sale of council houses, which form the main part of housing right to buy/advances under long-term debtors (note 26, page 89 and note 40 below).

	2009/2010 £000	2010/2011 £000
Balance at 1 April	(145)	(145)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	83
Balance at 31 March	**(145)**	**(62)**

38. 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.

	2009/2010 £000	2010/2011 £000
Balance as at 1 April	**226,411**	**310,553**
Actuarial gains or losses on pensions assets and liabilities	78,745	(46,668)
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	29,922	(7,045)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,525)	(24,064)
Balance at 31 March	**310,553**	**232,776**

Notes to the Core Financial Statements (continued)

39. 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.

	2009/2010	2010/2011	
	£000	£000	£000
Balance at 1 April	**5,925**		**5,218**
Settlement or cancellation of accrual made at the end of the preceding year	(5,925)	(5,218)	
Amounts accrued at the end of the current year	5,218	5,240	
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 acordance with statutory requirements	(707)		22
Balance at 31 March	**5,218**		**5,240**

40. Deferred Liabilities

	31 March 2009	31 March 2010	31 March 2011
	£000	£000	£000
Finance Leases	(287)	(145)	(440)
PFI Liabilities - Road	(32,250)	(30,785)	(29,243)
PFI Liabilities - Schools	(18,965)	(18,545)	(18,259)
Leisure Commuted Sums	(458)	(417)	(374)
Former Gwent County Council Debt	(332)	(275)	(213)
Balance carried forward at 31 March	**(52,292)**	**(50,167)**	**(48,529)**

Finance Leases – see note 15, page 74.

Deferred Capital Receipts – see note 37, page 98.

Leisure Commuted Sums are monies derived from contributions from developers for which the Authority has an obligation to ensure the provision and annual maintenance of leisure amenities (e.g. open spaces and play facilities) on newly constructed housing estates etc.

The former Gwent County Council Debt relates to debt held by that authority that was unable to be disaggregated on reorganisation. Newport City Council manages this debt, with repayments being made to them by the Authority annually.

Notes to the Core Financial Statements (continued)

41. Movements in Direct Services Organisation Reserves

Reserve:	Balance at 1 April 2010 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2011 £000
Building Cleaning	(107)	107	0	0
Cleansing and Refuse Collection	(401)	401	0	0
Grounds Maintenance	(103)	103	0	0
Highways Maintenance	(427)	0	(61)	(488)
Housing and Building Services	(531)	413	0	(118)
Vehicle Maintenance	(4)	4	0	0
Vehicle and Fleet Management	62	0	(62)	0
	(1,511)	**1,028**	**(123)**	**(606)**

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.

42. Movements in Capital Earmarked Reserves

Reserve:	Balance at 1 April 2010 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2011 £000
Corporate	(1,545)	0	(4,861)	(6,406)
Private Housing	(327)	174	0	(153)
Leisure	(745)	0	0	(745)
Education	0	0	(3,900)	(3,900)
Highways and Transportation	(1,200)	1,366	(1,500)	(1,334)
Public Services	0	66	(543)	(477)
	(3,817)	**1,606**	**(10,804)**	**(13,015)**

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

Notes to the Core Financial Statements (continued)

43. Movements in Service Under/Overspend Earmarked Reserves

Reserve:	Balance at 1 April 2010 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2011 £000
Lifelong Learning and Leisure	(591)	442	(883)	(1,032)
Economic Development and Tourism	0	205	(410)	(205)
Education	(1,111)	2,908	(3,022)	(1,225)
Corporate Services	(577)	683	(807)	(701)
Policy and Central Services	(215)	49	(123)	(289)
Social Services	(459)	497	(994)	(956)
Directorate of the Environment	(1,380)	1,878	(1,649)	(1,151)
	(4,333)	**6,662**	**(7,888)**	**(5,559)**

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.

44. 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 2010 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2011 £000
Insurance Reserve	(1,864)	1,000	(1,427)	(2,291)
Risk Management Reserve	(921)	246	0	(675)
	(2,785)	**1,246**	**(1,427)**	**(2,966)**

Notes to the Core Financial Statements (continued)

45. 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 2010 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2011 £000
Comprehensive Schools:				
Bedwas Comprehensive School	(248)	0	(25)	(273)
Blackwood Comprehensive School	(296)	63	0	(233)
Cwmcarn High School	(189)	0	(110)	(299)
Heolddu Comprehensive School	(243)	11	0	(232)
Lewis School Pengam	(193)	92	0	(101)
Lewis Girls Comprehensive School	(367)	63	0	(304)
Newbridge Comprehensive School	(273)	1	0	(272)
Oakdale Comprehensive School	(166)	48	0	(118)
Ysgol Gyfun Cwm Rhymni	(51)	0	(89)	(140)
Rhymney Comprehensive School	(226)	25	0	(201)
Risca Comprehensive School	(267)	12	0	(255)
Pontllanfraith Comprehensive School	(129)	0	(7)	(136)
St Cenydd Comprehensive School	(140)	0	(17)	(157)
Trinity Fields Special School	(237)	79	0	(158)
Primary Schools:				
Bedwas Infants	(56)	0	(47)	(103)
Pontllanfraith Primary School	(106)	0	(8)	(114)
Cwrt Rawlin Primary School	(273)	210	0	(63)
Greenhill Primary	(86)	0	(30)	(116)
St James Primary School	(155)	0	(55)	(210)
White Rose Primary School	(63)	0	(49)	(112)
Ysgol Gynradd Gymraeg Caerffili	(139)	0	(9)	(148)
Rhiw Syr Dafydd Primary School	(172)	39	0	(133)
Ynysddu Primary	(124)	33	0	(91)
Ysgol Y Lawnt	(38)	0	(72)	(110)
Other Comprehensive and Primary Schools with balances under £100k each	(2,603)	553	(673)	(2,723)
Total Schools Balances	**(6,840)**	**1,229**	**(1,191)**	**(6,802)**

Notes to the Core Financial Statements (continued)

46. 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 122, Note 8.

47. Movement in Other Earmarked Reserves

Reserve:	Balance at 1 April 2010 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2011 £000
Former Authority Liabilities Reserve	(180)	0	0	(180)
Waste Management Reserve	(585)	0	0	(585)
Superannuation Reserve	(37)	12	0	(25)
PFI Equalisation Reserve (Schools)	(8,989)	0	(204)	(9,193)
PFI Equalisation Reserve (Roads)	(2,091)	0	(297)	(2,388)
PIG Initiatives Reserve	(462)	12	0	(450)
Service Initiative Reserves	(680)	134	(576)	(1,122)
Carbon Trust Fund Reserve	(336)	92	(125)	(369)
Area Forum Reserve	(64)	0	(17)	(81)
Community Regeneration Fund Reserve	(123)	0	(160)	(283)
Cemeteries Reserve	(143)	95	0	(48)
LABGI Reserve	(586)	0	0	(586)
Electoral Admin Reserve	(73)	0	(79)	(152)
PFI Schools Earmarked Reserve	(123)	54	(108)	(177)
Health & Safety Initiatives Reserve	(785)	0	(97)	(882)
Corporate PC Replacement Reserve	(364)	84	(243)	(523)
Other Reserves	(115)	74	(14)	(55)
	(15,736)	**557**	**(1,920)**	**(17,099)**

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 2009/2010 and any future liability will be met from the service accounts of the employing department. The remainder of the reserve exists to meet liabilities arising as a result of the actions or omissions of the former authorities detailed on page 7.

Waste Management Reserve exists to meet any future costs incurred associated with landfill sites.

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

PFI Equalisation Reserve exists to match PFI funding and unitary charge payments over the period of the contract and is described in greater detail elsewhere (see note 13 on page 70).

Notes to the Core Financial Statements (continued)

Performance Incentive Grant Initiatives Reserve represents amounts set aside to complete specific schemes undertaken with funds allocated from the Authority's Performance Incentive Grant allocation.

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

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

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

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

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

LABGI Reserve exists to promote economic growth within the borough and arises from funds provided under the Local Authority Business Growth Incentive grant scheme funded by the Welsh Government.

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.

Notes to the Core Financial Statements (continued)

48. Cash Flow Statement – Adjustments to Surplus or Deficit

	2009/2010 £000	2010/2011 £000
Adjustment to surplus or deficit on provision of services for non-cash movements		
Depreciation and Impairment	46,138	58,515
IAS19 Pensions Adjustment	5,397	(31,110)
Deferred charges write down/intangible assets	1,039	2,287
Movements on Provisions	(16,533)	(3,174)
Contributions to / from Reserves	(5,635)	(10,455)
(Increase) / Decrease in Stocks	(82)	(50)
(Increase) / Decrease in Debtors	6,928	(5,032)
Increase / (Decrease) in Creditors	3,591	5,566
	40,843	**16,547**

	£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	(26,700)	(27,465)
Proceeds from the sale of property plant and equipment	(1,573)	(5,533)
	(28,273)	**(32,998)**

49. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2009/2010 £000	2010/2011 £000
Interest received	3,679	(257)
Interest paid	(12,094)	11,033
Dividends received	0	0
	(8,415)	**10,776**

Notes to the Core Financial Statements (continued)

50. Cash Flow Statement – Investing Activities

	2009/2010 £000	2010/2011 £000
Purchase of property, plant and equipment and intangible assets	(39,685)	(28,024)
Purchase of short-term and long-term investments	(931,002)	(1,038,975)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment and intangible assets	3,264	5,940
Proceeds from the sale of short-term and long-term investments	950,650	1,023,950
Other receipts from investing activities	29,421	27,743
	12,648	**(9,366)**

51. Cash Flow Statement - Financing Activities

	2009/2010 £000	2010/2011 £000
Cash receipts of short-term and long-term borrowing	17,845	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	(139)
Repayments of short-term and long-term borrowing	(43,529)	(3,322)
Other payments for financing activities	0	2
	(25,684)	**(3,459)**

52. 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 *Best Value Accounting 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.

Notes to the Core Financial Statements (continued)

2009/2010 Service Information	Education & Leisure Directorate £000	Social Services Directorate £000	Directorate of Environment £000	Corporate Services £000	Chief Executive £000	Housing Revenue Account £000	**Total £000**
Fees, charges & other service income	(27,808)	(22,290)	(64,951)	(31,445)	(6,222)	(40,463)	(193,179)
Government Grants	(27,646)	(12,366)	(10,786)	(65,078)	(2,874)	0	(118,750)
Total income	**(55,454)**	**(34,656)**	**(75,737)**	**(96,523)**	**(9,096)**	**(40,463)**	**(311,929)**
Employee expenses	116,681	37,300	38,572	21,499	6,342	5,807	226,201
Other operating expenses	73,442	67,200	81,221	117,294	9,645	32,280	381,082
Total operating expenses	**190,123**	**104,500**	**119,793**	**138,793**	**15,987**	**38,087**	**607,283**
Net Cost of Services	**134,669**	**69,844**	**44,056**	**42,270**	**6,891**	**(2,376)**	**295,354**

Reconciliation to Surplus or Deficit on Provision of Services:

Cost of Services in Service Analysis	**295,354**
Taxation and Non-Specific Grant Income	(319,009)
Precepts	10,604
Add amounts not reported to Management	14,568
Surplus or Deficit on Provision of Services	**1,517**

Reconciliation to Subjective Analysis:	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	(193,194)	(27,394)	0	20,752	30,208	(169,628)
Government Grants	(118,750)	(14,847)	(257,160)	0	0	(390,757)
Council Tax income	0	0	(61,849)	0	0	(61,849)
Total income	**(311,944)**	**(42,241)**	**(319,009)**	**20,752**	**30,208**	**(622,234)**
Employee expenses	226,202	0	0	0	0	226,202
Other operating expenses	381,096	56,809	10,604	(20,752)	(30,208)	397,549
Total operating expenses	**607,298**	**56,809**	**10,604**	**(20,752)**	**(30,208)**	**623,751**
Net Cost of Services	**295,354**	**14,568**	**(308,405)**	**0**	**0**	**1,517**

Notes to the Core Financial Statements (continued)

2010/2011 Service Information	Education & Leisure Directorate £000	Social Services Directorate £000	Directorate of Environment £000	Corporate Services £000	Chief Executive £000	Housing Revenue Account £000	**Total £000**
Fees, charges & other service income	(31,407)	(21,894)	(58,821)	(29,574)	(6,303)	(40,788)	(188,787)
Government Grants	(28,988)	(11,969)	(11,966)	(69,095)	(3,191)	(6)	(125,215)
Total income	**(60,395)**	**(33,863)**	**(70,787)**	**(98,669)**	**(9,494)**	**(40,794)**	**(314,002)**
Employee expenses	121,960	37,998	35,297	17,572	6,518	5,287	224,632
Other operating expenses	74,784	68,265	79,229	121,865	8,913	33,575	386,631
Total operating expenses	**196,744**	**106,263**	**114,526**	**139,437**	**15,431**	**38,862**	**611,263**
Net Cost of Services	**136,349**	**72,400**	**43,739**	**40,768**	**5,937**	**(1,932)**	**297,261**

Reconciliation to Surplus or Deficit on Provision of Services:

Cost of Services in Service Analysis	**297,261**
Taxation and Non-Specific Grant Income	(327,944)
Precepts	11,047
Add amounts not reported to Management	(14,275)
Surplus or Deficit on Provision of Services	**(33,911)**

Reconciliation to Subjective Analysis:	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	(188,787)	(11,639)	0	24,918	27,824	(147,684)
Government Grants	(125,215)	(36,400)	(263,798)	0	0	(425,413)
Council Tax income	0	0	(64,146)	0	0	(64,146)
Total income	**(314,002)**	**(48,039)**	**(327,944)**	**24,918**	**27,824**	**(637,243)**
Employee expenses	224,632	0	0	0	0	224,632
Other operating expenses	386,631	33,764	11,047	(24,918)	(27,824)	378,700
Total operating expenses	**611,263**	**33,764**	**11,047**	**(24,918)**	**(27,824)**	**603,332**
Net Cost of Services	**297,261**	**(14,275)**	**(316,897)**	**0**	**0**	**(33,911)**

Notes to the Core Financial Statements (continued)

53. 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)
- Education School Improvement Service (ESIS)
- 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 Taff.

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.

Catalogue Supplies Service	2009/2010		2010/2011	
Joint Committee	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	5,691	1,090	5,801	1,111
Income	(5,704)	(1,092)	(5,796)	(1,110)
(Surplus) / Deficit for the Year	**(13)**	**(2)**	**5**	**1**
Balance Sheet				
Current assets	893	171	1,217	233
Current liabilities	(375)	(72)	(704)	(135)
Total Assets less Liabilities	**518**	**99**	**513**	**98**
Usable Reserves	(519)	(99)	(516)	(99)
Unusable Reserves	1	0	3	1
	(518)	**(99)**	**(513)**	**(98)**

Notes to the Core Financial Statements (continued)

Education School Improvement Service

The Education School Improvement Service (ESIS) was created on 1 April 1996 and is a joint committee comprising elected member representation from the County Boroughs of Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Tâf. ESIS provides training and advisory services to the local education authorities and schools in each of its joint authority areas together with undertaking inspection work on behalf of other public sector bodies.

Education School Improvement Service	2009/2010		2010/2011	
	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	6,903	1,699	3,952	1,104
Income	(7,254)	(1,785)	(6,505)	(1,817)
Net Cost of Service	**(351)**	**(86)**	**(2,553)**	**(713)**
Pension interest cost / expected return on assets	642	158	328	92
Net Operating Cost	**291**	**72**	**(2,225)**	**(621)**
Contributions	0	0	0	0
(Surplus) / Deficit for the Year	**291**	**72**	**(2,225)**	**(621)**
Balance Sheet				
Fixed assets	57	14	18	5
Deferred charges	0	0	0	0
Current assets	2,312	569	2,092	584
Current liabilities	(553)	(136)	(418)	(117)
Pension liability	(11,567)	(2,846)	(8,411)	(2,349)
Total Assets less Liabilities	**(9,751)**	**(2,399)**	**(6,719)**	**(1,877)**
Capital adjustment account	(57)	(14)	(18)	(5)
Pension Reserve	11,567	2,846	8,411	2,349
Earmarked Reserves	(236)	(58)	(11)	(3)
General Reserve	(1,523)	(375)	(1,663)	(464)
	9,751	**2,399**	**6,719**	**1,877**

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	2009/2010 Total £000	2009/2010 CCBC share £000	2010/2011 Total £000	2010/2011 CCBC share £000
Income & Expenditure Account				
Expenditure	1,435	158	1,292	142
Income	(942)	(104)	(1,568)	(172)
Net Cost of Service	**493**	**54**	**(276)**	**(30)**
Interest and investment income	(1)	(0)	341	37
(Surplus) / Deficit for the Year	**492**	**54**	**65**	**7**
Balance Sheet				
Long term assets	8,442	929	8,161	898
Current assets	630	69	744	82
Current liabilities	(61)	(7)	(80)	(9)
Long term liabilities	(6,570)	(722)	(6,401)	(704)
Total Assets less Liabilities	**2,441**	**269**	**2,424**	**267**
Usable reserves	(571)	(63)	(670)	(74)
Unusable reserve	(1,870)	(206)	(1,754)	(193)
	(2,441)	**(269)**	**(2,424)**	**(267)**

Notes to the Core Financial Statements (continued)

Greater Gwent Cremation Joint Committee

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

Greater Gwent Cremation Joint Committee	2009/2010 Total £000	2009/2010 CCBC share £000	2010/2011 Total £000	2010/2011 CCBC share £000
Income & Expenditure Account				
Expenditure	861	131	722	110
Income	(1,157)	(176)	(1,324)	(201)
Net Cost of Service	**(296)**	**(45)**	**(602)**	**(91)**
Pension interest cost / expected return on assets	20	3	5	1
Net Operating Cost	**(276)**	**(42)**	**(597)**	**(90)**
Distributions	150	23	150	23
Statement of Movement	(36)	(5)	(14)	(2)
(Surplus) / Deficit for the Year	**(162)**	**(24)**	**(461)**	**(69)**
Balance Sheet				
Long term assets	1,613	245	1,545	235
Current assets	612	93	1,100	167
Current liabilities	(16)	(2)	(43)	(7)
Pension liability	(257)	(39)	(105)	(16)
Total Assets less Liabilities	**1,952**	**297**	**2,497**	**379**
Usable Reserves	(596)	(91)	(1,057)	(160)
Unusable Reserves	(1,356)	(206)	(1,440)	(219)
	(1,952)	**(297)**	**(2,497)**	**(379)**

Notes to the Core Financial Statements (continued)

Gwent Joint Records Committee

The Gwent Joint Records Committee manages and administers 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	2009/2010		2010/2011	
	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	771	115	758	113
Income	(825)	(123)	(1,192)	(177)
Net Cost of Service	**(54)**	**(8)**	**(434)**	**(64)**
Pension interest cost / expected return on assets	19	3		0
Net Operating Cost	**(35)**	**(5)**	**(434)**	**(64)**
Contributions	(39)	(6)		0
(Surplus) / Deficit for the Year	**(74)**	**(11)**	**(434)**	**(64)**
Balance Sheet				
Current assets	354	53	724	108
Current liabilities	(254)	(38)	(261)	(39)
Pension liability	(247)	(37)	63	9
Total Assets less Liabilities	**(147)**	**(22)**	**526**	**78**
Pension Reserve	247	37	(63)	(9)
General Reserve	(100)	(15)	(463)	(69)
	147	**22**	**(526)**	**(78)**

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 for the provision of an efficient and effective integrated equipment service to the service users who are resident in the partner authorities. The five authorities being Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen.

Gwent Wide Integrated Community Equipment Service Project	2009/2010		2010/2011	
	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	2,626	545	2,767	574
Income	(2,626)	(545)	(2,767)	(574)
(Surplus) / Deficit for the Year	**0**	**0**	**0**	**0**

Notes to the Core Financial Statements (continued)

Project Gwyrdd

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

Project Gwyrdd	**2009/2010 Total £000**	**2009/2010 CCBC share £000**	**2010/2011 Total £000**	**2010/2011 CCBC share £000**
Income & Expenditure Account				
Expenditure	487	97	952	190
Income	(1,263)	(252)	(1,047)	(209)
Net Cost of Service	**(776)**	**(155)**	**(95)**	**(19)**
Interest and investment income	0	0	(2)	(0)
(Surplus) / Deficit for the Year	**(776)**	**(155)**	**(97)**	**(19)**
Appropriation from Accumulated Absences Account	(3)	(1)	1	0
Net (Increase) / Decrease in General reserve balance	**(779)**	**(156)**	**(96)**	**(19)**
Balance Sheet				
Current assets	891	178	1,021	204
Current liabilities	(115)	(23)	(147)	(29)
Total Assets less Liabilities	**776**	**155**	**874**	**175**
Accumulated Absences Reserve	(3)	(1)	(2)	(0)
Joint Committee Reserves	779	156	876	175
Net Worth	**776**	**155**	**874**	**175**

South East Wales Transport Alliance

SEWTA (The South East Wales Transport Alliance) is 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. SEWTA works in close liaison with partners representing public transport operators and users.

South East Wales Transport Alliance	**2009/2010 Total £000**	**2009/2010 CCBC share £000**	**2010/2011 Total £000**	**2010/2011 CCBC share £000**
Income & Expenditure Account				
Expenditure	1,096	110	4,053	405
Income	(1,075)	(108)	(4,016)	(401)
(Surplus) / Deficit for the Year	**21**	**2**	**37**	**4**
Balance Sheet				
Current assets	431	43	2,353	235
Current liabilities	(315)	(31)	(2,274)	(227)
Total Assets less Liabilities	**116**	**12**	**79**	**8**
General Reserve	(116)	(12)	(79)	(8)
	(116)	**(12)**	**(79)**	**(8)**

Notes to the Core Financial Statements (continued)

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.

Welsh Purchasing Consortium	2009/2010		2010/2011	
	Total	CCBC share	Total	CCBC share
	£000	£000	£000	£000
Income & Expenditure Account				
Expenditure	177	11	195	12
Income	(268)	(17)	(238)	(15)
Net Expenditure / (Income)	**(91)**	**(6)**	**(43)**	**(3)**
Appropriations from Reserves:				
Accumulated absences accrual	0	0	(2)	(0)
Net (Surplus) / Deficit	**(91)**	**(6)**	**(45)**	**(3)**
Balance Sheet				
Current assets	256	16	282	18
Current Liabilities	(20)	(1)	(3)	0
Total Assets less Liabilities	**236**	**15**	**279**	**18**
General Reserve	(236)	(15)	(281)	(18)
Accumulated Absences Account	0	0	2	0
Net Worth	**(236)**	**(15)**	**(279)**	**(18)**

54. Authorisation for Issue

The Head of Corporate Finance, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 26 September 2011. 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 2011

Housing Revenue Account

	2009/2010	2010/2011		
	£000	£000	£000	Note
Income				
Dwelling rents	(35,419)	(36,080)		1
Non-dwelling rents	(353)	(418)		
Charges for services and facilities	(1,299)	(1,473)		
Contributions towards expenditure	(2,744)	(2,334)		
Total Income	**(39,815)**		**(40,305)**	
Expenditure				
Repairs and maintenance	16,662	18,920		
Supervision and management	5,104	4,654		
Special Services	3,753	3,374		
Rents, rates, taxes and other charges	380	736		
Negative housing revenue account subsidy payable	7,016	7,144		
Depreciation and impairment of non-current assets	2,951	23,505		2
Non-Enhancing capital expenditure	8,526	9,684		2
Debt Management Costs	14	19		
Increase in bad debt provision	340	378		
Total Expenditure	**44,746**		**68,414**	
Net Cost/(Income) of HRA Services per Authority Income and Expenditure Account	4,931		28,109	
HRA services share of Corporate and Democratic Core Costs	115		119	
Net Cost of HRA Services	**5,046**		**28,228**	
Interest payable and similar charges	2,528	2,197		
Major Repairs Allowance	(7,300)	(7,400)		9
(Gain) / Loss on sale of HRA non-current assets	(1,112)	(1,042)		
Interest and investment income	(37)	(24)		
	(5,921)		(6,269)	
(Surplus)/deficit for the year on HRA services	**(875)**		**21,959**	

Movement on the Housing Revenue Account Statement

	2009/2010	2010/2011		
	£000	£000	£000	Note
Balance on the HRA at the end of the previous year	(4,422)		(6,062)	
(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	(875)	21,959		
Adjustments between accounting basis and funding basis under statute	(941)	(21,450)		
Net (increase)/decrease before transfers to or from reserves	(1,816)	509		
Transfers to or (from) reserves	176	(215)		
(Increase) or decrease in year on the HRA	(1,640)		294	
Balance on the HRA at the end of the current year	**(6,062)**		**(5,768)**	**8**

Notes to the Movement on the HRA Statement

	2009/2010	2010/2011		
	£000	£000	£000	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year				
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(72)	(57)		
Depreciation and Impairment of non-current assets	(2,951)	(23,505)		**2**
Non-enhancing Capital Expenditure	(8,526)	(9,684)		**2,6**
Gain on sale of HRA non-current assets	1,112	1,042		
Net charges made for retirement benefits in accordance with IAS 19	(357)	(534)		**10**
Major Repairs Allowance	7,300	7,400		
	(3,494)		(25,338)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year				
Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	658	608		**10**
HRA Minimum Revenue Provision	1,046	1,009		
Capital expenditure funded by the HRA	800	2,284		**6**
Adjustment involving the Accumulated Absences Account	49	(13)		
Transfers to / (from) Reserves	176	(214)		
	2,729		3,674	
Net additional amount required by statute to be credited to the HRA Balance for the year	**(765)**		**(21,664)**	

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 1.01% of lettable properties were void (a decrease from 1.44% in 2009/2010). The average weekly rent at 31 March 2011 was £69.02 (£67.66 in 2009/2010), based on a 48-week collection period.

2. Depreciation and Impairment

	2009/2010 £000	2010/2011 £000
Operational assets comprising:		
Dwellings (refer to Note 23 Core Financial Statements)	2,832	2,981
Other Land & Buildings	119	27
Depreciation written back on revaluation of council dwellings	0	(3,119)
Asset Impairments	0	23,616
Total HRA Depreciation and Impairment of Fixed Assets	**2,951**	**23,505**
Write off of non-enhancing expenditure	8,526	9,684
Total HRA depreciation, impairment and non-enhancing expenditure	**11,477**	**33,189**

3. Rent Arrears

The rent arrears encompass monies owed by both current and former council tenants. During the year, total rent arrears increased by £2,845. Total current rent arrears represents 2.38% of Gross Rent Income.

	£
Arrears at 31 March 2010	1,196,301
Bad Debt Provision 31 March 2010	(693,337)
Net Arrears at 31 March 2010	**502,964**
Arrears at 31 March 2011	1,199,146
Bad Debt Provision 31 March 2011	(695,638)
Net Arrears at 31 March 2011	**503,508**

4. Housing Subsidy

Housing Subsidy contributions of £7.144m were payable in 2010/2011. This compares to the previous year's subsidy of £7.016m. Approximately 75% 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 10,968 dwellings during 2010/2011.The type of stock managed by the Authority is made up of approximately 60% houses, 26% flats and 14% bungalows.

	2009/2010 Number	2010/2011 Number
Stock at 1 April	11,010	10,988
Acquisitions/New Build	0	0
Sales/Demolitions/Expired Leases	(22)	(43)
Stock at 31 March	**10,988**	**10,945**

6. Capital Expenditure and Financing

	2009/2010 Assets £000	2010/2011 Assets £000
Capital Expenditure		
Operational Assets : Houses	8,526	9,684
Total Expenditure	**8,526**	**9,684**
Capital Financing		
Major Repairs Allowance	(7,300)	(7,400)
Capital Receipts	(426)	0
Capital Grants	0	0
Revenue Reserves	(800)	(2,284)
Total Income	**(8,526)**	**(9,684)**

7. Capital Receipts and Unapplied Capital Income

	2009/2010 £000	2010/2011 £000
Balance at 1st April	(176)	(116)
Amounts received - Right to Buy	(967)	(754)
Amounts received - Other	(172)	(288)
Less Statutory Set aside for debt repayment	773	578
Less Applied to Capital Financing	426	0
Balance at 31st March	**(116)**	**(580)**

Notes to the Housing Revenue Account (continued)

8. Balance Carried Forward

The working balance at 31 March 2011 was £5.768m, a net decrease of £294k over the year.

Reserves	Balance at 1 April 2010 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31 March 2011 £000
Housing Fund Balances	(2,996)	600	(2,395)	(4,791)
Supporting People	(375)	69	0	(306)
Housing Earmarked Capital	(2,020)	2,020	0	0
Week 53 Debit	(671)	0	0	(671)
	(6,062)	**2,689**	**(2,395)**	**(5,768)**

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.

Housing Earmarked Capital – represents funds set aside to fund public housing capital schemes.

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

9. Major Repairs Allowance

	2009/2010 £000	2010/2011 £000
Amount Received in Year	(7,300)	(7,400)
Amounts Applied in Year	7,300	7,400
Amounts Carried Forward	**0**	**0**

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

	2009/2010 £000	2010/2011 £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	(357)	(534)
Employer's pension contributions and direct payments to pensioners payable in the year	658	608
Total Contribution to or from the Pension Reserve	**301**	**74**

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.

Actuary - An actuary is a qualified person who works out insurance and pension fund valuations, taking into account relevant factors such as trends in insurance claims and life expectancy.
Authority - Caerphilly County Borough Council.
Balance Sheet - A statement listing all assets and liabilities of the Authority at the 31st March.
Borrowing - Can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represents monies loaned to the Authority by third parties.
Budget - A budget is the spending plan for the financial year in question i.e. 2010/11.
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, wages, running costs etc. on all revenue services of the Authority.
Contingent Asset - This is 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 - This is 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) - This is 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 2010/2011, it runs from 1 April 2010 to 31 March 2011.
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.
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.

GLOSSARY OF TERMS continued

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 - Investments can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represent surplus funds of the Authority invested with third parties.
Levies - Levies are charges on the Authority by other public bodies / non-billing organisations to enable them to cover their costs in the performance of their services.
Minimum Revenue Provision (MRP) - A minimum annual charge that has to be made to the revenue accounts to systematically reduce the principal element of loans which have been raised and used to pay for capital schemes.
Movement in Reserves Statement - A statement showing the in-year movement on all the different reserves held by the Authority.
National Non Domestic Rates (NNDR) - Also known as the Business Rate, it is the charge occupiers of business premises pay to finance part of the Authority's revenue spending. The charge is based on the rateable value of the business premises.
Non-Current Assets - These are long term assets which are used for more than 1 year.
Non-Current Assets: Enhancement Expenditure - This is where capital expenditure on an asset does not alter the book value of the asset e.g. window replacement.
Operating Leases - A method of paying for the use of capital assets e.g. vehicles by means of annual payments to a leasing company over a number of years. The leasing company retains ownership of the asset during and at the end of the lease agreement.
Precepts - Precepts are levied on the Authority by non-billing organisations e.g. police, community councils to enable them to cover their costs in the performance of their services or duties.
Pension Liability (IAS19) - 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 Reserve (IAS19) - 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 IAS19 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.
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

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 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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 council'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 and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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 2011 and up to the date of approval of the Statement of Accounts.

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 Corporate Improvement Plan sets out the Council's vision, priorities and strategic objectives. These are derived from the Caerphilly Community Strategy, which clearly articulates a shared vision for Caerphilly County Borough Council.
• Long term outcomes and interim performance targets have been established for each strategic objective.
• The Community Strategy and Corporate Improvement Plan are published widely and are also available on the Council website and intranet.

Annual Governance Statement (Continued)

Reviewing the Authority's vision and its implications for the Authority's governance arrangements

• The Community Strategy and Corporate Improvement Plan are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
• A performance management framework has recently been developed and is being piloted for the Local Strategic Partnerships providing clear arrangements for joint working and reporting progress to the Caerphilly Local Service Board.

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 Level Improvement Plans contain key service objectives that are geared, where appropriate, towards achieving the overall strategic objectives detailed in the Council's Improvement Plan. They also contain challenging targets in respect of both national performance indicators and local performance targets.
• This system is in turn supported by individual annual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
• The Council uses a performance management software system, Ffynnon, which is used to monitor not only individual performance indicators, but also their combined effect on the achievement of strategic objectives. Reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
• Performance against targets is monitored at officer and member levels, by Corporate Management Team, Directorate Management Teams, Executive Cabinet and Scrutiny Committees.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

• The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
• Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Scrutiny Committees. Biannual Performance Management Scrutiny Committees have been established for each of the Council's scrutiny themes.
• The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority. Delegated power decisions and information items are published on the intranet.
• The Council publishes an annual improvement plan which sets out key priorities agreed by the Council, its committees and chief officers under their delegated powers.

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

• The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.
• Both members and officers are made aware of the personal conduct and disclosure requirements and they are available for reference on the Council's intranet.

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 Council's Constitution including a review of Standing Orders for Contracts, Financial Regulations and the Scheme of Delegation.
• 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 the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

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

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

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

• The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
Monitoring Officer;
Section 151 Officer;
Internal Audit;
External Audit;
Performance Management Framework.

• The Council has designated the Head of Legal Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Deputy Chief Executive Officer, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
• The standard committee reporting procedure and template requires the Monitoring Officer to examine reports to the Executive for compliance with legal issues. His comments are referred to the Council's Corporate Management Team for action.

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

• The Council has a Whistle Blowing Policy, which has been widely publicised via the Council web site, intranet and other channels.
• The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

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 both members and senior officers. Where identified by the Performance Development Review (PDR) process senior officers participate in management development training.
• All senior officers participate in the corporate staff appraisal scheme.

Annual Governance Statement (Continued)

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.

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 Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.

The Council had established a COMPACT which is an agreement between various organisations within the County Borough including the Voluntary Sector, Local Health Board, Police, Fire and Rescue and the Council itself setting out how they will work together and identifying protocols for such joint working.

Key partnerships are brought together biannually at the Caerphilly Standing Conference to reflect on progress and to communicate community planning progress.

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 Services governance group within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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 consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement (previously Statement on Internal Control):

- Deputy Chief Executive;
- Head of Legal Services (Monitoring Officer);
- Head of Corporate Finance (Section 151 Officer);
- Head of Performance and Property.

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

Directorate Level Review
The Council has also introduced Directorate Assurance Statements requiring Directors 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.

Annual Governance Statement (Continued)

Monitoring Officer
As the Council's Monitoring Officer, the Head of Legal Services has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. Reviews are undertaken as and when necessary.

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

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

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

Performance Management
The Performance Management Unit is responsible for developing and maintaining the Council's performance management framework in accordance with the Wales Programme for Improvement. It supports and challenges the Council as a whole, and the individual services, to continuously improve its services and works with the external auditors to co-ordinate inspection programmes based around the Council's corporate improvement risks.

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.
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).

External Audit
In accordance with the Code of Audit Practice of the Auditor General for Wales, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

Annual Governance Statement (Continued)

Review Outcome

The review of the Council's governance arrangements has identified a number of areas where improvements could be made to strengthen the existing procedures and processes:-

a) The development and implementation of an asset management strategy.

b) The revision and updating of contract management procedures specifically in relation to asbestos management.

c) The further development of the Council's business continuity arrangements.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified during the review process and we will monitor their implementation and operation as part of our next annual review.

Signed

Allan Pritchard
Leader of the Council

Anthony O'Sullivan
Chief Executive