



# **Financial Accounts**

**For the year ended**

**31 March 2010**

# Caerphilly County Borough Council

## Financial Accounts for the year ended 31 March 2010

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## **Explanatory Foreword**

### **Introduction**

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

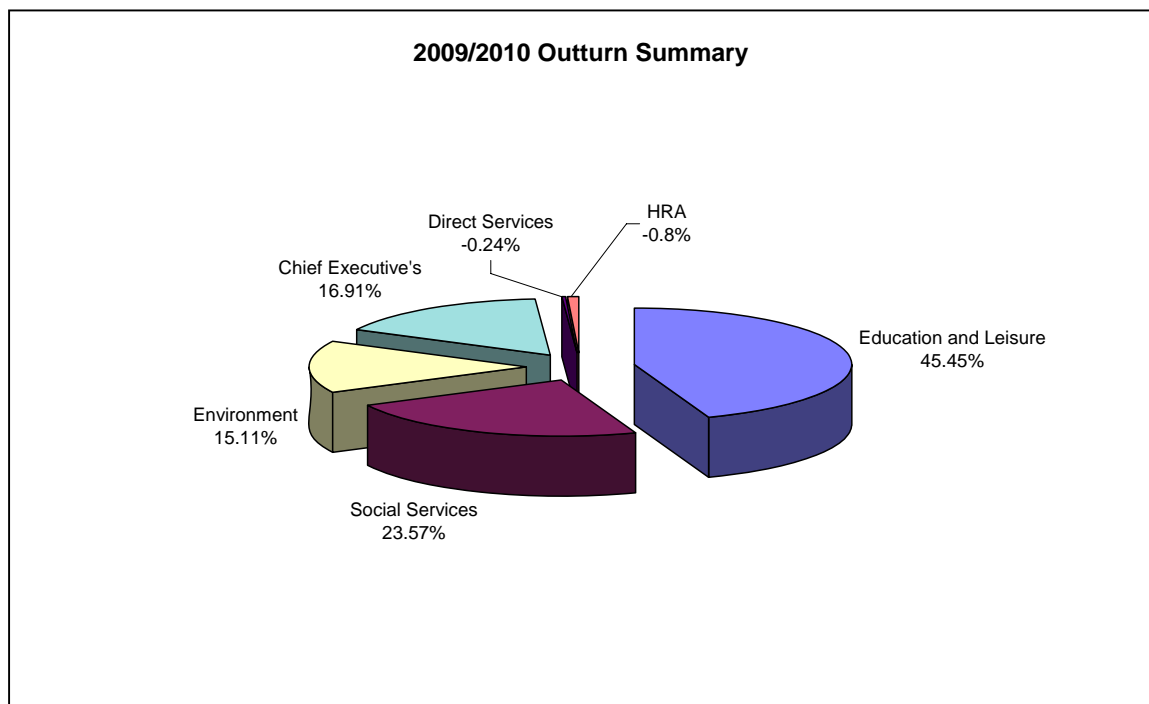
## Explanatory Foreword (continued)

### 2009/2010 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Income and Expenditure Account on page 31. The account is classified according to service expenditure areas.

In 2009/2010, 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	138,265	138,016	134,672	3,344
Social Services	70,258	69,876	69,844	32
Environment	43,699	44,433	44,759	(326)
Chief Executive's	55,725	56,230	50,107	6,123
Direct Services	0	(608)	(703)	95
HRA	0	0	(2,376)	2,376
<b>Total Service Expenditure</b>	<b>307,947</b>	<b>307,947</b>	<b>296,303</b>	<b>11,644</b>
Use of General Fund Reserves	0	0	(2,228)	2,228
Transfer to Earmarked Reserves	0	0	6,131	(6,131)
<b>Surplus for the Year</b>	<b>307,947</b>	<b>307,947</b>	<b>300,206</b>	<b>7,741</b>
Funding Income	(307,448)	(307,448)	(308,406)	<b>958</b>
<b>Total Outturn</b>				<b>8,699</b>
Transfer to Earmarked Reserves				(3,802)
Transfer to General Fund Reserves				(4,400)
<b>General Fund Reserves as at 31 March 2009</b>				<b>(10,812)</b>
Budget Strategy Contribution				500
Use of Balances in Year				1,728
Service Outturn Contribution				(4,400)
<b>General Fund Reserves as at 31 March 2010</b>				<b>(12,984)</b>



## 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 2009/10 presented to Special Cabinet on the 29 June 2010. 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 Income and Expenditure Account, because budget monitoring is carried out on a Directorate basis and re-categorised in the Income and Expenditure Account to comply with recommended accounting practice. The Income and Expenditure Account figures also include accounting adjustments in respect of depreciation and amortisation of deferred grants, FRS17 pension costs and a number of items included within the directorates within the budget summary that are shown below the Net Cost of Service line within the Account.

The following table provides a reconciliation between the total expenditure per Directorate and the Net Cost of Service in the Income and Expenditure Account:

	<u>£000</u>
<b>Total Service Expenditure</b>	296,303
Community Council Precepts	537
Police Authority Precept	10,066
Amortisation of Intangible Assets	167
Depreciation	32,191
Impairment of Assets	13,945
Amortisation of Government Grants Deferred and other contributions	(19,162)
Write down of Revenue Expenditure Funded from Capital Under Statute to be financed from capital resources	872
Net gain from sale of fixed assets	(1,573)
MRP Adjustment	(9,967)
FRS17 Pension Adjustments	5,397
Financial Instrument Adjustment - LOBO	(5)
<b>Net Operating Expenditure per Income and Expenditure Account</b>	<b><u>328,771</u></b>

### Funding Income

The following table details the main sources of income received by the Authority to fund service expenditure in 2009/10:

	2009/2010			
	Original	Revised	Outturn	Variance
	Estimate	Estimate		
	£000	£000	£000	£000
<b>Funding Income</b>				
Council Tax (Net of Police Authority and Community Council Precepts)	(50,288)	(50,288)	(51,246)	958
Revenue Support Grant	(199,149)	(199,149)	(199,149)	0
Non Domestic Rates	(45,530)	(45,530)	(45,530)	0
Performance Incentive Grant	(1,901)	(1,901)	(1,901)	0
Deprivation Grant	(2,466)	(2,466)	(2,466)	0
Private Finance Initiative Grant	(8,114)	(8,114)	(8,114)	0
<b>Total Funding Income</b>	<b><u>(307,448)</u></b>	<b><u>(307,448)</u></b>	<b><u>(308,406)</u></b>	<b><u>958</u></b>

## Explanatory Foreword (continued)

### Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 109 to 114. For 2009/2010, actual outturn compared to budget was as follows:

	<b>2009/2010</b>		
	<b>Original Estimate £000</b>	<b>Actual Outturn £000</b>	<b>Variance £000</b>
Expenditure	31,579	47,438	(15,859)
Income	(31,579)	(48,264)	16,685
	<u>0</u>	<u>(826)</u>	<u>826</u>
Net additional amounts required by statute to be debited or credited to the HRA Balance for the year	0	(814)	814
Deficit for the year	<b>0</b>	<b>(1,640)</b>	<b>1,640</b>
Transfer from/(to) Other Service Earmarked Reserves	0	(736)	736
HRA Outturn per Foreword (page 3)	<b>0</b>	<b>(2,376)</b>	<b>2,376</b>

### Direct Labour and Direct Service Organisations (DLOs & DSOs)

The Authority previously operated 2 Direct Labour Organisations (DLOs) and 6 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 Income and Expenditure Account, and their performance is disclosed in note 3, page 43 in accordance with CIPFA's Best Value Accounting Code of Practice.

### Provisions

Movements upon provisions are detailed in note 30, page 81 together with explanations of what each provision is for.

	<b>1 April 2009</b>	<b>Movement</b>	<b>31 March 2010</b>
	<b>Bfwd £000</b>	<b>£000</b>	<b>Cfwd £000</b>
Provisions	<u>26,572</u>	<u>(15,826)</u>	<u>10,746</u>

### Reserves

The amounts shown as non-distributable reserves relate to capital and pension reserves, which do not constitute 'usable resources'. The movements are detailed in note 20, page 71.

	<b>Restated 1 April 2009</b>	<b>Movement</b>	<b>31 March 2010</b>
	<b>Bfwd £000</b>	<b>£000</b>	<b>Cfwd £000</b>
Reserves - Distributable	(45,854)	(10,635)	(56,489)
- Non-Distributable	(409,871)	69,881	(339,990)
	<u>(455,725)</u>	<u>59,246</u>	<u>(396,479)</u>

## **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 & 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 5 in the Note to the Core Financial Statements (page 44).

### **Loan Debt**

The total amount outstanding as at 31 March 2010 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 of loans from the money market. Analysis of the loan debt is shown in the notes accompanying the Core Financial Statements on page 44 (note 5).

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

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
<b><i>Amortised Cost of Loans:</i></b>		
Loan debt repayable in one year	(3,290)	(4,260)
Loan debt repayable in more than one year	<u>(192,734)</u>	<u>(217,608)</u>
	<b><u>(196,024)</u></b>	<b><u>(221,868)</u></b>
<b><i>Nominal Value of Loans:</i></b>		
Loan debt repayable in one year	(3,269)	(4,158)
Loan debt repayable in more than one year	<u>(189,421)</u>	<u>(214,131)</u>
	<b><u>(192,690)</u></b>	<b><u>(218,289)</u></b>

### **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 2009/10, 91% of payments were made by the target date (90% in 2008/2009).

## **Explanatory Foreword (continued)**

### **Pension Liability**

Following the adoption of FRS 17 "Retirement Benefits" by local authorities, the Authority is required to recognise in its accounts, 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 2009/2010 is some £310.553m (£224.981m in 2008/09). 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 52, note 6.

### **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 31 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)

### 2009/2010 Capital Expenditure

Capital expenditure is shown in notes 21 and 23 to the Financial Statements and amounted to some £42.572m.

The major items within this figure are identified below:

	<u>£000</u>	<u>£000</u>
<b>Housing:</b>		
Repairs and Improvements	8,375	
Security Equipment	151	
Improvement Grants & Private Sites	4,827	
	<hr/>	13,353
<b>Non Housing:</b>		
Education	8,469	
Social Services	416	
Highways & Transportation and Land Reclamation	12,332	
Lifelong Learning and Leisure	807	
Economic Development/Tourism	340	
Planning	3,725	
Environmental Services	356	
Other	2,774	
	<hr/>	29,219
		<hr/> <b>42,572</b> <hr/>

Capital Expenditure was financed by borrowing (£9.481m), grants (£30.348m) and other sources (£2.743m). 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 12, (page 64) to the Core Financial Statements.

### Private Finance Initiatives (PFI)

#### Change in Accounting Policy

The Authority is committed to two Private Finance Initiative contracts. Further details of these contracts can be found in note 10, (page 59) to the Core Financial Statements.

The Authority has entered into two contracts under PFI arrangements, one for the Sirhowy Enterprise Way and one for two schools – Ysgol Gyfun Cwm Rhymni and Lewis School, Pengam. All of these properties pass to the Authority at the end of the contracts. Previously the assets were being built up over the lives of each contract to ensure the proper allocation of the unitary charges of each between the cost of services provided under each contract and the acquisition of the residual interests. The objective of building up the residual interests was to ensure that at the end of each contract, the accumulated balances, plus where applicable, any final payments made to the contractors exactly matched the originally estimated fair values of the assets received. In determining the accounting treatment for the residual interests, the Authority estimated the fair value of the residual interest in the assets to be received at the end of the schemes.

## **Explanatory Foreword (continued)**

PFI contracts were deemed to be “off Balance Sheet” and accounted for in accordance with FRS 5 “Reporting the Substance of Transactions”. As a result of the implementation of International Financial reporting Standards (IFRS), and in line with the Government’s agenda for local authorities’ accounts to be included within the 2009/10 IFRS-based Whole of Government Accounts, PFI schemes have been accounted for under the IFRS based International Financial Reporting Interpretations Committee (IFRIC) 12 “Service Concession Arrangements”. See Note 57, page 104 for details of the prior year adjustment effect of bringing these schemes “on Balance Sheet”.

### **Future Financial Developments**

The Authority’s budget for 2010/2011 was approved on 25 February 2010. 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 (especially in terms of energy), and a growth in the demands placed upon services.

The Welsh Assembly Government’s (WAG) revenue settlement for the Authority increased by 2.28% for 2010/11, whilst the Council agreed a Council Tax increase of 2.9% in order to meet the demands, having also identified some £3.697m in efficiency cuts.

The capital settlement received from WAG, for 2010/11, represented a very marginal increase of 0.042% (or £5k) over 2009/10. This, combined with project overspends and the non-realisation of projected capital receipts, due to the prevailing economic downturn, has placed real pressures on the Authority’s capital investment plans and meant that previous intentions have had to be cut back.

In the medium term, the global and national economic conditions will mean that even more significant budget pressures will be applied on local government, with WAG settlements being considerably reduced on previous years, with the prospect of negative settlement figures. Consequently, the Authority will have to reduce its annual revenue budget by some £25m from its current base by March 2015.

To deal with this challenging situation, further significant reductions in Authority expenditure are inevitable. This will require a review of budget priorities, balancing the need to meet statutory requirements with the need for efficiencies and the achievement of value for money in service provision. This applies equally to both revenue and capital budgets.

To enable this reprioritisation of objectives to take place, a review of all current services and programmes is under way, in order to develop a clear strategy for Council consideration.

Since 2003, the Authority’s Housing Stock Business Plans (submitted annually to the Welsh Assembly 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 18<sup>th</sup> February 2010, full council made a decision to ballot tenants on transferring the housing stock to a new Registered Social Landlord. The Authority is currently applying for provisional approval from WAG to proceed with the transfer proposals. The ballot process is expected to take about 18 months with the ballot provisionally expected to take place in October 2011.

The extent to which this will impact on the Authority is as yet unknown, but there will undoubtedly be a financial consequence if the stock is transferred. A financial impact assessment will form part of the ballot process.

## **Explanatory Foreword (continued)**

### **2009 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 2009/10.

The relevant changes made, that are applicable to Wales, relate to:

- a) Private Finance Initiative (PFI) contracts. The accounting requirements for PFI contracts are no longer based on the UK accounting standard FRS5, but on International Financial Reporting Standards (IFRS), namely International Financial Reporting Interpretations Committee – IFRIC 12 “Service Concession Arrangements”, which addresses concession operator accounting. The requirements apply in respect of all PFI contracts in existence at 31 March 2009 and prior period adjustments have been made for these. The PFI properties used to deliver services are no longer “off Balance Sheet” and the assets have now been brought onto the Balance Sheet with a matching liability for the financing provided by the PFI operator.
- b) Changes in the requirements for accounting for NNDR. There is now a requirement that billing authorities recognise their indebtedness with the Welsh Assembly Government, rather than with taxpayers as Authorities are acting as agents to the Government.
- c) In terms of Council Tax income, clarification that the Police Authority are major preceptors and consequently Council Tax income should be shown as gross income in the Statement of Accounts with Precepts paid to major preceptors being presented as expenditure.
- d) The name of the Unapplied Capital Grant Reserve has been changed to Unapplied Capital Grant Account with the implication that it is acceptable to transfer amounts applied to expenditure to the Capital Adjustment Account removed.
- e) Clarification in respect of the disclosure of long-term financial liabilities - requiring those liabilities that are due to be settled within 12 months of the Balance Sheet date being presented in current liabilities.
- f) Four disclosure notes have been removed that are relevant to the Authority, namely those relating to Section 137 expenditure, expenditure on publicity, the building control account and the Local Authorities Goods and Services Act 1970.
- g) Changes in the disclosures in respect of officers’ remuneration. Those officers whose remuneration exceeds £60,000 per year are shown in bands of £5,000 (rather than £10,000 as in previous years). There are additional disclosures for the Head of Paid Service and Chief Officers and any other persons who have responsibility for the management of the Authority where those persons have the power to direct or control the major activities of the Authority, particularly in respect of activities involving expenditure of money. Also, those individuals whose salary exceeds £150,000 are required to be identified by name. None of the Corporate Management Team’s salaries exceed £150,000, so these have been identified by job title only.

## **Statement on Internal Control**

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, 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 also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. The internal control environment encompasses:

- Strategic and Operational Objectives;
- Decision Making Framework;
- Review of Effectiveness;
- Significant Business Risks;
- Value for Money;
- Financial Strategy;
- Management of the Asset Base;
- Performance Management;
- Published Performance Information; and
- Improvement Plan.

The Authority does not consider it has any outstanding significant internal control issues.

### **Strategic and Operational Objectives**

The Community Strategy has been agreed with our stakeholders and been the subject of extensive consultation. The Strategy sets out the Authority's objectives over a period of 15 years.

The Improvement Plan is a 3-year document (2009-2012) that links directly to the Community Strategy. The Improvement Plan identifies the key priorities of the Authority and sets performance targets against those key priorities. The key priorities were identified and agreed by Cabinet/Corporate Management Team following consultation with Heads of Service. The Viewpoint Panel, made up of local electors, was also consulted on their agreement of the identified priorities. Council has agreed the Improvement Plan.

Progress with the Improvement Plan is reviewed every 6 months by the Authority's executive (Cabinet/Corporate Management Team). This gives the Authority the opportunity to review targets against performance and review priorities.

Service Improvement Planning is linked to the Improvement Plan and services are directed to identify their key objectives and align them with the Improvement Plan. A Performance Management Calendar has been developed to allow the Improvement Plan to better inform the budget setting process.

### **Decision Making Framework**

The Authority has put in place a clear decision-making framework which ensures that prior to decisions being taken there is appropriate consultation on proposals and proper arrangements for checking on a corporate, financial, legal and personnel basis before being put to the Council or Executive for decision. All Cabinet reports are sent to the Authority's Monitoring Officer. The reports are checked against the 'Report Monitoring Checklist' in accordance with Wales Audit Office recommendations. Any comments are circulated to Corporate Management Team (CMT) prior to circulation.

## **Statement on Internal Control (Continued)**

An 'Agenda Co-ordination of Reports to Cabinet' database is maintained and a proforma is produced for every Cabinet meeting.

Members are trained in respect of matters concerning Scrutiny Committees and a New Members Code of Conduct.

### **Review of Effectiveness**

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. The review of the effectiveness of internal control is informed by the work of Internal Audit, Managers within the Authority, External Auditors and other Review Agencies.

The CIPFA "Code of Practice for Internal Audit in Local Government" governs the standard of internal audit work. The Internal Audit Services Manual defines the standards and operation of the service.

The work of the Internal Audit Services has been completed for the year ending 31st March 2010 based on the Audit Plan agreed by the Director of Corporate Services and endorsed by the Audit Committee. The plan was designed to ensure adequate coverage over the year of the Authority's financial systems and procedures.

The regularity work carried out by Internal Audit Services is designed to assess overall compliance with management policies and procedures. This work is supplemented and complemented by system reviews to measure and recommend on the level and effectiveness of internal controls.

During 2009/10 all appropriate audit reports were given an audit opinion on the adequacy of the systems reviewed, the controls in place, and compliance with those controls to provide an overview of the whole control environment and evidence in order to support the financial element of the Authority's Statement of Internal Control. Of the Audits undertaken the vast majority were classed as at least satisfactory. Those classed below satisfactory were categorised as low risk and were not considered as material in context of the whole Authority. No major issues have come to light as a result of Audits carried out on both the major financial systems and other financial and administrative systems and procedures. Where issues have been identified and brought to management's attention an action planning process is in place to drive through the necessary improvements. Overall it is considered that the Authority continues to operate within a control environment that should minimise the risk of loss to the Authority.

The Audit Committee has agreed the 'Code of Corporate Governance'. CMT have agreed implementation and a timetable has been established that commenced with a presentation to Directors and Heads of Service in May 2010.

### **Significant Business Risks**

The Authority has a joint risk assessment, which is revised annually. The Joint Risk Assessment identifies service and corporate risks and assesses the likelihood of occurrence and their impact. Risk owners are identified. The Performance Management Unit monitors service area risks on a regular basis; these risks and the required actions to reduce the risks are presented to Scrutiny Committees and Corporate management Team.

The Authority has a Disaster Recovery Plan for IT. Business Continuity Planning is being co-ordinated across the Authority by the Emergency Planning Service.

## **Statement on Internal Control (Continued)**

### **Value for Money**

Services are required to benchmark based on cost and quality. Efficiency savings are identified as part of the budget setting process. Council is advised of these savings in the Budget Strategy papers. The Medium Term Financial Plan (MTFP) proposals presented to Council 24<sup>th</sup> February 2010 categorises potential savings identifying 'service reprovision' and 'service efficiencies'.

The Authority is exploring opportunities to work with its Partners and is a member of Connecting South East Wales, a collaboration of Welsh Local Authorities. Procurement has been based on Value for Money principles for some years now. The Authority has recently expanded the Procurement Service enabling Procurement Specialists to provide a monitoring and support role in Directorates. This will drive through efficiencies in those areas. Procurement savings are identified and reported to Corporate Management Team and Scrutiny Committees.

The Authority is actively engaged in Shared Service arrangements e.g. Project Gwyrdd, a waste project comprising 5 Local Authorities.

The Authority is proud of the way it maximises its funding opportunities, the use of Convergence funding is a good example.

### **Financial Strategy**

The Authority has developed a longer-term approach to financial planning and has a MTFP up to 2014/15, and a Capital Programme to 2012/13. The Authority has determined that savings will be made in 2010/11 in advance of those required in the MTFP to ensure that the financial situation remains manageable over the period. A Budget Advisory Group was established in May 2009 to lead and develop financial strategies for the short and longer term to take the Authority through the difficult financial situation forecast for future years. A number of Member Seminars have been held and are planned to be held on the MTFP. The Authority continues to operate in a healthy financial position. It is building on this position in delivering its MTFP.

The Financial Strategy is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Managers within the Authority. In particular, the system includes:

- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts together with anticipated outturn;
- Protocols for Revenue Budget and Reserves and Provisions;
- Clearly-defined capital expenditure guidelines; and
- As appropriate, formal project management disciplines.

In addition the above has been strengthened in 2009/10, monthly reports highlighting forecast adverse variances to budget are considered by Corporate Management Team, with a view to addressing issues early and agree actions to ensure spend remains within budget.

Member Seminars are to be held commencing on 14th July on the MTFP and savings proposals. Scrutiny Committees will also play a key role in the consideration of savings proposals moving forward.

## **Statement on Internal Control (Continued)**

### **Management of the Asset Base**

The Authority has a designated corporate property function, which includes staff dedicated to maintaining data on the Authority's land and property as well as property asset management planning, and review.

Land and property holdings are recorded on a computerised Terrier system with a graphical map based presentation underwritten by a database containing the details of the property interests. Premises information and property performance information are held on "Enterprise" a dedicated asset management software database and reporting system. The Authority's Asset Register is held by Corporate Finance on a Logotech database. Valuations are updated by Corporate Property including assessments of impairment of property holdings.

The initial Corporate Property Asset Management Plan was produced for 2004/05, and further updated by way of a Cabinet Report for 2006/07. Area property reviews are being undertaken focusing on the property assets held by the Authority but also considering the property issues of partner organisations. Service based asset management plans are also under review with the aim of consolidating these service plans into an updated Corporate Property Asset Management Plan by April 2009; this process is still on going.

A corporate Capital Strategy Group oversees the delivery of the capital programme. A primary function of this group is to balance the need for new facilities with the maintenance requirements of the existing asset base.

Member Seminars are being held in 2010/11 to review the asset base of the Authority with the aim of rationalising it as part of the MTFP.

In addition to the above, extensive databases are held and monitored for Council Housing Stock, where an Academy database is used and a vehicle database is held by the Authority's Insurance and Risk Management Section.

### **Performance Management**

The Authority has stated its commitment to improved performance management. It sets itself challenging but realisable improvement targets and monitors their progress on a regular basis. It has introduced a Performance Measurement System to track progress across all services, this system is called FYNNON.

Service areas have identified key indicators that are monitored and reviewed by CMT using the FYNNON corporate system.

Performance Management Scrutiny meetings (every 6 months) have been added to the Scrutiny meeting calendar and members are receiving training in how to appropriately question services. These Scrutiny meetings are supported by the Performance Management Unit.

The Performance Management Unit works closely with the Authority's External Auditors. A Service Improvement Plan template has been agreed which, amongst other things, directs services to take a risk based approach as part of the improvement process and to align with the statutory requirements of the Wales Programme for Improvement. The Performance Management Unit assists services by providing Action Planning and Risk workshops. These workshops have been developed with the Wales Audit Office.

## Statement on Internal Control (Continued)

### **Published Performance Information**

Audits carried out by the Performance Management Unit and the External Auditors have indicated some inconsistency in data collection in the past. The Performance Management Unit continues to develop the process to audit the accuracy of performance data. It is working with services to ensure they collect, in an accurate and evidenced way, the information they require to manage their business and to drive service improvement. The Relationship Manager's Annual Letter for 2008/09 stated "The Plan clearly outlines, through the use of diagrams, performance against National Strategic Indicators (NSIs) over the past three years and against the All Wales Average. This shows that of those comparable with 2007-08 over 75 per cent of NSIs have improved. This is a marked improvement compared to 2007-08 performance when 65 per cent of NSIs had improved".

### **Improvement Plan**

In the report "Relationship Manager's Annual Letter", the Auditor reported: -

- "The Improvement Plan clearly sets out the Authority's corporate priorities for the next three years, the actions to address these priorities and the measures of success which will be used to monitor progress.
- The agreement of corporate priorities took considerably longer than would normally be expected and were not agreed until September. This had a significant impact on the production of the Improvement Plan. However, the statutory deadline for publication was achieved this year".

This report together with others from the Wales Audit Office, Estyn, Social Services Inspectorate Wales and Benefit Fraud Inspectorate give the Authority assurance that there is probity and propriety in the conduct of its business.

These reports are taken to Scrutiny Committees and the Performance Management Unit monitors actions incorporated into Service Improvement Plans to address issues raised in the reports.



**M. A. O'Sullivan**  
Director of the Environment and  
Chief Executive Designate



**Councillor L. Whittle**  
Leader of the Council

Date 28/9/10

Date 28/9/10.



## 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 ensure 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.

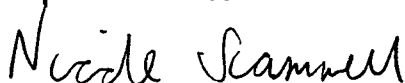
The Head of Corporate Finance has also:

- 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 20 to 114, give a true and fair view of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

**N. Scammell**  
Head of Corporate Finance



Date

27/9/10.

The accounts were approved by the Council on

Signed on behalf of Caerphilly County Borough Council:



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

Date

27.9.2010

## **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 2010 under the Public Audit (Wales) Act 2004. Caerphilly County Borough Council's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Caerphilly County Borough Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the *Statement of Responsibilities* prepared by the Auditor General for Wales.

The maintenance and integrity of the Caerphilly County Borough Council web site is the responsibility of the local government body; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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**

The responsible financial officer's responsibilities for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 the financial position of the local government body and its income and expenditure for the year.

I review whether the Statement on Internal Control reflects compliance with 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

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

**Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

**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, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of Caerphilly County Borough Council as at 31 March 2010 and its income and expenditure for the year then ended.

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

My conclusion on Caerphilly County Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010 will be reported separately in the published Annual Audit Letter.

**Certificate of completion**

I have carried out the audit 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. The audit cannot be formally completed and an audit certificate issued until investigations arising from potential objections raised by a number of electors have been formally completed.



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

**29 September 2010**

## Introduction to Accounting Statements

The Authority's accounts for the year 2009/2010 are set out in the following pages. They consist of:

- i) **The Income and Expenditure Account** - this records the income and expenditure for the year of all the Authority's activities, including council housing, and shows how the net expenditure on all services has been financed by government grants, reserves, business rates and council tax payments. The income shown reflects statutory requirements, whilst the expenditure is compliant with UK Generally Accepted Accounting Practice (UK GAAP);
- ii) **The Statement of Movement on the Council Fund Balance** – this shows whether the Authority has over or under spent against the council tax that it has raised for the year, taking into account the use of reserves built up in the past and contributions to reserves for earmarked future expenditure and the effect of statutory requirements.
- iii) **The Statement of Total Recognised Gains and Losses** – this shows the total movement in the Authority's net worth for the year. The Statement recognises gains and losses that are not debited or credited to the Income and Expenditure Account, but which would have been recognised in the Balance Sheet, such as surpluses or deficits arising on the revaluation of fixed assets, or re-measurement of the net liability to cover the cost of retirement benefits;
- iv) **The Balance Sheet** - which sets out the financial position of the Authority as at 31 March 2010;
- v) **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- vi) **The Housing Revenue Account (HRA)** - which has been separated into two statements. The HRA Income and Expenditure Account shows income and expenditure on council housing and the Statement of Movement on the HRA Balance reconciling the outturn on the HRA Income and Expenditure Account to the surplus/deficit for the year on the HRA Balance.

The Financial Statements as a whole are UK GAAP compliant. On an exceptional basis, for 2009/10, accounting for Private Finance Initiative (PFI) transactions and similar contracts follows the 2009/10 IFRS-based Government Financial Reporting Manual (iFREM) and not UK GAAP.

Further information and support is provided in the Statement of Main Policies Adopted in Compiling the Accounts, the Notes to the Accounts and the Auditor's Report.

## **Statement of Main Policies Adopted in Compiling the Accounts**

### **1. General Principles**

The general principles adopted in compiling the accounts follow those recommended by the Chartered Institute of Public Finance and Accountancy in the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SoRP), and the Best Value Accounting Code of Practice 2008.

### **2. Accounting Concepts**

The accounts have been prepared in compliance with the accounting concepts set out in the SoRP referred to above. The SoRP requires compliance with the qualitative characteristics of financial information namely relevance, reliability, comparability and understandability, materiality and the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements. The accounting convention adopted is that of historical cost, modified by the revaluation of certain categories of fixed assets.

### **3. Debtors and Creditors**

The revenue transactions of the Authority are recorded on an accruals basis, that is, all sums due to or from the Authority in the year of account are included irrespective of whether the cash has actually been received or paid.

### **4. Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the asset yields benefits to the Authority, the services it provides are for a period of more than one year, the expenditure is above the de-minimis limit of £10,000 and the transaction is compliant with the requirements of the Accounting Standards Board FRS15 "Tangible Fixed Assets". FRS15 requires that capital expenditure must relate to the enhancement or restoration of existing assets, or the creation / bringing into use of new assets. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

#### **Fixed Asset Valuation and Policies**

Fixed assets are classified into the groupings and valued on the basis required by the 2009 SoRP and in accordance with the "Statements of Asset Valuation Principles and Guidance Notes" issued by The Royal Institution of Chartered Surveyors (RICS). In accordance with the quinquennial programme required by the SoRP, the Authority's Chief Property Officer has undertaken valuations of the freehold and leasehold Land and Buildings of the Authority.

In accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS), the asset valuation policies of the Authority are as follows:

- Operational properties for which there is market evidence of value have been valued on the basis of market value for the existing use.
- Operational properties which are of a specialised nature have been valued using depreciated replacement cost only where there is no useful or relevant evidence of recent sales transactions, and otherwise on the basis of market value for the existing use.
- Non-operational properties have been valued on the basis of market value (or historical cost for assets under construction).
- Infrastructure assets are included in the balance sheet at historical cost, net of depreciation.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

- Community Assets are included in the balance sheet at historical cost. Operational buildings that are located on land classed as a community asset are valued at depreciated replacement cost or market value (existing use) as appropriate.
- Council Housing Stock is valued on an annual basis according to the definition of “Existing Use, Social Housing”. The method considers the future revenue flows to the Authority (i.e. rental income from tenants), net of a charge for management and maintenance of the stock (and level of void properties), and discounted on a perpetuity basis to a present day value.
- Properties regarded by the Authority as being surplus assets are valued on the basis of open market value.
- Assets under construction are valued at cost.

Assets in the Balance Sheet at current value are revalued where there have been material changes in value, or as a minimum every five years. Increases in valuations (debits) are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

### **Treatment of Impairment Losses**

In accordance with the requirements of the Accounting Standards Board’s FRS11 “Impairment of Fixed Assets and Goodwill”, assets are written down in value where an impairment of that value has occurred. Impairment represents a reduction in value due to reasons other than market valuations and is identified by reference to physical visits and assessments as part of the Asset Management Plan, and to decisions by Council, e.g. approved closures. Where any impairment has been identified, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account; otherwise
- Written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account, where there were accumulated revaluation gains attributable to that asset in the Revaluation Reserve, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals**

When an asset is disposed of or decommissioned the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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). Assets are revalued when the decision has been made for them to be disposed of – as revaluation of assets at the time of disposal has now been prohibited. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account, along with any relevant balances existing within the Government Grants Deferred Account. Amounts 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.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

The balance of receipts is credited to the Usable 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 Statement of Movement on the Council Fund Balance.

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

### **Depreciation**

The Authority charges depreciation on all operational assets (excluding land), in accordance with the Accounting Standards Board's FRS15 "Tangible Fixed Assets", and the SoRP.

Depreciation is provided, on a straight-line basis, on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

Buildings	15 to 40 years
Council Dwellings	15 to 40 years
Infrastructure	10 to 40 years
Mobile Plant	5 to 10 years
Vehicles and Equipment	3 to 5 years

Where an asset has major components with different estimated useful lives, these 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 charged on assets had the revaluation not taken place, 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.

### **5. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. purchased software licences) is capitalised at cost and amortised to the relevant service revenue account area over their economic lives – currently one year.

### **6. Revenue Expenditure Funded from Capital Under Statute**

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

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **7. Government Grants**

Government grants and third party contributions are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are credited to the relevant service revenue account to match the expenditure to which the grants relate.

Most capital grants are credited to the Government Grants Deferred Account and written off to the relevant service revenue account on the same lifetime basis as the depreciation of the assets to which the grants relate. The exception is the Major Repairs Allowance grant, which is written off to the Housing Revenue Account to match the treatment of the expenditure concerned.

### **8. 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 Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, 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 Income and Expenditure Account to the net charge against the Council Fund Balance is effected by a transfer to / from the Financial Instruments Adjustment Account in the Statement of Movement on the Council Fund Balance.

#### **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.



## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account.

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

### 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 Income and Expenditure Account 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 Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, 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 Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **9. Provisions and Reserves**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised under FRS12 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' 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 SoRP requires the maintenance of additional non-distributable reserves, two in respect of the capital accounting system, two in respect of financial instruments (as mentioned in note 8 above) and one in respect of pensions:

- The Revaluation Reserve, which records the accumulated gains on fixed assets held by the Authority arising from increases in value (from 1 April 2007), as a result of inflation or other factors;
- The Capital Adjustment Account, which records the write down of the historical cost of fixed 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 FRS17 "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 and not the amount calculated in accordance with FRS17. In the Statement of Movement on the Council Fund Balance, 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).

### **10. 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.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **11. 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.

### **12. Central Support Services**

All central administrative expenses are recharged in accordance with service level agreements. In addition, office accommodation charges have continued to be pooled and allocated on the basis of floor area and the number of occupants.

### **13. Stocks and Stores**

Stocks are valued on an average price basis, in compliance with SSAP9 and have been included in the Balance Sheet at the lower of cost and net realisable value.

### **14. Value Added Tax (VAT)**

The revenue and capital accounts have been prepared exclusive of recoverable VAT.

### **15. Pension Costs**

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 worked 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 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 SoRP. In 2009/2010 this was calculated as a weighted average of "spot yields" on the iBoxx Sterling AA Rated Corporate Bond rate, which was 5.7% (7.1% in 2008/2009).

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

- 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.
  
- 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 Income and Expenditure Account 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 Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
  - 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 Net Operating Expenditure in the Income and Expenditure Account
  - 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 Net 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 Statement of Total Recognised Gains and Losses
  - 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 Statement of Movement on the Council Fund Balance 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.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **16. 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 17 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.

### **17. Leases**

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Authority. Rental payments are apportioned between the finance charge (charged to revenue in the year during which costs are incurred) and the principal element, i.e. the reduction of the liability to pay the future rentals. The principal element of the rentals is set against the liability in the Balance Sheet so that the liability is reduced as the rent becomes payable. Fixed assets recognised under finance leases are accounted for generally using the same policies applied to tangible fixed assets, but depreciation is charged over the lease term as this is taken to be the estimated useful life of the asset.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to revenue in the year during which the rentals become payable.

### **18. Long Term Contracts**

The costs of long-term contracts are charged to revenue in the year they are incurred.

### **19. Interest in Companies**

The Authority holds a financial interest, with shareholding, in the Trehir Development Company (TDC) and previously owned a 100% shareholding in Islwyn Borough Transport Ltd, until it was sold in January 2010. Further information in respect of each shareholding is detailed in note 25 to the Financial Statements.

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.

## **Statement of Main Policies Adopted in Compiling the Accounts** **(continued)**

### **20. Private Finance Initiatives (PFI)**

PFI contracts are agreements to receive services where the responsibility for making available the fixed 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 fixed assets will pass to the Authority at the end of the contracts for no additional charges, the Authority now carries the fixed assets used in the contracts on the Balance Sheet. This is a new requirement as a result of the 2009 SoRP. The recognition of these fixed assets is balanced by the recognition of liabilities for amounts due to the scheme operators to pay for the assets.

Fixed 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 Income and Expenditure Account;
- 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 Income and Expenditure Account;
- Principal element – i.e. payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Lifecycle replacement costs – recognised as fixed 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 10 and 47 for the PFI Equalisation Reserves).

**Income and Expenditure Account**  
**For the year ended**  
**31 March 2010**

## Income and Expenditure Account

	2009/2010		Restated 2008/2009		Note
	Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000	
Central Services to the Public	3,773	(996)	2,777	2,635	
Cultural, Environmental, Regulatory and Planning Services	69,526	(25,463)	44,063	61,038	
Education and Children's Services	209,476	(54,674)	154,802	184,651	
Highways and Transport Services	34,161	(13,156)	21,005	22,996	
Other Housing Services	125,856	(123,491)	2,365	87,317	
Adult Social Care	67,960	(16,838)	51,122	54,641	
Corporate and Democratic Core Costs	4,623	(148)	4,475	4,463	
Non Distributed Costs	6,018	(2,519)	3,499	19,859	
<b>Net Cost of Services</b>	<b>521,393</b>	<b>(237,285)</b>	<b>284,108</b>	<b>437,600</b>	
Gain on Disposal of Fixed Assets			(1,573)	(183)	
Precepts and Levies			9,911	8,729	1
Gwent Police Authority Precept			10,066	9,631	2
Community Council Precepts			537	532	2
<b>(Surplus)/Deficit on Trading Undertakings not included in Net Cost of Services:</b>					
DLO/DSO (Surplus)/Deficit			(2,330)	4,669	3
Other Trading Accounts (Surplus)/Deficit			(1,488)	4,895	4
Interest Payable and Similar Charges			13,393	19,659	5
Interest and Investment Income			(1,661)	(6,728)	5
Pensions Interest Cost and Expected Return on Pensions Assets			17,808	13,080	6
<b>Net Operating Expenditure</b>			<b>328,771</b>	<b>491,884</b>	
Council Tax			(61,849)	(59,862)	7
General Government Grants			(211,630)	(206,490)	8
Non-Domestic Rates Redistribution			(45,530)	(44,269)	9
<b>Deficit for the Year</b>			<b>9,762</b>	<b>181,263</b>	



## Statement of Movement on the Council Fund Balance

	<b>2009/2010</b>	<b>Restated 2008/2009</b>	
	<u>£000</u>	<u>£000</u>	<u>Note</u>
(Surplus)/Deficit for the year on the Income and Expenditure Account	9,762	181,263	
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	(11,934)	(175,666)	
(Increase)/Decrease in Council Fund Balance for the Year	<u><b>(2,172)</b></u>	<u><b>5,597</b></u>	
Council Fund Balance brought forward	(10,812)	(16,409)	
Council Fund Balance carried forward	<u><b>(12,984)</b></u>	<u><b>(10,812)</b></u>	<b>20</b>
Amount of Council Fund Balance held by schools under local management schemes	(6,840)	(5,620)	<b>44</b>
Amount of Council Fund Balance generally available for new expenditure	(12,984)	(10,812)	
	<u><b>(19,824)</b></u>	<u><b>(16,432)</b></u>	

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned;
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the Capital Receipts Reserve balance rather than from council tax.

The Council Fund Balance compares the Authority's spending against the council tax that was raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Income and Expenditure Account is prepared on a UK GAAP-compliant basis, but the Statement of Movement on the Council Fund balance takes into account the adjustments required by statute. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Council Fund Balance.

**Note of reconciling items for the Statement of Movement on the Council  
Fund Balance**

	2009/2010		Restated	Note
	£000	£000	2008/2009 £000	
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance for the year</b>				
Amortisation of Premia and Discounts	1,101		(84)	34
Amortisation of intangible fixed assets	(167)		(519)	21
Depreciation of fixed assets	(32,192)		(39,799)	23
Impairment of fixed assets	(13,946)		(148,630)	23
Amortisation of Government Grants Deferred and other Contributions	19,162		18,537	22
Revenue Expenditure Funded from Capital under Statute	(872)		(1,571)	
Net gain on sale of fixed assets	1,573		183	
Net charges made for retirement benefits in accordance with FRS 17	(29,922)		(30,720)	6
		<b>(55,263)</b>	<b>(202,603)</b>	
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year</b>				
Minimum revenue provision for capital financing (net of commutation adjustment)	9,967		9,131	18
Capital expenditure charged in-year to the Council Fund Balance	2,374		2,668	
Employer's contributions payable to the Greater Gwent (Torfaen) & RCT Pension Funds and retirement benefits payable direct to pensioners	24,525		22,852	6
		<b>36,866</b>	<b>34,651</b>	
<b>Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the year</b>				
Housing Revenue Account balance	1,640		515	20
Voluntary revenue provision for capital financing	0		0	
Net transfer (to) or from earmarked reserves	4,823		(8,229)	
		<b>6,463</b>	<b>(7,714)</b>	
<b>Net additional amount required to be credited to the Council Fund balance for the year</b>		<b>(11,934)</b>	<b>(175,666)</b>	

**Statement of Total Recognised Gains and Losses**

**For the year ended 31 March 2010**

## Statement of Total Recognised Gains and Losses

	<b>2009/2010</b>	<b>Restated</b>	
	<b>£000</b>	<b>2008/2009</b>	<b>Note</b>
	<b>£000</b>	<b>£000</b>	
(Surplus)/Deficit for the year on the Income and Expenditure Account	9,762	181,263	
Surplus arising on revaluation of fixed assets	(29,540)	(295,779)	36
Deficit arising on derecognition of available-for-sale financial assets	279	214	35
Actuarial (gains)/losses on pension fund assets and liabilities	78,745	(32,589)	6
<b>Total recognised (gains) / losses for the year</b>	<b>59,246</b>	<b>(146,891)</b>	
Prior year adjustments	18,510		57
<b>Total recognised (gains) / losses since last report</b>	<b>77,756</b>		

**Balance Sheet**  
**As at 31 March 2010**

## Balance Sheet

	31 March 2010		Restated	Note
	£000	£000	31 March 2009 £000	
<b>Fixed assets</b>				
<b>Tangible Fixed Assets</b>				<b>23</b>
Operational assets:				
Council dwellings	104,334		102,354	
Other land and buildings	759,127		743,567	
Vehicles, plant, furniture and equipment	8,323		9,391	
Infrastructure assets	182,806		183,396	
Community assets	1,166		1,159	
<b>Non-operational assets:</b>				<b>23</b>
Assets under construction	46,154		45,954	
Surplus assets held for disposal	8,228		8,254	
<b>Total fixed assets</b>		1,110,138	1,094,075	
Long-term investments	4		92	<b>25</b>
Long-term debtors	586		1,351	<b>26</b>
<b>Total long-term assets</b>		1,110,728	1,095,518	
<b>Current assets</b>				
Stocks and work in progress	898		816	<b>27</b>
Debtors	26,246		32,409	<b>28</b>
Investments	57,967		77,615	<b>51</b>
Cash and bank	1,150		2,469	<b>50</b>
		86,261	113,309	
<b>Total assets</b>		1,196,989	1,208,827	
<b>Current liabilities</b>				
Short-term borrowing	(3,290)		(4,260)	<b>29</b>
Creditors	(56,078)		(52,487)	<b>29</b>
Bank overdraft	(742)		(78)	<b>50</b>
		(60,110)	(56,825)	
<b>Total assets less current liabilities</b>		1,136,879	1,152,002	

## Balance Sheet continued

	31 March 2010	Restated	
	£000	31 March 2009	£000 Note
	£000	£000	
Long-term borrowing	(192,734)	(217,608)	5
Provisions	(10,746)	(26,572)	30
Government Grants Deferred	(166,414)	(163,544)	22
Unapplied Capital Grants and Contributions	(9,899)	(11,464)	33
Deferred liabilities	(50,054)	(52,108)	40
Liability related to defined benefit pension scheme	(310,553)	(224,981)	6
<b>Total assets less liabilities</b>	<b>396,479</b>	<b>455,725</b>	
<b>Financed by:</b>			
<b>Non-Distributable Reserves:</b>			
Financial Instruments Adjustment Account	(2,256)	(1,155)	34
Available-for-Sale Financial instruments Reserve	0	(279)	35
Revaluation Reserve	(340,324)	(316,659)	36
Capital Adjustment Account	(307,963)	(316,759)	37
Pensions reserve	310,553	224,981	6
<b>Distributable Reserves:</b>			
Usable Capital Receipts Reserve	(2,603)	(516)	38
Deferred Capital Receipts	(145)	(145)	39
Council Fund balance	(12,984)	(10,812)	20
Housing Revenue Account balance	(6,062)	(4,422)	20
Earmarked reserves:			
Direct Services Earmarked Reserves	(1,511)	(1,937)	41
Capital Earmarked Reserves	(3,490)	(433)	42
Service Over/Underspend Reserves	(4,333)	(3,572)	43
Schools Earmarked Reserves	(6,840)	(5,620)	44
Insurance Earmarked Reserves	(2,785)	(784)	45
Other Earmarked Reserves	(15,736)	(17,613)	47
<b>Total net worth</b>	<b>(396,479)</b>	<b>(455,725)</b>	

**Cash Flow Statement**  
**For the year ended 31 March 2010**



## Cash Flow Statement

<u>Revenue Activities</u>	31 March 2010	Restated 31 March 2009	Note
	£000	£000	
<u>Cash Outflows</u>			
Employee Costs	(227,735)	(220,975)	
Other Operating Costs	(261,373)	(230,339)	
Precepts Paid	(10,603)	(10,163)	
Housing Benefit Paid Out	(39,641)	(36,495)	
		(539,352)	
<u>Cash Inflows</u>			
Rents (after Rebates)	35,427	33,538	
Council Tax Income	61,708	59,571	
Receipts from NNDR Pool	45,530	44,269	
Revenue Support Grant	199,149	193,804	
DWP Grants for Rebates	65,251	54,229	
Other Government Grants	46,640	47,181	52
Other Revenue Cash Receipts	102,077	71,894	
		555,782	
<b>Net Cash Inflow from Revenue Activities</b>		16,430	49
<u>Returns on Investments and Servicing of Finance</u>			
<u>Cash Outflows</u>			
Interest Paid	(12,085)	(13,562)	
Interest element of finance lease rental payments	(9)	(13)	
<u>Cash Inflows</u>			
Interest Received	3,679	6,890	
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		(8,415)	
<u>Acquisitions and Disposals</u>			
<u>Cash Inflows</u>			
Sale of Investments in Subsidiary Undertakings	1,422	0	
<b>Net Cash Inflow from Acquisitions and Disposals</b>		1,422	
<u>Capital Activities</u>			
<u>Cash Outflows</u>			
Purchase of Fixed Assets	(29,949)	(40,870)	
Revenue Expenditure funded from Capital under Statute	(9,736)	(10,000)	
<u>Cash Inflows</u>			
Sale of Fixed Assets	1,842	3,291	
Capital Grants Received	29,421	47,199	52
Sale of Investments	0	10,537	
<b>Net Cash Inflow/(Outflow) from Capital Activities</b>		(8,422)	
<b>Net Cash Inflow/(Outflow) Before Financing</b>		1,015	
<u>Management of Liquid Resources</u>			
Net decrease in short term deposits		19,648	51
Net Increase / Decrease in Other Liquid Resources		3,038	
<u>Financing</u>			
<u>Cash Outflows</u>			
Repayments of Amounts Borrowed	(43,444)	(65,005)	
Capital element of finance lease payments	(85)	(6)	
<u>Cash Inflows</u>			
New Loans Raised	17,845	39,000	
<b>Net Cash Outflow from Financing</b>		(25,684)	53
<b>Decrease in Cash</b>		(1,983)	50

**Notes  
to the  
Core Financial Statements**

## Notes to the Core Financial Statements

### 1. Levies

The Authority paid the following levies to other public bodies:

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
South Wales Fire Authority	9,551	8,406
Gwent Coroners' Service	131	135
Glamorgan Archives' Service	98	89
Gwent Archives' Service	131	99
	<b>9,911</b>	<b>8,729</b>

The levy paid to the South Wales Fire Authority in 2009/10 was £8.518m. In 2007/08 the Wales Audit Office obtained a legal view, which confirmed that fire authorities in Wales are not permitted to retain balances or reserves. In anticipation of a refund from the South Wales Fire Authority a debtor was set up for £1.033m. Due to the uncertainty surrounding the application of this refund the Authority set up an earmarked reserve for £1.033m. The Welsh Assembly Government has recently amended the combination order to allow fire authorities to retain balances and reserves. The levy paid in 2009/10 has been increased by £1.033m to £9.551m to reflect the write back of the debtor due to the change in the legal position. This increase has been matched by the transfer of funding from the earmarked reserve.

### 2. Precepts

The Authority collected the following amounts on behalf of local precepting authorities:

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
<b><u>Community Councils</u></b>		
Aber Valley Community Council	27	26
Argoed Community Council	9	9
Bargoed Town Council	62	63
Bedwas, Trethomas and Machen Community Council	53	53
Blackwood Community Council	35	32
Caerphilly Town Council	73	73
Darren Valley Community Council	12	12
Gelligaer Community Council	68	67
Llanbradach Community Council	27	27
Maesycwmmmer Community Council	14	13
Nelson Community Council	23	23
New Tredegar Community Council	17	17
Penyrheol, Trecenydd and Energlyn Community Council	54	54
Rhymney Community Council	35	35
Rudry Community Council	8	8
Van Community Council	20	20
	<b>537</b>	<b>532</b>
<b>Gwent Police Authority</b>	<b>10,066</b>	<b>9,631</b>
<b>Total Precepts upon the Authority</b>	<b>10,603</b>	<b>10,163</b>

The 2009 SoRP amended the accounting treatment of major preceptors and as a result, council tax income has been shown gross in the Income and Expenditure Account (to include the Police Authority precept). The effect on the previous year's accounts are shown in a prior year adjustment note – Note 57.

## Notes to the Core Financial Statements (continued)

### 3. Direct Labour/Service Organisations

Following the cessation of Compulsory Competitive Tendering (CCT), as explained on page 5 in the explanatory foreword, these organisations have continued to operate on a trading account basis. Their summary revenue positions are detailed below:

	2009/2010		(Surplus)/ Deficit	Restated 2008/2009 (Surplus)/ Deficit
	Income	Expenditure	£000	£000
	£000	£000	£000	£000
Highway Maintenance	(7,161)	6,688	(473)	413
Public Cleaning & Refuse Collection	(9,806)	8,915	(891)	(195)
Building Cleaning	(3,035)	3,084	49	887
Vehicle Maintenance	(1,132)	1,048	(84)	70
Catering	(5,916)	6,073	157	2,608
Leisure	0	70	70	576
Grounds Maintenance	(4,641)	4,250	(391)	203
Building Services	(16,295)	15,584	(711)	41
Fleet Management	(5,073)	5,017	(56)	1
Outdoor Facilities	0	0	0	65
	<b>(53,059)</b>	<b>50,729</b>	<b>(2,330)</b>	<b>4,669</b>

Further details of the DLO/DSO outturn performance can be found in the Director of Corporate Services Provisional Outturn Report 2009/10 presented to Special Cabinet on the 29 June 2010. The report can be obtained from the Authority's website.

### 4. Other Trading Accounts

In accordance with CIPFA's Best Value Accounting Code of Practice, other services have also been identified as being provided in a competitive environment.

Their summary revenue position is detailed below:

	2009/2010		(Surplus)/ Deficit	Restated 2008/2009 (Surplus)/ Deficit
	Income	Expenditure	£000	£000
	£000	£000	£000	£000
Industrial Estates	(3,079)	1,646	(1,433)	5,133
Housing Agency	(597)	542	(55)	(238)
	<b>(3,676)</b>	<b>2,188</b>	<b>(1,488)</b>	<b>4,895</b>

The significant variance between the 2008/09 deficit and the surplus shown for 2009/10 is attributable to a charge in the trading accounts for impairment of fixed assets. The amount of the impairment was £2.889m.

## Notes to the Core Financial Statements (continued)

### 5. Financial Instruments

#### Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

31 March 2010	<b>Financial Liabilities</b>	<b>Financial Assets</b>		
	<b>Liabilities measured at amortised cost £000</b>	<b>Loans and receivables £000</b>	<b>Available-for- sale assets £000</b>	<b>Total £000</b>
Interest expense	13,393	0	0	13,393
Losses on derecognition	0	0	0	0
Impairment losses	0	0	0	0
<b>Interest payable and similar charges</b>	<b>13,393</b>	<b>0</b>	<b>0</b>	<b>13,393</b>
Interest income	0	(1,145)	(516)	(1,661)
Gains on derecognition	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>(1,145)</b>	<b>(516)</b>	<b>(1,661)</b>
Gains on revaluation			0	
Losses on derecognition			279	
Amounts recycled to the I & E Account after impairment			0	
<b>(Deficit)/Surplus arising on revaluation of financial assets</b>			<b>279</b>	
<b>Net (gain)/loss for the year</b>	<b>13,393</b>	<b>(1,145)</b>	<b>(237)</b>	

## Notes to the Core Financial Statements (continued)

31 March 2009 Restated	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for- sale assets £000	Total £000
Interest expense	15,094	0	0	15,094
Losses on derecognition	0	0	0	0
Impairment losses	0	4,565	0	4,565
<b>Interest payable and similar charges</b>	<b>15,094</b>	<b>4,565</b>	<b>0</b>	<b>19,659</b>
Interest income	0	(5,696)	(1,032)	(6,728)
Gains on derecognition	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>(5,696)</b>	<b>(1,032)</b>	<b>(6,728)</b>
Gains on revaluation			0	
Losses on derecognition			214	
Amounts recycled to the I & E Account after impairment			0	
<b>(Deficit)/Surplus arising on revaluation of financial assets</b>			<b>214</b>	
<b>Net (gain)/loss for the year</b>	<b>15,094</b>	<b>(1,131)</b>	<b>(818)</b>	

### Balance Sheet Items

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

	Long Term		Current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
<b>Financial liabilities:</b>				
Public Works Loan Board (PWLB)	(151,700)	(176,600)	(3,280)	(4,250)
Other	(41,034)	(41,008)	(10)	(10)
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Total borrowings</b>	<b>(192,734)</b>	<b>(217,608)</b>	<b>(3,290)</b>	<b>(4,260)</b>
<b>Financial assets:</b>				
Loans and receivables	4	4	57,967	67,735
Available-for-sale financial assets	0	0	0	9,880
Unquoted equity investment	0	88	0	0
<b>Total investments</b>	<b>4</b>	<b>92</b>	<b>57,967</b>	<b>77,615</b>

As mentioned previously, financial liabilities held by the Authority are carried in the Balance Sheet at amortised cost. The SoRP requires disclosure of their fair values, together with the principal amount of such liabilities analysed over their maturity dates.

## **Notes to the Core Financial Statements (continued)**

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. For PWLB loans, the new loan rates in effect on 31 March 2010 and 2009 have been used as a discount factor. Accrued interest as at the Balance Sheet date has been included in the fair value calculation and the rates used were obtained by Sector, the Authority's Treasury Management Advisers, from the market on 31 March 2010, using bid prices where applicable.

### **Financial Liabilities:**

<b>Source of Loan</b>	<b>31 March 2010</b>		<b>31 March 2009</b>	
	<b>Nominal Amount</b>	<b>Fair Value</b>	<b>Nominal Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Public Works Loans Board	(152,680)	(175,174)	(178,279)	(207,046)
Other	(40,010)	(47,023)	(40,010)	(41,859)
	<b><u>(192,690)</u></b>	<b><u>(222,197)</u></b>	<b><u>(218,289)</u></b>	<b><u>(248,905)</u></b>

<b>Analysis of Loans by maturity</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£000</b>	<b>£000</b>
	Maturing within 1 year	(3,269)
Maturing in 1 - 2 years	(2,030)	(3,259)
Maturing in 2 - 5 years	(6,235)	(7,485)
Maturing in 5 - 10 years	(13,811)	(12,938)
Maturing in more than 10 years	(167,345)	(190,449)
	<b><u>(192,690)</u></b>	<b><u>(218,289)</u></b>

Loans repayable within one year are identified within Note 29. The other borrowings relate to Lender Option Borrower Option loans (LOBOs).

### **Financial Assets:**

	<b>31 March 2010</b>		<b>31 March 2009</b>	
	<b>Nominal amount</b>	<b>Fair value</b>	<b>Nominal amount</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans and receivables	61,971	57,971	71,299	69,646
Available-for-sale financial assets	0	0	10,000	10,325
Unquoted equity investment	0	0	88	88
	<b><u>61,971</u></b>	<b><u>57,971</u></b>	<b><u>81,387</u></b>	<b><u>80,059</u></b>

See also note 51 for a further breakdown of the principal amounts of monies invested.

### **Nature and Extent of Risks arising from Financial Instruments**

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

## Notes to the Core Financial Statements (continued)

- 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 2009. 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 note re Impairment of Investments, page 48) the strategy employed for 2009/2010 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.

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

	2009/2010			2008/2009	
	Amount at 31 March 2010 £000	Historical experience of default %	Historic experience adjusted for market conditions at 31 March 2010 %	Estimated maximum exposure to default and uncollectability £000	Estimated maximum exposure to default and uncollectability £000
	A	B	C	(A x C)	
Deposits with banks and financial institutions	61,987	5.48%	0.016%	10	4,565
Debtors	5,219	0.90%	0.90%	47	37
				<u>57</u>	<u>4,602</u>



## Notes to the Core Financial Statements (continued)

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

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Less than three months	3,200	2,808
Three to six months	344	155
Six months to one year	378	335
More than one year	1,297	828
	<b>5,219</b>	<b>4,126</b>

### **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 as follows:

Bank	Date Invested	Maturity Date	Amount Invested £	Interest Rate %	Recoverable Amount £	Impairment £
Heritable Bank LT	11/07/2008	10/10/2008	3,000,000	5.92	2,200,849	927,607
Heritable Bank LT	14/07/2008	13/10/2008	1,500,000	5.90	1,100,210	463,073
Heritable Bank LT	21/08/2008	19/11/2008	1,500,000	5.83	1,094,715	458,713
Heritable Bank LT	26/08/2008	24/11/2008	1,000,000	5.84	729,119	305,761
Heritable Bank LT	02/09/2008	01/12/2008	2,000,000	5.84	1,456,616	610,904
Heritable Bank LT	09/09/2008	08/12/2008	1,000,000	5.81	727,842	304,630
Landsbanki Islands	15/07/2008	13/10/2008	1,000,000	5.89	737,285	304,671
Landsbanki Islands	20/08/2008	19/11/2008	3,000,000	5.83	2,213,086	894,250
Landsbanki Islands	15/09/2008	12/12/2008	1,000,000	5.78	735,430	295,925
				<b>Totals</b>	<b>10,995,152</b>	<b>4,565,534</b>

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 no adjustment to the original impairment should be made until more definitive information as to the amounts and timings of payments to be made by the administrators / receivers becomes available.

### **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 20 January 2010 outlined that the return to creditors was projected to be between 79p and 85p in the £ by the end of 2012. Three dividend payments were made in 2009/2010 totalling 34.98p in the £ (£3.532m). Whilst the overall estimate of the total amount to be received has been increased, the Authority has decided to continue to recognise an impairment based on it recovering 80p in the £. It is anticipated that a final sale of assets will take place after the books have been run down to the end of 2012 but that dividends will be made on a more frequent basis than originally anticipated, giving the following assumptions regarding timing of recoveries:

## **Notes to the Core Financial Statements (continued)**

• July 2009	16.13%	• June 2011	4.86%
• December 2009	12.66%	• September 2011	4.86%
• March 2010	6.19%	• December 2011	4.86%
• July 2010	6.27%	• March 2012	4.86%
• October 2010	4.86%	• June 2012	4.86%
• December 2010	4.86%	• September 2012	4.85%
• March 2011	4.86%		

Recoveries are expressed as a percentage, totalling 84.98%, 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 preferential creditor status, which is likely to be tested through the Icelandic courts.
- 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.

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%

## **Notes to the Core Financial Statements (continued)**

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

- |                |        |                |        |
|----------------|--------|----------------|--------|
| • October 2011 | 22.17% | • October 2015 | 8.87%  |
| • October 2012 | 8.87%  | • October 2016 | 8.87%  |
| • October 2013 | 8.87%  | • October 2017 | 8.87%  |
| • October 2014 | 8.87%  | • October 2018 | 19.47% |

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.

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:

Year End	Heritable Bank LT £	Landsbanki Islands £	Total £
31 March 2010	3,531,808	0	3,531,808
31 March 2011	1,511,017	0	1,511,017
31 March 2012	1,511,017	861,420	2,372,437
31 March 2013	755,509	344,645	1,100,154
31 March 2014	0	344,645	344,645
31 March 2015	0	344,645	344,645
31 March 2016	0	344,645	344,645
31 March 2017	0	344,645	344,645
31 March 2018	0	344,645	344,645
31 March 2019	0	756,511	756,511
		<b>Totals</b>	<b>10,995,152</b>

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

Bank	Credited 2008/09 £	Received 2008/09 £	Credited 2009/10 £	Received 2009/10 £
Heritable Bank LT	380,040	0	33,953	33,953
Landsbanki Islands	180,647	0	0	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.

## Notes to the Core Financial Statements (continued)

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

- For borrowings at variable rates the interest expense charged to the Income and Expenditure Account 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 Income and Expenditure Account will rise;
- For investments at fixed rates the 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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the Council Fund Balance pound for pound. Movements in fair value of available-for-sale investments will be reflected in the STRGL.

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 2010, 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 Income and Expenditure Account in 2009/2010, but also for subsequent years.

According to the assessment strategy, if interest rates had been 1% higher at 31 March 2010, with all other variables held constant, the financial effect would be:

	<b>£000</b>
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 Income and Expenditure Account	0
Share of overall impact debited to the HRA	0
Increase in fair value of fixed rate investment assets	12
Impact on STRGL	<b>12</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on Income and Expenditure Account or STRGL)	<b>1,419</b>

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

## **Notes to the Core Financial Statements (continued)**

### **Price risk**

The Authority does not generally invest in equity shares but does 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 Authority is consequently exposed to losses arising from movements in the worth of the company. As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to mitigate exposure to risk by diversifying its portfolio. The shares are classed as available-for-sale, with all movements in price impacting on gains and losses recognised in the STRGL.

### **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.

## **6. 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 Net 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 2009/10, the Authority paid an employer's contribution of £20.749m, representing 21.0% of employees' pensionable pay into the Greater Gwent (Torfaen) Pension Fund (£19.552m representing 20.7% in 2008/09), 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 2009/10 these amounted to £2.417m, representing 2.45% of pensionable pay (£1.844m representing 1.94% in 2008/09).

### **Teachers' Pension Scheme**

In 2009/10, the Authority paid £7.960m to Capita Teachers' Pensions in respect of teachers' pensions, which represents 14.1% of teachers' pensionable pay (£7.884m and 14.1% for 2008/09). In addition, the Authority is responsible for all pension payments relating to added years that have been awarded, together with the related increases. In 2009/10, these amounted to £1.746m, representing approximately 3.07% of pensionable pay (£1.520m and 2.69% for 2008/09).

## Notes to the Core Financial Statements (continued)

### Former Authorities' Liability

The former authorities' liability exists in respect of previous years decisions to fund the pension benefits of employees of the former Mid Glamorgan, 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 FRS 17 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, Tonypany CF40 2XX.

### 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 FRS 17 accounting disclosures. Actuarial assumptions are based upon the Greater Gwent (Torfaen) Pension Fund.

### Transactions Relating to Retirement Benefits

Also in accordance with FRS17, the Authority has been required to make certain additional adjustments to the revenue accounts, to reflect the movements in the Authority's share of the surplus / deficit of the Torfaen Pension Fund. These changes have been introduced to ensure that the financial statements contain adequate disclosure of the cost (current and future) of providing retirement benefits, and the related gains, losses, assets and liabilities, and that such costs are recognised in the accounting period in which they arise / are earned.

These adjustments impact upon the Net Cost of Services and Net Operating Expenditure totals shown in the Income and Expenditure Account, and the Pensions Asset / Liability value disclosed in the Balance Sheet. The value of these adjustments is reversed out via the Statement of Movement on the Council Fund Balance and an appropriation to the Pensions Reserve, to ensure that they have no impact upon the Authority's taxpayers. The value of the adjustments included is detailed below:

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
<b>Income and Expenditure Account</b>		
<i>Net Cost of Services</i>		
• current service cost	11,328	16,987
• past service costs	692	420
• effect of curtailments or settlements	94	233
<i>Net Operating Expenditure</i>		
• interest cost	33,592	34,056
• expected return on scheme assets	(15,784)	(20,976)
<i>Net Charge to the Income and Expenditure Account</i>	<b>29,922</b>	<b>30,720</b>
<b>Statement of Movement on the Council Fund Balance:</b>		
• reversal of net charges made for retirement benefits in accordance with FRS17	(29,922)	(30,720)
<i>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:</i>		
• employers' contributions payable to the scheme	24,525	22,852

## 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

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £78.745m were included in the Statement of Total Recognised Gains and Losses (£32.589m gain in 2008/2009). The cumulative amount of actuarial losses recognised in the STRGL is £86.648m.

### Retirement Benefits Assets and Liabilities

#### Reconciliation of present value of the scheme liabilities:

	2009/2010			Total £000
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	
<b>1 April</b>	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
<b>31 March</b>	<b>641,916</b>	<b>9,000</b>	<b>20,568</b>	<b>671,484</b>

	2008/2009			Total £000
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	
<b>1 April</b>	529,928	8,040	19,872	557,840
Current service cost	17,006	0	0	17,006
Interest cost	32,553	530	1,173	34,256
Contributions by scheme participants	5,916	0	0	5,916
Actuarial (gains) / losses	(122,284)	(400)	(2,612)	(125,296)
Benefits paid	(15,445)	(640)	(1,299)	(17,384)
Past service costs	380	40	0	420
Curtailments	233	0	0	233
<b>31 March</b>	<b>448,287</b>	<b>7,570</b>	<b>17,134</b>	<b>472,991</b>

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

## Notes to the Core Financial Statements (continued)

### Reconciliation of fair value of the scheme assets:

	Greater Gwent Scheme		Former Authorities Liability		Unfunded Teachers' Pension	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	£000	£000	£000	£000	£000	£000
<b>1 April</b>	246,580	306,209	0	0	0	0
Expected rate of return	15,784	21,109	0	0	0	0
Actuarial gains / (losses)	84,962	(92,200)	0	0	0	0
Employer contributions	22,463	20,991	650	640	1,412	1,299
Contributions by scheme participants	6,291	5,916	0	0	0	0
Benefits paid	(15,149)	(15,445)	(650)	(640)	(1,412)	(1,299)
<b>31 March</b>	<b>360,931</b>	<b>246,580</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 £100.746m (negative return of £71.091m in 2008/2009).

### Scheme History:

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
	£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>					
• Local Government Pension Scheme	(641,916)	(445,362)	(526,591)	(465,360)	(453,299)
• Former Authorities' Liability	(9,000)	(7,570)	(8,040)	(8,470)	(6,980)
• Teachers' Unfunded Discretionary Pension	(20,568)	(17,134)	(19,872)	(13,806)	(13,683)
<b>Fair value of assets:</b>					
• Local Government Pension Scheme	360,931	245,085	304,221	304,479	268,277
• Former Authorities' Liability	0	0	0	0	0
• Teachers' Unfunded Discretionary Pension	0	0	0	0	0
<b>Surplus/(deficit) in the scheme:</b>					
• Local Government Pension Scheme	(280,985)	(200,277)	(222,370)	(160,881)	(185,022)
• Former Authorities' Liability	(9,000)	(7,570)	(8,040)	(8,470)	(6,980)
• Teachers' Unfunded Discretionary Pension	(20,568)	(17,134)	(19,872)	(13,806)	(13,683)
<b>Total</b>	<b>(310,553)</b>	<b>(224,981)</b>	<b>(250,282)</b>	<b>(183,157)</b>	<b>(205,685)</b>



## **Notes to the Core Financial Statements (continued)**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits and, as stated previously participates in two formal schemes – the Local Government Pension Scheme and the Teachers' Pension Scheme. In addition, the Authority has liabilities for discretionary pension payments outside the main schemes. The total liability of £310.553m 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 2011 is £21.452m.

### **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 rate 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 2010, 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 2009 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.

## Notes to the Core Financial Statements (continued)

The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>		<b>Former Authorities' Liability</b>		<b>Teachers' Pension Scheme</b>	
	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>
Long-term expected rate of return on assets in the scheme:						
Equity investments	7.5%	7.5%	8.0%	7.0%	7.5%	7.5%
Government Bonds	4.5%	4.0%	4.5%	4.0%	4.5%	4.0%
Other Bonds	5.2%	6.0%	5.5%	5.8%	5.2%	6.0%
Property	6.5%	6.5%	8.5%	6.0%	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%	0.7%	1.6%	0.5%	0.5%
<u>Mortality assumptions:</u>						
Longevity at 65 for current pensioners:						
- Men	21.2	21.2	21.2	21.1	21.2	21.2
- Women	24.1	24.0	23.6	23.5	24.1	24.0
Longevity at 65 for future pensioners:						
- Men	22.2	22.2	23.5	23.4	22.2	22.2
- Women	25.0	25.0	25.8	25.7	25.0	25.0
Rate of inflation	3.5%	3.3%	3.8%	2.9%	3.2%	3.3%
Rate of increase in salaries	4.8%	4.8%			4.8%	4.8%
Rate of increase in pensions	3.5%	3.3%	3.8%	2.9%	3.2%	3.3%
Rate for discounting scheme liabilities	5.7%	7.1%	5.5%	7.0%	5.5%	7.1%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a	n/a	n/a

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

	<b>31 March</b>	
	<b>2010</b>	<b>2009</b>
Equity investments	80.4%	72.8%
Government Bonds	8.1%	10.2%
Other Bonds	7.7%	8.7%
Property	1.9%	1.6%
Cash/Liquidity	1.9%	6.7%
	<b>100.0%</b>	<b>100.0%</b>

### **History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

## Notes to the Core Financial Statements (continued)

	2009/2010 %	2008/2009 %	2007/2008 %	2006/2007 %	2005/2006 %
<b>Local Government Pension Scheme:</b>					
Differences between the expected and actual return on assets	(23.5)	(37.4)	(11.7)	2.1	15.7
Experience gains and losses on liabilities	0	0	0.2	0	(2.6)
<b>Former Authorities' Liability:</b>					
Differences between the expected and actual return on assets	0	0	0	0	0
Experience gains and losses on liabilities	2.3	(5.3)	(3.4)	(16.6)	0.1
<b>Teachers' Unfunded Discretionary Pension:</b>					
Differences between the expected and actual return on assets	0	0	0	0	0
Experience gains and losses on liabilities	0	0	(5.0)	0	4.2

### 7. Council Tax

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, £872.53 in 2009/10 (£852.50 in 2008/09) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2009/10 was £61.849m (£59.862m in 2008/09).

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

BAND	A	B	C	D	E	F	G	H	I
<b>Multiplier</b>	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9
<b>Chargeable Dwellings</b>	8,384	17,963	14,176	8,088	6,517	2,928	1,079	176	106

#### *Analysis of the net proceeds from council tax:*

	<u>2009/2010</u> <u>£000</u>	<u>2008/2009</u> <u>£000</u>
<b><u>Council tax collectable</u></b>		
Caerphilly County Borough Council	(51,602)	(50,102)
Gwent Police Authority - see note 2	(10,066)	(9,631)
Community Councils - see note 2	(537)	(532)
	(62,205)	(60,265)
Less: Bad Debt Provision	356	403
<b>Net proceeds from council tax</b>	<b><u>(61,849)</u></b>	<b><u>(59,862)</u></b>

## Notes to the Core Financial Statements (continued)

### 8. Analysis of General Government Grants

The following table details the main sources of general grant income received by the Authority used to fund service expenditure in 2009/10:

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Revenue Support Grant	(199,149)	(193,804)
Performance Incentive Grant	(1,901)	(1,904)
Deprivation Grant	(2,466)	(2,466)
Private Finance Initiative Grant	(8,114)	(8,316)
<b>Total General Government Grants</b>	<b>(211,630)</b>	<b>(206,490)</b>

### 9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (48.9p in 2009/10, 46.6p in 2008/09) 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 Assembly Government. The Welsh Assembly Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population. The Authority's redistribution for 2009/10 was £45.53m in total (£44.269m in 2008/09).

The anticipated NNDR proceeds of £32.3m for 2009/10 (£30.9m in 2008/09) was based on an average rateable value of £74.54m for the year (£74.09m for 2008/09).

<i>Analysis of the net proceeds from Non-Domestic Rates:</i>	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Anticipated proceeds	<b>(32,314)</b>	<b>(30,927)</b>
Less: Discretionary relief	273	255
Cost of collection	281	292
Bad and doubtful debts	713	536
Contribution to NNDR Pool	<b>(31,047)</b>	<b>(29,844)</b>
Redistributed amount due from NNDR Pool	(45,530)	(44,269)
<b>Amount received from NNDR Pool</b>	<b>(45,530)</b>	<b>(44,269)</b>

### 10. 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.

## Notes to the Core Financial Statements (continued)

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 brought onto the Authority's Balance Sheet, in accordance with the International Accounting Standards IFRIC12 "Service Concession Arrangements". This is a change in accounting policy necessitating a prior year adjustment. PFI assets have been consolidated into the overall asset balances as shown in the fixed asset note (note 23), separate details of which are as follows:

	31 March 2010			31 March 2009		
	Road £000	Schools £000	Total £000	Road £000	Schools £000	Total £000
<b>Gross PFI Liabilities are due:</b>						
- not later than one year	3,874	1,907	5,781	4,030	1,863	5,893
- later than one year and not later than five years	14,375	6,912	21,287	14,810	6,932	21,742
- later than five years	39,777	30,655	70,432	43,216	32,541	75,757
<b>Total Gross Liabilities</b>	<b>58,026</b>	<b>39,474</b>	<b>97,500</b>	<b>62,056</b>	<b>41,336</b>	<b>103,392</b>
<b>Net PFI Liabilities are due:</b>						
- not later than one year	1,438	499	1,937	1,464	424	1,888
- later than one year and not later than five years	5,767	1,591	7,358	5,747	1,498	7,245
- later than five years	23,580	16,454	40,034	25,038	17,043	42,081
<b>Total Net Liabilities</b>	<b>30,785</b>	<b>18,544</b>	<b>49,329</b>	<b>32,249</b>	<b>18,965</b>	<b>51,214</b>
<b>Finance charges allocated to future periods</b>	<b>(27,241)</b>	<b>(20,930)</b>	<b>(48,171)</b>	<b>(29,807)</b>	<b>(22,371)</b>	<b>(52,178)</b>
<b>Reconciliation between Net Book Values of PFI Assets held under PFI schemes:</b>						
Net Liability (as above)	30,785	18,544	49,329	32,249	18,965	51,214
Revaluations and impairments	0	21,560	21,560	0	11,027	11,027
Repayments/Amortisation of capital sum	5,979	2,876	8,855	4,514	2,456	6,970
Accumulated Depreciation	(3,646)	(5,458)	(9,104)	(2,727)	(4,284)	(7,011)
<b>Net Book value of PFI Assets</b>	<b>33,118</b>	<b>37,522</b>	<b>70,640</b>	<b>34,036</b>	<b>28,164</b>	<b>62,200</b>

The Authority receives funding from the Welsh Assembly 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.

## Notes to the Core Financial Statements (continued)

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). The effect of the prior year adjustment on the Accounting Statements is shown in Note 57, page 104.

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

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward	(10,020)	(8,626)
<b>Amounts set aside in year:</b>		
Schools	(761)	(895)
Road	(299)	(499)
	<b>(11,080)</b>	<b>(10,020)</b>

### **Future commitments for PFI Schemes**

The Authority is committed to making the following payments for PFI obligations during the next year in which the commitment expires:

	<b>31 March 2010</b>			<b>31 March 2009</b>		
	<b>Road</b>	<b>Schools</b>	<b>Total</b>	<b>Road</b>	<b>Schools</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
21st to 25th years (inclusive)	3,874	1,907	5,781	4,030	1,863	5,893
	<b>3,874</b>	<b>1,907</b>	<b>5,781</b>	<b>4,030</b>	<b>1,863</b>	<b>5,893</b>

## Notes to the Core Financial Statements (continued)

The in-year effect of bringing these assets onto the Balance Sheet are shown below, with the effect on the previous year's Financial Statements being shown in note 57, page 104.

<b>Income and Expenditure Account extract:</b>	<b>Net Expenditure 2009/2010 £000</b>	<b>Road 2009/2010 £000</b>	<b>Schools 2009/2010 £000</b>
Education and Children's Services	(466)	0	(466)
Highways and Transport Services	(3,418)	(3,418)	0
<b>Net Cost of Services</b>	<b>(3,884)</b>	<b>(3,418)</b>	<b>(466)</b>
Interest Payable and Similar Charges	4,092	2,873	1,219
<b>Net Operating Expenditure</b>	<b>208</b>	<b>(545)</b>	<b>753</b>
<b>(Surplus)/Deficit for the Year</b>	<b>208</b>	<b>(545)</b>	<b>753</b>
<b>Statement of Movement upon Council Fund Balance</b>			
(Surplus)/Deficit for the year on the Income and Expenditure Account	208	(545)	753
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	(208)	545	(753)
<b>(Increase)/Decrease in Council Fund Balance for the Year</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance Sheet extract:</b>			
	<b>Total 2009/2010 £000</b>	<b>Road 2009/2010 £000</b>	<b>Schools 2009/2010 £000</b>
Other land and buildings	9,359	0	9,359
Infrastructure assets	(919)	(919)	0
Deferred liabilities	1,884	1,464	420
<b>Total assets less liabilities</b>	<b>10,324</b>	<b>545</b>	<b>9,779</b>
<b>Financed by:</b>			
Revaluation Reserve	(10,076)	0	(10,076)
Capital Adjustment Account	(248)	(545)	297
<b>Total Net Worth</b>	<b>(10,324)</b>	<b>(545)</b>	<b>(9,779)</b>
<b>Statement of Total Recognised Gains and Losses extract:</b>			
	<b>Total 2009/2010 £000</b>	<b>Road 2009/2010 £000</b>	<b>Schools 2009/2010 £000</b>
(Surplus)/Deficit for the year on the Income and Expenditure Account	208	(545)	753
(Surplus)/Deficit arising on revaluation of Fixed Assets	(10,532)	0	(10,532)
<b>Total Recognised (Gains) / Losses for the Year</b>	<b>(10,324)</b>	<b>(545)</b>	<b>(9,779)</b>

## **Notes to the Core Financial Statements (continued)**

### **11. 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 2009/2010 totalled £532,003 (£681,487 in 2008/2009).

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 £760,486 in 2009/2010, (£776,050 in 2008/2009).

The Authority is committed to making payments of £1,096,788 under these leases in 2010/11, comprising the following elements:

	<b>Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Total £000</b>
Leases expiring in 2010/11	153	198	351
Lease expiring between 2011/12 and 2015/16	328	156	484
Leases expiring after 2015/16	262	0	262
	<b>743</b>	<b>354</b>	<b>1,097</b>

#### **Authority as Lessor**

The Authority has granted leases of industrial units and offices, playing fields and pavilions to various entities for periods of between 1 year and 30 years. Such arrangements have been accounted for as operating leases with annual rental income due of £1,478,882. The gross value of assets held for use in these operating leases at 31 March 2010 was £16,798,825 subject to accumulated depreciation of £1,450,468. (Gross value at 31 March 2009 £16,728,834 with accumulated depreciation of £1,152,205).

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 £57,224,616 and are subject to accumulated depreciation of £3,677,529 (Gross book value of £57,065,586 at 31 March 2009 with accumulated depreciation of £1,824,269).



## Notes to the Core Financial Statements (continued)

### 12. Finance Leases

The Authority has acquired computer and other equipment under finance leases. The rentals payable under these arrangements in 2009/2010 were £94,882 (£136,233 in 2008/2009), charged to the Income & Expenditure Account as £9,167 as finance costs (debited to interest payable) and £85,715 relating to the write-down of obligations to the lessor (debited as part of the appropriation to the Capital Adjustment Account in the Statement of Movement on the Council Fund Balance).

The following values of assets are held under finance leases by the Authority, which are accounted for as part of Tangible Fixed Assets:

	<b>Equipment 2009/2010 £000</b>	<b>Equipment 2008/2009 £000</b>
Value at 1 April	189	195
Additions	0	171
Reclassifications	0	(39)
Depreciation	(85)	(138)
Disposals	0	0
<b>Value at 31 March</b>	<b>104</b>	<b>189</b>

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010 accounted for as part of long-term liabilities are as follows:

	<b>Equipment 2009/2010 £000</b>	<b>Equipment 2008/2009 £000</b>
Obligations payable in 2010/2011	72	86
Obligations payable between 2011/2012 and 2015/2016	32	103
Leases expiring after 2015/2016	0	0
<b>Value at 31 March</b>	<b>104</b>	<b>189</b>

## Notes to the Core Financial Statements (continued)

### 13. 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 2010 were:

<u>2009/2010</u>	<u>Number of employees</u>		Total	Left in year
	School based	Non-School based		
Remuneration Band				
£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
	<b>33</b>	<b>26</b>	<b>59</b>	<b>2</b>

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

<u>2008/2009 - Restated</u>	<u>Number of employees</u>		Total	Left in year
	School based	Non-School based		
Remuneration Band				
£60,000 - £64,999	10	4	14	0
£65,000 - £69,999	5	3	8	0
£70,000 - £74,999	1	3	4	0
£75,000 - £79,999	4	5	9	0
£80,000 - £84,999	1	1	2	1
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	1	0	1	0
	<b>22</b>	<b>16</b>	<b>38</b>	<b>1</b>

*The leaver in the year was school-based.*

*As a result of the changes to the disclosure requirements as per the Accounts and Audit (Wales) (Amendment) Regulations 2010, the 2009/10 and the 2008/2009 comparatives have been amended to exclude the posts separately identified below.*

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.

## Notes to the Core Financial Statements (continued)

<u>2009/2010</u>				Total Remuneration excluding Employer's Pension Contributions	Employer's Pension Contributions at 21%	Total Remuneration including Employer's Pension Contributions
Post	Salary £	Expenses £	Benefits in Kind £	£	£	£
Chief Executive *a	131,645	1,939	890	<b>134,474</b>	27,645	<b>162,119</b>
Director of Corporate Services	100,682	906	906	<b>102,494</b>	21,143	<b>123,637</b>
Director of the Environment	97,631	1,322	879	<b>99,832</b>	20,502	<b>120,334</b>
Director of Social Services	94,477	2,325	838	<b>97,640</b>	19,840	<b>117,480</b>
Director of Education	94,325	1,337	887	<b>96,549</b>	19,808	<b>116,357</b>
S151 Officer	69,330	1,065	890	<b>71,285</b>	14,559	<b>85,844</b>
	<b>588,090</b>	<b>8,894</b>	<b>5,290</b>	<b>602,274</b>	<b>123,497</b>	<b>725,771</b>

\*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.

<u>2008/2009</u>				Total Remuneration excluding Employer's Pension Contributions	Employer's Pension Contributions at 20.7%	Total Remuneration including Employer's Pension Contributions
Post	Salary £	Expenses £	Benefits in Kind £	£	£	£
Chief Executive	127,653	888	1,873	<b>130,414</b>	26,424	<b>156,838</b>
Director of Corporate Services	97,631	1,029	849	<b>99,509</b>	20,305	<b>119,814</b>
Director of the Environment	94,579	1,866	896	<b>97,341</b>	19,670	<b>117,011</b>
Director of Social Services *b	42,518	397	428	<b>43,343</b>	8,801	<b>52,144</b>
Director of Education *c	74,785	2,544	958	<b>78,287</b>	16,631	<b>94,918</b>
Director of Education *c	38,137	409	352	<b>38,898</b>	7,894	<b>46,792</b>
S151 Officer	66,813	857	829	<b>68,499</b>	13,895	<b>82,394</b>
	<b>542,116</b>	<b>7,990</b>	<b>6,185</b>	<b>556,291</b>	<b>113,620</b>	<b>669,911</b>

\*b The Director of Social Services was appointed to the post on 13 October 2008 at an annualised salary of £91,259. Prior to this appointment, interim cover from the start of the financial year to 31 August 2008 was provided by the Director of Education who was paid an honorarium of £5,085 in total.

\*c The Director of Education retired and was replaced on 1 November 2008. The annualised salary of the retiring Director was £97,631. The annualised salary of the replacement Director was £91,529.

### 14. Members' Allowances

The total value of Members' allowances payments in 2009/2010 was £1,234,532 (£1,228,067 in 2008/2009). 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)

### 15. External Audit Costs

In 2009/2010 Caerphilly County Borough Council incurred the following fees relating to external audit and inspection.

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	235	329
Fees payable to the Wales Audit Office in respect of statutory inspection	198	78
Fees payable to the Wales Audit Office for the certification of grant claims and returns	135	134
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	0
	<b>575</b>	<b>545</b>

The fees paid for "other services" were for advice received from the Wales Audit Office in respect of the impairment of the Authority's Icelandic Bank deposits.

### 16. 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 (formerly Caerphilly Local Health Board) in respect of the following projects.

<u>Lead Commissioning Arrangements</u>	<b>2009/2010</b>			<b>2008/2009</b>
<b>Scheme</b>	<b>Total Funding</b>	<b>Other Contribution</b>	<b>Authority's Contribution</b>	<b>Authority's Contribution</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cancercareline	30	12	18	18
Age Concern	151	105	46	45
Care and Repair	32	20	12	12
	<b>213</b>	<b>137</b>	<b>76</b>	<b>75</b>

**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 56 – JANEs.

## **Notes to the Core Financial Statements (continued)**

### **17. Related Party Transactions**

In compliance with FRS 8 "Related Party Disclosures", 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 79, 80 and 84, whilst details of revenue support grant received is shown on pages 31 & 59 and NNDR Pool transactions are summarised on page 59.

**Precepts** – page 42 provides details of precepts collected on behalf of other organisations.

**Levies** – page 42 provides details of amounts levied on the Authority by Joint Committees.

**Chief Officers and Members** - details of officers' emoluments and members' allowances are provided on page 66. During 2009/2010 the majority of "declaration of interest" returns had been 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 52 to 57.

**Islwyn Borough Transport Ltd** - the nature of the Authority's relationship with this previously wholly owned subsidiary is detailed on page 77. During the course of 2009/10, the Authority sold its interest in the company. The sale was completed on 8 January 2010. In previous years, a loan of £599,500 was granted to the company and as a consequence of the sale the loan was repaid in full together with interest of £23,159 (no repayment of capital or interest was received in 2008/09). As at 31 March 2009, the Authority held investments in the company valued at £87,486, which have now been written out of the Balance Sheet. During the course of 2009/2010, the Authority made payments to the company of £1,154,149 (£1,576,325 in 2008/2009) and received income of £47,060 including £20,171 in respect of NNDR (£85,622 and £19,223 respectively in 2008/2009). At the year-end the Authority owed £nil (£135,755 at 31 March 2009) to IBT in respect of contract services and was owed £nil in respect of interest on the loan (£29,975 in 2008/2009). It was estimated at the time of the sale of IBT that there would be an outstanding pension liability of £1.4m. This pension liability will be recovered over a 20-year period and is consistent with the approach taken in respect of the overall Greater Gwent (Torfaen) Pension Scheme.

**Groundwork Trust Caerphilly** - the Authority is represented on the Board of this organisation. During the course of 2009/2010, the Authority made payments to the Trust of £461,380 (£514,287 in 2008/2009) and received income from the Trust of £39,489 (£87,023 in 2008/2009). At the year-end, the Authority owed £19,189 to Groundwork (£4,986 in 2008/2009).

## **Notes to the Core Financial Statements (continued)**

**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 77. During the course of 2009/2010, the Authority made payments totalling £395,515 on behalf of the Company (2008/2009 - £136,814).

**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 2010, £1,546,951 was held on behalf of ESIS in the Authority's bank account (£820,890 in 2008/09). During the course of 2009/10, the Authority made payments to the Joint Committee of £1,628,337 (£1,481,023 in 2008/2009) and received payments from the Joint Committee of £5,373 (£16,147 in 2008/2009), whilst as at 31 March 2010 balances of some £39,164 were due from the Authority to ESIS (£2,980 in 2008/2009).

**Aneurin Bevan Health Board** (formerly Caerphilly Local Health Board) – the Authority is represented on the Board of this organisation. During the course of 2009/2010, the Authority made payments to the Board of some £1,570,389 (£1,775,492 in 2008/2009) and received income of £3,445,300 from the Board (Including Section 28a grant income of £3,065,236) (£3,310,887 and £3,052,073 respectively in 2008/2009) and NNDR income of £1,980 was collected from the Board (£1,887 in 2008/2009). At 31 March 2010, £800,725 was due from the Authority to the Health Board (£1,647,700 in 2008/2009) and £708,151 was due from the Health Board to the Authority (£nil in 2008/2009).

### **18. Minimum Revenue Provision (MRP) Adjustment**

The Local Government Act 2003, as defined within the Local Authorities (Capital Finance and Accounting) (Wales) Regulation 2003 requires the Authority to set aside a Minimum Revenue Provision for the redemption of debt.

With effect from 2007/08, the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 have 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 Assembly 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.

## **Notes to the Core Financial Statements (continued)**

The amount shown in the note of reconciling items for the Statement of Movement on the Council Fund Balance 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 the introduction of capital charges, and equates to the difference between the MRP calculation and the depreciation charge.

### **19. Capital Commitments**

Future capital expenditure committed at 31 March 2010 amounted to £14.630m and includes the following major schemes:

		<b>2009/2010</b>	<b>2008/2009</b>
		<b>£000</b>	<b>£000</b>
<b>Highways and Transportation</b>	Bargoed Retail Plateau	300	444
	Bargoed By Pass	887	2,500
	Ystrad Fawr Highway Improvements	10,997	13,216
	South East Wales Transport Alliance	2,446	0
	Newbridge River Bridge	0	496
<b>Corporate</b>	Office Accommodation	0	1,479
	Records Archive	0	571
		<b>14,630</b>	<b>18,706</b>

## Notes to the Core Financial Statements (continued)

### 20. Movements on Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some 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.

Reserve	Restated 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, page 84
Available-for-sale Reserve	(279)	279	0	Store of gains on revaluation of investments not yet realised through sales.	Note 35, page 85
Revaluation Reserve	(316,659)	(23,665)	(340,324)	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 36, page 85
Capital Adjustment Account (CAA)	(316,759)	8,796	(307,963)	Store of capital resources set aside to meet past expenditure	Note 37, page 86
Usable Capital Receipts	(516)	(2,087)	(2,603)	Proceeds of fixed asset sales available to meet future capital investment	Note 38, page 87
Deferred Capital Receipts	(145)	0	(145)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	Note 39, page 87
Pensions Reserve	224,981	85,572	310,553	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 6, pages 52-58
Housing Revenue Account	(4,422)	(1,640)	(6,062)	Resources available to meet future running costs for council houses	HRA Statements pages 108-114
General Fund Balance	(10,812)	(2,172)	(12,984)	Resources available to meet future running costs for non-housing services	Statement of Movement on the Council Fund Balance, page 32
Other Reserves	(29,959)	(4,736)	(34,695)		Notes 41-45 and note 47, pages 88-93
<b>TOTAL</b>	<b>(455,725)</b>	<b>59,246</b>	<b>(396,479)</b>		



## Notes to the Core Financial Statements (continued)

### 21. Intangible Assets

The Authority has incurred expenditure on Intangible Assets in relation to computer software of £167,000, funded entirely from Capital Receipts Applied (£519,000 in 2008/2009).

	<b>Purchased software licences £000</b>
Balance at 1 April 2009	0
Expenditure in Year	167
Written off to revenue in year	(167)
<b>Balance at 31 March 2010</b>	<b>0</b>

### 22. Government Grants Deferred Account.

Capital grants that finance the acquisition of fixed assets either wholly or partly, are credited initially to the Government Grants Deferred Account. Amounts are released from this account to credit the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates. Grants used to finance revenue expenditure funded from capital are also released to the Income and Expenditure Account to offset amortisation of those charges.

	2009/2010		2008/2009	
	Housing Revenue Account £000	General Fund £000	Total £000	Total £000
Balance as at 1 April	0	(163,544)	(163,544)	(153,139)
Grants Credited in Year	(7,300)	(14,732)	(22,032)	(28,942)
Grants Applied to Income & Expenditure Account	7,300	11,862	19,162	18,537
<b>Balance as at 31 March</b>	<b>0</b>	<b>(166,414)</b>	<b>(166,414)</b>	<b>(163,544)</b>

## Notes to the Core Financial Statements (continued)

### 23. Fixed Assets

#### Operational Assets

	<u>Council Dwellings</u>	<u>Other Land and Buildings Restated*</u>	<u>Vehicles, Plant, etc</u>	<u>Infra- structure Restated*</u>	<u>Community Assets</u>	<u>Total</u>
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>						
At 1 April 2009	102,354	771,724	25,927	185,444	1,173	1,086,622
Prior year adjustment	0	11,280	0	36,764	0	48,044
Restated at 1 April 2009	102,354	783,004	25,927	222,208	1,173	1,134,666
Additions	8,526	10,721	1,271	10,815	0	31,333
Disposals	0	(148)	0	0	0	(148)
Impairments	(8,526)	(1,883)	0	(3,536)	0	(13,945)
Reclassifications	(396)	1,699	0	0	0	1,303
Revaluations	2,376	24,298	0	0	0	26,674
At 31 March 2010	104,334	817,691	27,198	229,487	1,173	1,179,883
<b>Depreciation and impairments:</b>						
At 1 April 2009	0	(37,181)	(16,536)	(36,085)	(14)	(89,816)
Prior year adjustment	0	(2,258)	0	(2,727)	0	(4,985)
Restated at 1 April 2009	0	(39,439)	(16,536)	(38,812)	(14)	(94,801)
Charge for year	(2,832)	(19,158)	(2,339)	(7,869)	7	(32,191)
Reclassifications	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Revaluations	2,832	35	0	0	0	2,867
At 31 March 2010	0	(58,562)	(18,875)	(46,681)	(7)	(124,125)
<b>Balance Sheet amount at 31 March 2010</b>	<b>104,334</b>	<b>759,129</b>	<b>8,323</b>	<b>182,806</b>	<b>1,166</b>	<b>1,055,758</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>102,354</b>	<b>743,565</b>	<b>9,391</b>	<b>183,396</b>	<b>1,159</b>	<b>1,039,865</b>
<b>Nature of asset holding:</b>						
Owned	104,334	721,607	8,219	149,688	1,166	985,014
Finance Leased	0	0	104	0	0	104
PFI	0	37,522	0	33,118	0	70,640
	<b>104,334</b>	<b>759,129</b>	<b>8,323</b>	<b>182,806</b>	<b>1,166</b>	<b>1,055,758</b>

\* Prior year adjustment – see note 10 (page 59) and note 57 (page 104) for details.

## Notes to the Core Financial Statements (continued)

### Non-Operational Assets

	<u>Assets Under Construction</u> £000	<u>Surplus Assets</u> £000	<u>Total</u> £000
<b>Cost or valuation:</b>			
At 1 April 2009	45,954	8,258	54,212
Additions	1,503	0	1,503
Disposals	0	(26)	(26)
Reclassifications	(1,303)	0	(1,303)
Revaluations	0	0	0
At 31 March 2010	<b>46,154</b>	<b>8,232</b>	<b>54,386</b>
<b>Depreciation and impairments:</b>			
At 1 April 2009	0	(4)	(4)
Charge for year	0	0	0
Reclassifications	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
At 31 March 2010	<b>0</b>	<b>(4)</b>	<b>(4)</b>
<b>Balance Sheet amount at 31 March 2010</b>	<b>46,154</b>	<b>8,228</b>	<b>54,382</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>45,954</b>	<b>8,254</b>	<b>54,208</b>
<b>Nature of asset holding:</b>			
Owned	46,154	8,228	54,382
Finance Leased	0	0	0
PFI	0	0	0
	<b>46,154</b>	<b>8,228</b>	<b>54,382</b>

#### Notes:

##### 1. Assets under Construction

Assets under construction is analysed as follows:

Land formation for Economic and Urban Development	£11.896m
Highway Infrastructure – Public Transport Facilities	£34.258m
	<b>£46.154m</b>

##### 2. Assets due for closure

As at 31 March 2010, the Authority had taken no decisions to close any currently operational assets.

## Notes to the Core Financial Statements (continued)

### Analysis of Fixed Assets

Assets owned by the Authority include the following:

<u>Operational Assets</u>	<u>31 March 2010</u> Number	<u>31 March 2009</u> Number
<b>Council Dwellings</b>	10,987	11,010
<b>Corporate Buildings</b>	5	5
<b>Education</b>		
Primary Schools	74	74
Secondary Schools	13	13
Special Schools	1	1
<b>Libraries</b>		
Buildings	19	19
Mobile	0	1
<b>Leisure</b>		
Leisure Centres	11	11
Community Centres	37	38
<b>Social Services</b>		
Residential/Respite Care Homes	9	9
Group Homes/Hostels	1	1
Day Centres	9	9
Childrens Homes	1	1
Family Centre	2	2
District Offices/Bases	4	4
<b>Bus Stations</b>	4	4
<b>Public Conveniences</b>	9	10
<b><u>Non-Operational Assets</u></b>		
<b>Industrial Estates</b>	15	15
<b>Commercial Properties - Office Units</b>	1	1
<b><u>Community Assets</u></b>		
Parks and Open Spaces	31	31
Country Parks	5	5
Historic Buildings and Sites	2	2
Cemeteries	10	10

*The above excludes Cwmcarn High School, a foundation school, the assets for which are vested in the Board of Governors and St Helens RC Primary School, the assets for which are owned by the Diocese.*

## Notes to the Core Financial Statements (continued)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, etc £000	Infra- structure £000	Community Assets £000	Total £000
Valued at Historical Cost	0	138,133	26,680	192,723	460	357,996
Valued at Current value in:						
2009/10	104,334	32,747	0	36,764	0	173,845
2008/09	0	523,211	0	0	450	523,661
2007/08	0	59,244	0	0	0	59,244
2006/07	0	8,225	0	0	263	8,488
2005/06	0	56,131	518	0	0	56,649
<b>Total Gross Book Value</b>	<b>104,334</b>	<b>817,691</b>	<b>27,198</b>	<b>229,487</b>	<b>1,173</b>	<b>1,179,883</b>

### 24. Capital Financing Requirement and the Financing of Capital Expenditure

	31 March	
	2010 £000	Restated 2009 £000
Opening Capital Financing Requirement	297,111	243,035
Opening balance adjustment - PFI	0	53,171
Revised opening capital financing requirement	297,111	296,206
<b>Capital Investment:</b>		
Operational Assets	32,636	17,975
Non-operational Assets (Work in Progress)	200	26,451
Intangible Assets	167	519
Revenue Expenditure funded from Capital Under Statute	9,569	9,481
<b>Sources of Finance:</b>		
Grants	(30,729)	(36,852)
Capital Receipts Applied	(404)	(4,314)
Capital Expenditure Funded from Revenue	(2,374)	(2,668)
Capital Receipts Set Aside	(773)	(556)
Minimum Revenue Provision	(10,684)	(10,621)
Commutation Adjustment	716	1,490
<b>Closing Capital Financing Requirement</b>	<b>295,435</b>	<b>297,111</b>

## Notes to the Core Financial Statements (continued)

### 25. Long Term Investments

Investments consist of:

	2010 £000	2009 £000
a) Investment in Islwyn Borough Transport	0	88
b) Other	4	4
	4	92

- a) Islwyn Borough Transport Ltd (IBT) is a company set up in accordance with the provisions of the Transport Act 1985 and was previously wholly owned by the Authority. The Authority sold the interest in IBT in January 2010, at which point the loan of £599,500 granted to the company was repaid in full.

The transactions and balances with IBT during the year are disclosed as part of Note 17 to the Accounts. In addition to the transactions and balances disclosed in Note 17, the Authority also had an 'IBT Asset Realisation Reserve', see page 92. During the year the Authority disposed of this subsidiary.

- b) The Authority's other investments include a 100% shareholding in Trehir Development Company Ltd (TDC) (registration number 2146992) represented by 100 £1 shares – see note 17 on page 68. The company is no longer trading as a landfill site and is in the process of being restored.

The Authority has considered consolidating TDC accounts with their accounts to produce a set of group accounts and it was felt that, on the grounds of materiality, group accounts were not required and the Authority could comply with the SoRP 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 2010.

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

	2010 £000	2009 £000
<b>Turnover from continuing operations</b>	0	0
Operating costs	(395)	(136)
<b>Operating Profit / (Loss)</b>	<b>(395)</b>	<b>(136)</b>
Interest Receivable and Similar Income	0	0
Interest payable and Similar Charges	0	(47)
Loan Waiver	0	3,408
<b>Loss on Ordinary Activities Before Taxation</b>	<b>(395)</b>	<b>3,225</b>
Tax on Loss on Ordinary Activities	0	(157)
<b>Profit / (Loss) for the financial year</b>	<b>(395)</b>	<b>3,068</b>
Dividends	0	0
<b>Profit / (Loss) for the Financial Year After Taxation</b>	<b>(395)</b>	<b>3,068</b>

## Notes to the Core Financial Statements (continued)

### Trehir Development Company Ltd - Balance Sheet as at 31 March

	2010 £000	2009 £000
<b>Current Assets</b>		
Stocks	0	0
Debtors	0	0
Cash at bank and in hand	0	0
	<b>0</b>	<b>0</b>
<b>Creditors: Amounts falling due within one year</b>	0	0
<b>Net Current Liabilities</b>	<b>0</b>	<b>0</b>
<b>Creditors: Amounts falling due after more than one year</b>	(532)	(137)
Provision for liabilities and charges	0	0
	<b>(532)</b>	<b>(137)</b>
<b>Capital and Reserves</b>		
Called up Share Capital	0	0
Profit and Loss Account	(532)	(137)
<b>Equity Shareholders' Funds</b>	<b>(532)</b>	<b>(137)</b>

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

	2010 £000	2009 £000
Opening Shareholders' Funds	(137)	(3,205)
Profit / (Loss), after dividends, for the Financial Year	(395)	3,068
Other Recognised Gains and Losses	0	0
<b>Closing Shareholders' Funds</b>	<b>(532)</b>	<b>(137)</b>

The Authority has received no dividend payments from this wholly owned subsidiary during the financial year 2009/10 (£nil in 2008/09).

A copy of the 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.

## 26. Long Term Debtors

	31 March	
	2010 £000	Restated 2009 £000
Car Loans	225	267
Housing - Right to Buy	37	85
Housing Advances	117	116
Transferred Debt - Former Authorities	174	241
Advances to IBT	0	600
Other	33	42
	<b>586</b>	<b>1,351</b>

## Notes to the Core Financial Statements (continued)

### 27. Stocks and Work in Progress

	31 March	
	2010 £000	2009 £000
<b>Stocks</b>		
Central Stores	313	308
Other	91	91
D.S.O.	440	377
	<u>844</u>	<u>776</u>
<b>Work-in-Progress</b>		
D.L.O.	47	31
Other	7	9
	<u>54</u>	<u>40</u>
<b>Total Stocks and Work in Progress</b>	<u><u>898</u></u>	<u><u>816</u></u>

### 28. Debtors

	31 March	
	2010 £000	Restated 2009 £000
<b>Debtors</b>		
Taxpayers - Council Tax	4,527	4,386
Council Tenants	1,196	1,204
Reserved Debtors	3,444	3,750
Governments Grants	3,768	6,700
HM Revenue & Customs	2,170	3,009
Other Local Authorities	1,969	2,214
Other Public Bodies	5,119	7,765
Payments in Advance	1,414	762
Sundry Debtors	5,003	4,222
Housing Benefit	1,416	1,714
Car Loans repayable within one year	156	166
Housing - Right to Buy	22	22
Housing Advances	9	10
	<u>30,213</u>	<u>35,924</u>
<b>Provision for Bad Debt -</b>		
Taxpayers - Council Tax	(1,568)	(1,434)
Council Tenants	(693)	(687)
Housing Benefits	(883)	(624)
Sundry Debtors	(820)	(767)
Other	(3)	(3)
<b>Total provision for bad debt</b>	<u>(3,967)</u>	<u>(3,515)</u>
<b>Total Debtors</b>	<u><u>26,246</u></u>	<u><u>32,409</u></u>



## Notes to the Core Financial Statements (continued)

	31 March	
	2010 £000	2009 £000
<b>Government grant debtors comprise:</b>		
Education Support Grants	542	485
School Milk Subsidy	108	114
CILT Cymru	0	5
Primary School Free Breakfast Initiative	559	231
Youth Training Grants	0	36
Sports Development Grant	3	11
Community Safety / Crime Reduction	420	128
Substance Misuse Grant	0	660
European Regional Development Fund	504	2,192
Local Regeneration Fund	419	149
European Social Fund	569	271
Land Reclamation Grants	257	0
Regeneration Grants	55	0
Contaminated Land Grant	55	0
Department for Economy and Transport (DE&T)	0	1,042
Transport Grant	0	187
Concessionary Fares Grant	0	905
Fairer Charging Grant - Social Services	273	273
Other	4	11
	<b>3,768</b>	<b>6,700</b>

### 29. Creditors

	31 March	
	2010 £000	Restated 2009 £000
<b>Creditors</b>		
Government Grants	(1,307)	(2,050)
HM Revenue & Customs	(6,653)	(3,949)
Other Local Authorities	(5,094)	(5,294)
Other Public Bodies	(5,357)	(3,427)
Receipts in Advance	(3,254)	(2,780)
Reserved Creditors	(33,030)	(33,676)
Miscellaneous Deposits	(1,084)	(1,011)
Sundry Creditors	(192)	(179)
Finance Leases	(72)	(86)
Housing Sale Deposits	(35)	(35)
Loans repayable within one year	(3,280)	(4,250)
Local bonds repayable within one year	(10)	(10)
	<b>(59,368)</b>	<b>(56,747)</b>

Included in receipts in advance is £4,556 due to Isle of Anglesey County Council in respect of the dissolution of the former Residuary Body for Wales (£143,682 due to all Welsh Local Authorities in 2008/09). 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 March	
	2010 £000	2009 £000
<b>Government grant creditors comprise:</b>		
Housing Subsidies	(67)	(66)
Basic Skills Agency	(111)	(124)
Assembly Learning Grant - Student Awards	(378)	(398)
Early Years Development and Childcare Partnership	(36)	(35)
School Based Counselling	(86)	(61)
DE&T - Derelict Land Grant	0	(4)
Community Focus Grant	(14)	(14)
Education Support and Training	(32)	(32)
Learning and Play Grant	(14)	0
Flying Start	(135)	(424)
Post 16 year olds	(159)	(51)
Foundation Phase Pilot	(28)	(28)
Cymorth	(3)	(22)
Educational Support for Looked After Children	(58)	(344)
Specialist Equipment for Learners Grant	(10)	(10)
Disabled Facilities Grant	(60)	(60)
Social Services Joint Working Grant	(13)	0
Sports Council	0	(29)
Performance Management Grant	(12)	(120)
Independence & Wellbeing Grant	(43)	(220)
Other	(48)	(8)
	<b>(1,307)</b>	<b>(2,050)</b>

### 30. Movements in Provisions

<u>Provisions</u>	Balance at 01.04.09 £000	Transfers from Provision £000	Transfers to Provision £000	Balance at 31.03.10 £000
<b>Miscellaneous Provisions</b>				
Insurance Claims	(5,556)	2,109	(1,490)	(4,937)
Social Services	(205)	36	(600)	(769)
Corporate	(20,705)	15,997	(226)	(4,934)
Gwent County Supplies	(106)	0	0	(106)
	<b>(26,572)</b>	<b>18,142</b>	<b>(2,316)</b>	<b>(10,746)</b>

**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 upon page 91. The provision is released annually as required to cover insurance liability claims. A small number of claims may run for up to 3 years, but most claims are settled within the financial year.

**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 the financial year 2010/2011. Part of the provision also relates to the former Mid Glamorgan County Council as outlined in Note 31. Any release is subject to finalisation of the outstanding liabilities by the lead authority, Rhondda Cynon Tâf County Borough Council.

## **Notes to the Core Financial Statements (continued)**

**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.

**Gwent County Supplies** - provision exists to meet the anticipated dissolution costs of the County Supplies service. It is anticipated that the final disbursement of the dissolution costs of the service will take place in the financial year 2010/2011.

As set out in the Statement of Core Policies in Compiling the Accounts all provisions are reviewed in accordance with the requirements of FRS12.

### **31. Contingent Liabilities**

#### **Former Authorities**

As explained on page 28, 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 has made provision for £0.043m in respect of settled schemes in its 2009/10 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 2009/10. 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 £3.056m. 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)**

### **32. 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 2010 was:

£160,497 - relating to Education Trust Funds administered by the Head of Corporate Finance, (£178,516 in 2008/2009).

As at 31 March 2009 the Head of Legal Services administered £2,914 relating to Education Trust Funds. During 2009/2010 these were transferred into the administration of the Head of Corporate Finance.

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 £157,725 is held in bank deposits (£3,572 and £177,858 respectively in 2008/09). There are no other underlying assets or liabilities. The Authority received £1,951 in dividends (£9,216 in 2008/09) and interest on the funds during the year and incurred expenditure of £22,953 (£141 in 2008/09).

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 2010 was £1,373,656 (£621,098 as at 31 March 2009).

## Notes to the Core Financial Statements (continued)

### 33. Unapplied Capital Grants and Other Capital Contributions

The Authority receives grants and other contributions towards the funding of capital projects. The following table represents amounts received and carried forward to fund projects yet to be implemented or completed at the end of the financial year.

	<u>2009/2010</u> <u>£000</u>	<u>2008/2009</u> <u>£000</u>
<b>Grants:</b>		
Private Housing	(327)	(204)
Lifelong Learning and Leisure	(5)	(5)
Planning	(333)	(1,509)
Highways	(2,124)	(460)
Education	(114)	(28)
Property Services	0	(69)
	<u>(2,903)</u>	<u>(2,275)</u>
<b>Section 106 Contributions</b>		
Highways	(2,992)	(123)
Education	(279)	(270)
Lifelong Learning and Leisure	(207)	(170)
<b>Road Scheme Compensation</b>		
Highways	(315)	(401)
<b>Other Contributions:</b>		
Leisure	(2,564)	(2,502)
Private Housing	0	(25)
Highways	(332)	(5,292)
Corporate Programme	(286)	(286)
Property Services	(2)	(2)
Planning	(19)	(118)
<b>Total</b>	<u><u>(9,899)</u></u>	<u><u>(11,464)</u></u>

### 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 SoRP 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.

	<u>2009/2010</u> <u>£000</u>	<u>2008/2009</u> <u>£000</u>
Balance as at 1 April	(1,155)	(1,239)
Discounts on early repayment of loans	(1,380)	(537)
Amortised to revenue in the year	284	146
Effective interest rate adjustment	(5)	475
	<u><u>(2,256)</u></u>	<u><u>(1,155)</u></u>

## Notes to the Core Financial Statements (continued)

### 35. Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

	2009/2010 £000	2008/2009 £000
Balance as at 1 April	(279)	(493)
Disposal of Investments	279	214
	0	(279)

### 36. 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 2010 therefore only shows revaluation gains accumulated since 1 April 2007.

	2009/2010 £000	2009/2010 £000	Restated 2008/2009 £000
Balance as at 1 April		(316,659)	(22,096)
Deficit on Revaluation of Assets	0		5,175
Surplus on Revaluation of Assets	(29,541)		(300,954)
Total Unrealised Gains on Revaluation of Assets		(29,541)	(295,779)
Difference in Depreciation on Revalued Assets	5,876		691
Depreciation Released on Disposals	0		0
Transfer of Realised Profit	0		0
Disposal of Fixed Assets	0		525
		5,876	1,216
<b>Balance as at 31 March</b>		<b>(340,324)</b>	<b>(316,659)</b>

The prior year figures have been restated to reclassify an amount of £108m relating to revaluations in 2008/09. This amount has been transferred from the Capital Adjustment Account (note 37) to the Revaluation Reserve.

## Notes to the Core Financial Statements (continued)

### 37. 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 36 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. The prior year figures have been restated to reclassify an amount of £108m relating to revaluations in 2008/09. This amount has been transferred from the Capital Adjustment Account to the Revaluation Reserve (see note 36).

	2009/2010		Restated 2008/2009	
	£000	£000	£000	£000
<b>Balance as at 1 April</b>		<b>(316,758)</b>		<b>(474,326)</b>
Restatement of opening balance re: PFI Assets		0		364
<b>Restated opening balance as at 1 April</b>		<b>(316,758)</b>		<b>(473,962)</b>
Capital receipts set aside		(773)		(556)
<b>Funding:</b>				
Revenue funding applied	(2,374)		(2,668)	
Capital receipts applied	(404)		(4,314)	
Deferred grants applied	(19,162)		(18,537)	
<b>Total Funding</b>		<b>(21,940)</b>		<b>(25,519)</b>
MRP	(10,683)		(10,621)	
Commutation Adjustment	716		1,490	
		(9,967)		(9,131)
Depreciation:				
In year charge	32,191		39,798	
Attributable to revaluations	(5,876)		(691)	
Written back on disposals	0		(93)	
		26,315		39,014
Amortisation of non-enhancing expenditure		13,864		11,515
PFI Unitary Charge Adjustment		0		0
Asset Revaluations / Impairments:				
Price adjustments	81		137,115	
		81		137,115
Disposals - Council Fund	173		2,676	
Disposals - HRA	0		525	
Transfer to Revaluation Reserve	0		(525)	
		173		2,676
Revenue Expenditure funded from Capital	9,569		9,481	
Funding of revenue expenditure funded from capital	(8,697)		(7,910)	
		872		1,571
Amortisation of Intangible Assets		167		519
Total capital costs		31,505		183,279
<b>Balance as at 31 March</b>		<b>(307,966)</b>		<b>(316,758)</b>

## Notes to the Core Financial Statements (continued)

### 38. Usable Capital Receipts Reserve

	<u>2009/2010</u> <u>£000</u>	<u>2008/2009</u> <u>£000</u>
Amounts receivable in year	(3,264)	(3,291)
Amounts set aside	773	556
Amounts applied to finance new capital investment in year	404	4,314
Total increase/(decrease) in realised capital resources in year	(2,087)	1,579
Balance brought forward at 1 April	(516)	(2,095)
<b>Balance carried forward at 31 March</b>	<b><u>(2,603)</u></b>	<b><u>(516)</u></b>

### 39. 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. They 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 78 and note 40 below).

### 40. Deferred Liabilities

	<u>31 March 2010</u> <u>£000</u>	<u>Restated</u> <u>31 March 2009</u> <u>£000</u>
Finance Leases	(32)	(103)
PFI Liabilities - Road	(30,785)	(32,250)
PFI Liabilities - Schools	(18,545)	(18,965)
Leisure Commuted Sums	(417)	(458)
Former Gwent County Council Debt	(275)	(332)
<b>Balance carried forward at 31 March</b>	<b><u>(50,054)</u></b>	<b><u>(52,108)</u></b>

Finance Leases – see note 12, page 64.

Deferred Capital Receipts – see note 39 above.

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

<u>Reserves</u>	Balance at 01.04.09 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.10 £000
Building Cleaning	(115)	8	0	(107)
Cleansing and Refuse Collection	(401)	0	0	(401)
Grounds Maintenance	(357)	254	0	(103)
Highways Maintenance	(385)	0	(42)	(427)
Housing and Building Services	(737)	206	0	(531)
Vehicle Maintenance	(4)	0	0	(4)
Vehicle and Fleet Management	62	0	0	62
	<b>(1,937)</b>	<b>468</b>	<b>(42)</b>	<b>(1,511)</b>

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

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

<u>Reserves</u>	Balance at 01.04.09 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.10 £000
Corporate	(133)	0	(1,412)	(1,545)
Leisure	(300)	300	(745)	(745)
Highways and Transportation	0	0	(1,200)	(1,200)
	<b>(433)</b>	<b>300</b>	<b>(3,357)</b>	<b>(3,490)</b>

## Notes to the Core Financial Statements (continued)

### 43. Movements in Service Under/Overspend Earmarked Reserves

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

<u>Reserves</u>	Balance at 01.04.09 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.10 £000
Lifelong Learning and Leisure	0	644	(1,235)	(591)
Economic Development and Tourism	35	0	(35)	0
Education	(782)	654	(983)	(1,111)
Corporate Services	(504)	474	(547)	(577)
Policy and Central Services	(308)	136	(43)	(215)
Social Services	(402)	57	(114)	(459)
Directorate of the Environment	(1,611)	1,299	(1,068)	(1,380)
	<b>(3,572)</b>	<b>3,264</b>	<b>(4,025)</b>	<b>(4,333)</b>

## Notes to the Core Financial Statements (continued)

### 44. 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.

<u>Reserves</u>	<b>Balance at 1.04.09 £000</b>	<b>Appropriations From Reserves £000</b>	<b>Appropriations To Reserves £000</b>	<b>Balance 31.03.10 £000</b>
<b>Comprehensive Schools:</b>				
Bedwas Comprehensive School	(186)	0	(62)	(248)
Blackwood Comprehensive School	(279)	0	(17)	(296)
Cwmcarn High School	1	0	(190)	(189)
Heolddu Comprehensive School	(296)	53	0	(243)
Lewis School Pengam	(237)	44	0	(193)
Lewis Girls Comprehensive School	(283)	0	(84)	(367)
Newbridge Comprehensive School	(187)	0	(86)	(273)
Oakdale Comprehensive School	(105)	0	(61)	(166)
Ysgol Gyfun Cwm Rhymni	(57)	6	0	(51)
Rhymney Comprehensive School	(213)	0	(13)	(226)
Risca Comprehensive School	(224)	0	(43)	(267)
Pontllanfraith Comprehensive School	131	0	(260)	(129)
St Cenydd Comprehensive School	(210)	70	0	(140)
<b>Trinity Fields Special School</b>	<b>2</b>	<b>0</b>	<b>(239)</b>	<b>(237)</b>
<b>Primary Schools:</b>				
Blackwood Primary School	(98)	35	0	(63)
Pontllanfraith Primary School	(143)	37	0	(106)
Cwrt Rawlin Primary School	(233)	0	(40)	(273)
St James Primary School	(149)	0	(6)	(155)
White Rose Primary School	(109)	46	0	(63)
Ysgol Gynradd Gymraeg Caerffili	(143)	4	0	(139)
Fleur De Lys Primary	(97)	5	0	(92)
Markham Primary School	(106)	34	0	(72)
Rhiw Syr Dafydd Primary School	(132)	0	(40)	(172)
Twyn Primary	(82)	29	0	(53)
Upper Rhymney Primary	(83)	8	0	(75)
Ynysddu Primary	(105)	0	(19)	(124)
Other Comprehensive and Primary Schools with balances under £100k each	(1,997)	460	(891)	(2,428)
<b>Total Schools Balances</b>	<b>(5,620)</b>	<b>831</b>	<b>(2,051)</b>	<b>(6,840)</b>

## **Notes to the Core Financial Statements (continued)**

### **45. 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.

<b><u>Reserves</u></b>	<b>Balance at 1.04.09 £000</b>	<b>Appropriations From Reserves £000</b>	<b>Appropriations To Reserves £000</b>	<b>Balance at 31.03.10 £000</b>
Insurance Reserve	0	249	(2,113)	(1,864)
Risk Management Reserve	(784)	152	(289)	(921)
	<b>(784)</b>	<b>401</b>	<b>(2,402)</b>	<b>(2,785)</b>

### **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 114, Note 8.

## Notes to the Core Financial Statements (continued)

### 47. Movement in Other Earmarked Reserves

<u>Reserves</u>	Balance at 1.04.09 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.10 £000
Former Authority Liabilities Reserve	(754)	574	0	(180)
IBT Asset Realisation Reserve	(163)	163	0	0
Waste Management Reserve	(585)	0	0	(585)
New Initiatives Fund Reserve	(210)	370	(160)	0
Superannuation Reserve	(61)	24	0	(37)
Energy Saving Reserve	(88)	88	0	0
PFI Equalisation Reserve (Schools)	(8,228)	0	(761)	(8,989)
PFI Equalisation Reserve (Roads)	(1,792)	0	(299)	(2,091)
PIG Initiatives Reserve	(570)	127	(19)	(462)
Service Initiative Reserves	(1,190)	639	(129)	(680)
Carbon Trust Fund Reserve	(318)	111	(129)	(336)
Area Forum Reserve	(108)	44	0	(64)
Community Regeneration Fund Reserve	(304)	304	(123)	(123)
Cemeteries Reserve	(79)	0	(64)	(143)
LABGI Reserve	(716)	130	0	(586)
Electoral Admin Reserve	(18)	0	(55)	(73)
PFI Schools Earmarked Reserve	(129)	117	(111)	(123)
Health & Safety Initiatives Reserve	(698)	0	(87)	(785)
Corporate PC Replacement Reserve	(297)	441	(508)	(364)
Fire Service Earmarked Reserve	(1,033)	1,033	0	0
Other Reserves	(272)	183	(26)	(115)
	<b>(17,613)</b>	<b>4,348</b>	<b>(2,471)</b>	<b>(15,736)</b>

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.

**IBT Asset Realisation Reserve** existed to meet any costs incurred, associated with a reduction in the value of the Authority's investment in Islwyn Borough Transport, or default in the repayment of loans advanced to the company. The reserve was transferred to revenue on the sale of the Authority's interest in IBT (as described in note 25).

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

**New Initiatives Fund Reserve** existed to provide interest free advances to services, to fund income generation and cost reduction initiatives.

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

## **Notes to the Core Financial Statements (continued)**

**Energy Saving Reserve** existed to provide interest free advances to schools, to be used as match funding to draw down grants from the Energy Saving Trust, to fund works involving energy efficiency measures.

**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 10 on page 59).

**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 Assembly 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 & 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.

**Fire Service Earmarked Reserve** exists to meet any future liabilities due to the Fire 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.

### **48. Analysis of Net Assets Employed**

	<b>31 March</b>	
	<b>2010</b>	<b>Restated</b>
	<b>£000</b>	<b>2009</b>
		<b>£000</b>
Council Fund	(291,586)	(352,728)
Housing Revenue Account	(104,893)	(102,997)
<b>Total</b>	<b>(396,479)</b>	<b>(455,725)</b>

## Notes to the Core Financial Statements (continued)

### 49. Reconciliation of Revenue Surplus to Revenue Activities Cash Flow

The Cash Flow Statement is prepared in accordance with the Accounting Standards Board's FRS1 "Cash Flow Statements", and summarises the inflows of cash arising from transactions with third parties for revenue and capital purposes in respect of all the funds maintained by the Authority. The presentation involves the reporting of flows of cash only, rather than cash and cash equivalents.

	2009/2010		Restated 2008/2009
	£000	£000	£000
<b>Income &amp; Expenditure Account Surplus/(Deficit)</b>		(9,762)	(181,263)
<b><u>Non-Cash Transactions</u></b>			
Government Grants Deferred	(19,161)		(18,537)
Deferred charges write down/intangible assets	1,039		2,090
Depreciation and Impairment	46,138		188,429
Net gain on sale of fixed assets	(1,573)		(183)
Movements on Provisions	(15,826)		14,089
Contributions to / from Reserves	(239)		(1,843)
		10,378	184,045
<b><u>Items on an Accruals Basis</u></b>			
(Increase) / Decrease in Stocks	(82)		(18)
(Increase) / Decrease in Debtors	6,928		(838)
Increase / (Decrease) in Creditors	3,591		(3,406)
		10,437	(4,262)
<b><u>Items Classified in Another Classification in the Cash Flow Statement</u></b>			
Interest Received	(3,679)		(6,890)
Interest Paid	12,094		13,575
Net increase / decrease in other liquid resources	(3,038)		1,309
		5,377	7,994
<b>Cash Flow Statement: Net Cash Inflow from Revenue Activities</b>		<b>16,430</b>	<b>6,514</b>

### 50. Increase/ (Decrease) in Cash

	Balance 01/04/2009 £000	Balance 31/03/2010 £000	Increase / (Decrease) £000
Cash in Hand and at Bank	2,469	1,150	(1,319)
Bank Overdraft	(78)	(742)	(664)
	<b>2,391</b>	<b>408</b>	<b>(1,983)</b>

## Notes to the Core Financial Statements (continued)

### 51. Management of Liquid Resources

Liquid Resources comprise short-term investments made during the normal day-to-day management of the Authority's cash flow. They consist of fixed term investments with a maximum maturity period of 364 days, made with financial institutions meeting the credit worthiness/ financial strength criteria as determined in the Authority's Annual Strategy.

	Balance 01/04/2009 £000	Balance 31/03/2010 £000	Increase / (Decrease) £000
Short Term Investments	77,615	57,967	(19,648)
	<b>77,615</b>	<b>57,967</b>	<b>(19,648)</b>

Institution:	Amount invested as at 31/03/09 £000	Amount invested as at 31/03/10 £000
Banks	55,320	7,497
Debt Management Office	7,850	25,761
Other Local Authorities	13,445	24,709
Other Public Bodies	1,000	0
	<b>77,615</b>	<b>57,967</b>

The above investments have maturity dates of up to 6 months as at 31 March 2010.

### 52. Analysis of Other Government Grants Received

The analysis of other government grants received below is on a cash basis per the Cash Flow Statement, rather than on an accruals basis per the Income and Expenditure Account.

<u>Capital Grants</u>	2009/2010 £000	2008/2009 £000
General Capital Grant	2,989	2,966
Major Repairs Allowance	7,300	7,300
Specified Housing Grant	1,650	1,650
Local Regeneration Fund	98	6,063
Transport Grant	9,812	17,412
Highway Enhancement Grant	210	2,935
Land Drainage Grant	198	0
DE&T Derelict Land Grant	1,171	2,880
Improvement Grants	91	72
European Regional Development Fund	1,266	4,327
Grants for Education Support and Training	4,553	934
National Lotteries Board	30	218
Other	53	442
	<b>29,421</b>	<b>47,199</b>



## Notes to the Core Financial Statements (continued)

<u>Revenue Grants</u>	<u>2009/2010</u> <u>£000</u>	<u>2008/2009</u> <u>£000</u>
Mental Handicap Strategy	1,773	1,757
Communities First Grant	2,212	2,268
Substance misuse grant	1,780	1,076
Concessionary fares	3,950	2,865
Older Persons Strategy	388	110
Social Services Fairer Charging Scheme	272	452
Independence & Wellbeing	240	244
Social Services - Training Support	503	494
Supporting People Grant	5,338	5,063
Mental Health Carers Grant	218	217
Social & Healthcare Joint Working Grant	579	577
Mental Health Grants	46	1,757
Children First & Child Protection	65	119
Housing Benefits Administration Grant	1,847	1,681
Housing Subsidy Grant	(7,300)	(7,065)
European Regional Development Fund	0	3,074
Local Regeneration Fund	1	36
Contaminated Land	41	457
Recycling Grants	3,110	2,603
Local Transport Services	634	500
Community Safety Partnerships	263	263
Objective 1 Funding	168	246
Performance Management	1,270	1,305
NNDR Cost of Collection	245	243
EEC Subsidy	162	210
Grants for Education Support and Training	1,674	134
European Social Fund	203	540
National Lotteries Board (New Opportunities Fund)	44	109
Welsh Assembly Learning Grant	19	199
ELWA -NPFS 16+	11,125	8,460
School Energy Grant	0	645
Food, Fitness & Nutrition	154	271
Better Schools Fund	0	1,379
Cymorth	3,459	3,488
Special Educational Needs	276	1,068
14-19 Learning in Wales	1,221	1,133
Flying Start	1,711	768
Foundation Phase	3,440	1,735
Free Breakfasts Initiative	501	730
Community Use of Schools	0	113
Community Learning Grants	0	422
Key Stage 3 Standards	0	132
RAISE Grant	1,546	943
Rural Schools Grant	0	125
Sports Council for Wales	709	685
Arts Council for Wales	105	140
Basic Skills Agency	19	357
GTC & Other Training Grants	36	414
Schools Additional Funding	126	65
Basic Skills Grant	366	178
Health and Safety Grants	255	0
Youth Services Grants	201	0
Early Years Grants	140	0
Heads of the Valley Regeneration Grants	271	0
Road Safety Grants	134	0
School Uniform Grants	693	0
Other	407	2,396
	<b><u>46,640</u></b>	<b><u>47,181</u></b>

## Notes to the Core Financial Statements (continued)

### 53. Financing

Financing comprises short-term and long-term loans, which represent repayments of amounts borrowed and income received in respect of the take up of new loans.

	<b>Balance 01/04/2009 £000</b>	<b>Balance 31/03/2010 £000</b>	<b>(Increase) / Decrease £000</b>
Short Term Loans	(4,158)	(3,269)	889
Long Term Loans	(214,131)	(189,421)	24,710
Finance Leases	(189)	(104)	85
	<b><u>(218,478)</u></b>	<b><u>(192,794)</u></b>	<b><u>25,684</u></b>

### 54. Reconciliation of Net Cash Flow to Movement in Net Debt

	<b>Restated 2009/2010 £000</b>
(Decrease) / Increase in Cash or Cash Equivalents	(1,983)
(Decrease) / Increase in Short Term Investments	(19,648)
Cash to Reduce / (Increase) Net Debt	25,684
Change in Net debt	4,053
Net Debt 1 April 2009	(138,472)
<b>Net Debt 31 March 2010</b>	<b><u>(134,419)</u></b>

### 55. Analysis of Changes in Net Debt

	<b>Net Debt at 1 April 2009 £000</b>	<b>Cashflows £000</b>	<b>Restated Net Debt at 31 March 2010 £000</b>
Short Term Investments	77,615	(19,648)	57,967
Short Term Borrowing	(4,158)	889	(3,269)
Bank Overdraft	(78)	(664)	(742)
Cash in Hand and at Bank	2,469	(1,319)	1,150
Long Term Borrowing	(214,131)	24,710	(189,421)
Finance Leases	(189)	85	(104)

## Notes to the Core Financial Statements (continued)

### 56. Joint Arrangements that are Not Entities (JANEs)

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 SoRP 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 & 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.

<u>Catalogue Supplies Service Joint Committee</u>	<b>2009/2010</b>		<b>2008/2009</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	1,311	251	1,289	247
Income	(1,336)	(256)	(1,313)	(251)
<b>(Surplus) / Deficit for the Year</b>	<b>(25)</b>	<b>(5)</b>	<b>(24)</b>	<b>(4)</b>
<b><u>Balance Sheet</u></b>				
Current assets	1,229	235	1,283	246
Current liabilities	(709)	(136)	(772)	(148)
<b>Total Assets less Liabilities</b>	<b>520</b>	<b>99</b>	<b>511</b>	<b>98</b>
Accumulated Surplus	(437)	(83)	(482)	(92)
Reserve for Plant and Equipment	(83)	(16)	(29)	(6)
	<b>(520)</b>	<b>(99)</b>	<b>(511)</b>	<b>(98)</b>

## 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.

<u>Education School Improvement Service</u>	<b>2009/2010</b>		<b>2008/2009</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	6,903	1,699	7,077	1,977
Income	(7,254)	(1,785)	(7,448)	(2,080)
<b>Net Cost of Service</b>	<b>(351)</b>	<b>(86)</b>	<b>(371)</b>	<b>(103)</b>
Pension interest cost / expected return on assets	642	158	328	92
<b>Net Operating Cost</b>	<b>291</b>	<b>72</b>	<b>(43)</b>	<b>(11)</b>
Contributions	0	0	0	0
<b>(Surplus) / Deficit for the Year</b>	<b>291</b>	<b>72</b>	<b>(43)</b>	<b>(11)</b>
<b><u>Balance Sheet</u></b>				
Fixed assets	57	14	59	16
Deferred charges	0	0	0	0
Current assets	2,312	569	2,059	575
Current liabilities	(553)	(136)	(443)	(124)
Pension liability	(11,567)	(2,846)	(8,391)	(2,343)
<b>Total Assets less Liabilities</b>	<b>(9,751)</b>	<b>(2,399)</b>	<b>(6,716)</b>	<b>(1,876)</b>
Capital adjustment account	(29)	(7)	(60)	(17)
Pension Reserve	11,567	2,846	8,391	2,344
Earmarked Reserves	(236)	(58)	0	0
General Reserve	(1,551)	(382)	(1,615)	(451)
	<b>9,751</b>	<b>2,399</b>	<b>6,716</b>	<b>1,876</b>

## 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.

<b><u>Glamorgan Archive Joint Committee</u></b>	<b>2009/2010</b>		<b>2008/2009</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	1,435	158	797	88
Income	(942)	(104)	(851)	(94)
<b>Net Cost of Service</b>	<b>493</b>	<b>54</b>	<b>(54)</b>	<b>(6)</b>
Interest and investment income	(1)	(0)	(22)	(2)
<b>(Surplus) / Deficit for the Year</b>	<b>492</b>	<b>54</b>	<b>(76)</b>	<b>(8)</b>
<b><u>Balance Sheet</u></b>				
Fixed Assets	8,388	923	4,752	523
Current assets	629	69	674	74
Current liabilities	(61)	(7)	(55)	(6)
Government Grants Deferred	(7)	(1)	0	0
<b>Total Assets less Liabilities</b>	<b>8,949</b>	<b>984</b>	<b>5,371</b>	<b>591</b>
Capital adjustment account	(8,381)	(922)	(4,744)	(522)
Revenue reserves	(567)	(62)	(627)	(69)
	<b>(8,948)</b>	<b>(984)</b>	<b>(5,371)</b>	<b>(591)</b>

## Notes to the Core Financial Statements (continued)

### Greater Gwent Cremation Joint Committee

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

<u>Greater Gwent Cremation Joint Committee</u>	<b>2009/2010</b>		<b>2008/2009</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	877	133	846	128
Income	(1,157)	(176)	(1,028)	(156)
<b>Net Cost of Service</b>	<b>(280)</b>	<b>(43)</b>	<b>(182)</b>	<b>(28)</b>
Pension interest cost / expected return on assets	20	3	4	1
<b>Net Operating Cost</b>	<b>(260)</b>	<b>(40)</b>	<b>(178)</b>	<b>(27)</b>
Distributions	150	23	150	23
Statement of Movement	(53)	(8)	(40)	(6)
<b>(Surplus) / Deficit for the Year</b>	<b>(163)</b>	<b>(25)</b>	<b>(68)</b>	<b>(10)</b>
<b><u>Balance Sheet</u></b>				
Fixed Assets	372	56	405	61
Current assets	612	93	467	71
Current liabilities	(16)	(2)	(39)	(6)
Pension liability	(257)	(39)	(214)	(32)
<b>Total Assets less Liabilities</b>	<b>711</b>	<b>108</b>	<b>619</b>	<b>94</b>
Pension Reserve	257	39	214	32
Capital Adjustment Account	(372)	(56)	(405)	(61)
General Reserve	(596)	(91)	(428)	(65)
	<b>(711)</b>	<b>(108)</b>	<b>(619)</b>	<b>(94)</b>

## 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.

<u>Gwent Joint Records Committee</u>	<u>2009/2010</u>		<u>2008/2009</u>	
	<u>Total</u>	<u>CCBC share</u>	<u>Total</u>	<u>CCBC share</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	771	115	701	104
Income	(825)	(123)	(697)	(103)
<b>Net Cost of Service</b>	<b>(54)</b>	<b>(8)</b>	<b>4</b>	<b>1</b>
Pension interest cost / expected return on assets	19	3	(7)	(1)
<b>Net Operating Cost</b>	<b>(35)</b>	<b>(5)</b>	<b>(3)</b>	<b>0</b>
Contributions	(39)	(6)	(11)	(2)
<b>(Surplus) / Deficit for the Year</b>	<b>(74)</b>	<b>(11)</b>	<b>(14)</b>	<b>(2)</b>
<b><u>Balance Sheet</u></b>				
Current assets	354	53	33	5
Current liabilities	(254)	(38)	(7)	(1)
Pension liability	(247)	(37)	(135)	(20)
<b>Total Assets less Liabilities</b>	<b>(147)</b>	<b>(22)</b>	<b>(109)</b>	<b>(16)</b>
Pension Reserve	247	37	135	20
General Reserve	(100)	(15)	(26)	(4)
	<b>147</b>	<b>22</b>	<b>109</b>	<b>16</b>

### 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.

<u>Gwent Wide Integrated Community Equipment Service Project</u>	<u>2009/2010</u>		<u>2008/2009</u>	
	<u>Total</u>	<u>CCBC share</u>	<u>Total</u>	<u>CCBC share</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	2,626	545	1,334	277
Income	(2,626)	(545)	(1,339)	(278)
<b>(Surplus) / Deficit for the Year</b>	<b>0</b>	<b>0</b>	<b>(5)</b>	<b>(1)</b>

## 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. The following extract shows the accounts for the period 31 July 2009 to 31 March 2010. Comparative information is not available.

<b><u>Project Gwyrdd</u></b>	<b>2009/2010</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>		
Expenditure	501	100
Income	(1,110)	(222)
<b>Net Cost of Service</b>	<b>(609)</b>	<b>(122)</b>
Interest payable and similar charges	0	0
Interest and investment income	0	0
<b>(Surplus) / Deficit for the Year</b>	<b>(609)</b>	<b>(122)</b>
<b><u>Balance Sheet</u></b>		
Current assets	891	178
Current liabilities	(129)	(26)
<b>Total Assets less Liabilities</b>	<b>762</b>	<b>152</b>
Revenue reserves	(762)	(152)
<b>Net Worth</b>	<b>(762)</b>	<b>(152)</b>

### **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.

<b><u>South East Wales Transport Alliance</u></b>	<b>2009/2010</b>		<b>2008/2009</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	1,096	110	368	37
Income	(1,075)	(108)	(330)	(33)
<b>(Surplus) / Deficit for the Year</b>	<b>21</b>	<b>2</b>	<b>38</b>	<b>4</b>
<b><u>Balance Sheet</u></b>				
Current assets	431	43	257	26
Current liabilities	(315)	(31)	(120)	(12)
<b>Total Assets less Liabilities</b>	<b>116</b>	<b>12</b>	<b>137</b>	<b>14</b>
General Reserve	(116)	(12)	(137)	(14)
	<b>(116)</b>	<b>(12)</b>	<b>(137)</b>	<b>(14)</b>



## 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.

<u>Welsh Purchasing Consortium</u>	<b>2009/2010</b>		<b>2008/2009</b>	
	<b>Total £000</b>	<b>CCBC share £000</b>	<b>Total £000</b>	<b>CCBC share £000</b>
<b><u>Income &amp; Expenditure Account</u></b>				
Expenditure	177	11	144	9
Income	(268)	(17)	(288)	(18)
<b>(Surplus) / Deficit for the Year</b>	<b>(91)</b>	<b>(6)</b>	<b>(144)</b>	<b>(9)</b>
<b><u>Balance Sheet</u></b>				
Current assets	256	16	144	9
Current Liabilities	(20)	(1)	0	0
<b>Total Assets less Liabilities</b>	<b>236</b>	<b>15</b>	<b>144</b>	<b>9</b>
General Reserve	(236)	(15)	(144)	(9)
	<b>(236)</b>	<b>(15)</b>	<b>(144)</b>	<b>(9)</b>

### 57. Prior Year Adjustments

#### PFI Schemes coming “on Balance Sheet”

As a result of the SoRP 2009, and to comply with FRS 3 “Reporting Financial Performance”, material adjustments applicable to prior years arising from changes in accounting policies or legislation, should be accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes. The SoRP 2009 resulted in the PFI assets used to deliver services no longer being “off Balance Sheet” and the assets have now been brought onto the Balance Sheet with a matching liability for the financing provided by the PFI operator. (See also Note 10, page 59).

#### Change in accounting treatment of Police Authority Precept

In terms of council tax income, the Police Authority are classed as major preceptors and consequently, council tax income now has to be shown as gross income in the Income and Expenditure Account, with Precepts paid to major preceptors being presented as expenditure.

#### Change in accounting treatment of NNDR

In terms of NNDR income and expenditure there is now the requirement that billing authorities recognise their indebtedness with the Welsh Assembly Government, rather than with taxpayers as Authorities are acting as agents to the Government.

#### Change in classification of Deferred Capital Receipts

In previous years Deferred Capital Receipts were included within Deferred Liabilities in the top half of the Balance Sheet. The accounting treatment has been revised to correctly represent the transaction, i.e. a disposal of an asset has taken place and income is due to the Authority, even though it will be received in a few years time. Consequently the correct accounting treatment would be to include the receipt within the Reserves section of the Balance Sheet.

## Notes to the Core Financial Statements (continued)

### Revaluation of Fixed Assets

The prior year figures have been restated to reclassify an amount of £108m relating to revaluations in 2008/09. This amount has been transferred from the Capital Adjustment Account (note 37) to the Revaluation Reserve.

Income and Expenditure Account extract:	Net Expenditure 2008/2009 £000	Restatement due to PFI on Balance Sheet £000	Restatement for other prior year adjustments £000	Restated Net Expenditure 2008/2009 £000
Cultural, Environmental and Planning Services	45,909	0	15,129	61,038
Education and Children's Services	126,060	(506)	59,097	184,651
Highways and Transport Services	24,471	(1,789)	314	22,996
Housing Services	73,303	0	14,014	87,317
Adult Social Care	50,589	0	4,052	54,641
Non Distributed Costs	7,952	0	11,907	19,859
<b>Net Cost of Services</b>	<b>335,382</b>	<b>1,515</b>	<b>104,513</b>	<b>441,410</b>
Gwent Police Authority Precept	0	0	9,631	9,631
Other Trading Account (Surplus) / Deficit	1,603	0	3,484	5,087
Interest Payable and Similar Charges	10,829	4,265	0	15,094
<b>Net Operating Expenditure</b>	<b>372,286</b>	<b>5,780</b>	<b>117,628</b>	<b>495,694</b>
Council Tax	(50,231)	0	(9,631)	(59,862)
<b>(Surplus)/Deficit for the Year</b>	<b>71,296</b>	<b>5,780</b>	<b>107,997</b>	<b>185,073</b>
<b>Statement of Movement upon Council Fund Balance extract:</b>				
(Surplus)/Deficit for the year on the Income and Expenditure Account	71,296	1,970	107,997	181,263
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	(65,699)	(1,970)	(107,997)	(175,666)
<b>(Increase)/Decrease in Council Fund Balance for the Year</b>	<b>5,597</b>	<b>0</b>	<b>0</b>	<b>5,597</b>

## Notes to the Core Financial Statements (continued)

<b>Balance Sheet extract:</b>	<b>Balance Sheet as at 31 March 2009 £000</b>	<b>Restatement due to PFI on Balance Sheet £000</b>	<b>Restatement for other prior year adjustments £000</b>	<b>Restated Balance Sheet as at 31 March 2009 £000</b>
Other land and buildings	734,543	9,024	0	743,567
Infrastructure assets	149,359	34,037	0	183,396
Long-term debtors	11,852	(10,501)	0	1,351
Debtors	33,155	0	(746)	32,409
Creditors	(53,233)	0	746	(52,487)
Deferred liabilities	(1,038)	(51,215)	145	(52,108)
<b>Total assets less liabilities</b>	<b>474,235</b>	<b>(18,655)</b>	<b>145</b>	<b>455,725</b>
<b>Financed by:</b>				
Revaluation Reserve	(216,775)	8,113	(107,997)	(316,659)
Capital Adjustment Account	(424,797)	41	107,997	(316,759)
PFI Acquisition Reserve (Road)	(6,504)	6,504	0	0
PFI Acquisition Reserve (Schools)	(3,997)	3,997	0	0
Deferred Capital Receipts	0	0	(145)	(145)
<b>Total Net Worth</b>	<b>(474,235)</b>	<b>18,655</b>	<b>(145)</b>	<b>(455,725)</b>
<b>Statement of Total Recognised Gains and Losses extract</b>	<b>Net (Surplus)/ Deficit 2008/2009 £000</b>	<b>Restatement due to PFI on Balance Sheet £000</b>	<b>Restatement for other prior year adjustments £000</b>	<b>Restated Net (Surplus)/ Deficit 2008/2009 £000</b>
(Surplus)/Deficit for the year on the Income and Expenditure Account	71,296	1,970	107,997	181,263
(Surplus)/Deficit arising on revaluation of Fixed Assets	(195,895)	8,113	(107,997)	(295,779)
<b>Total Recognised (Gains) / Losses for the Year</b>	<b>(156,974)</b>	<b>10,083</b>	<b>0</b>	<b>(146,891)</b>

## **Notes to the Core Financial Statements (continued)**

### **58. Post balance Sheet Event**

In his budget statement on 22 June 2010, the Chancellor announced that from April 2011, public service pensions would increase in line with the consumer price index (CPI) rather than the retail price index (RPI). To date, public service pensions have increased in line with RPI and the pension costs and liabilities included in the accounting statements have been determined on that basis.

It is anticipated that the change will result in future increases in public sector pensions being lower, on average, than would have been the case if this change had not been made.

Greater Gwent (Torfaen) Pension Fund and Teachers' Pension Scheme – the change is estimated to reduce the FRS17 benefit obligations stated in the Balance Sheet as at 31 March 2010 by £39.707m (6.22%) for Torfaen Fund and £1.198m (5.82%) for the Teachers' Scheme. The change is also expected to reduce the notional FRS 17 Local Government Pension Scheme service cost for 2010/11 by £235k, equivalent to 1.1% of pensionable pay for 2010/11 (or £171k equivalent to 0.8% of pensionable pay in a full year).

Former Authorities Liability – the change is estimated to reduce the FRS17 benefit obligations stated in the Balance Sheet as at 31 March 2010 by £0.56m (6.22%).

This change will have a similar impact on the balance on the Pension Reserve and will impact upon the reported pensions costs. However, the figures in the accounting statements have not been amended on the grounds that this is a non-adjusting event. The financial effect of the change will be reflected in the FRS17 figures for the financial year ending 31 March 2011

### **59. Authorisation for Issue**

The Head of Corporate Finance, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 27 September 2010. 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 2010**

## Housing Revenue Account

	2009/2010		Restated	Note
	£000	£000	2008/2009 £000	
<b>Income</b>				
Dwelling rents	(35,419)		(33,604)	1
Non-dwelling rents	(353)		(329)	
Charges for services and facilities	(1,299)		(1,116)	
Contributions towards expenditure	(2,744)		(2,340)	
HRA subsidy receivable	0		0	
Amortisation of Deferred Grants	(7,300)		(7,736)	
Grants applied to Revenue Expenditure Funded from Capital Under Statute	0		0	
<b>Total Income</b>		<b>(47,115)</b>	<b>(45,125)</b>	
<b>Expenditure</b>				
Repairs and maintenance	16,662		16,600	
Supervision and management	5,148		5,216	
Special Services	3,758		3,744	
Rents, rates, taxes and other charges	380		383	
Negative housing revenue account subsidy payable	7,016		7,132	
Depreciation and impairment of fixed assets	2,951		85,382	2
Non-Enhancing capital expenditure	8,526		8,209	2
Debt Management Costs	14		16	
Increase in bad debt provision	340		396	
<b>Total Expenditure</b>		<b>44,795</b>	<b>127,078</b>	
<b>Net Cost/(Income) of HRA Services per Authority Income and Expenditure Account</b>		<b>(2,320)</b>	<b>81,953</b>	
HRA services share of Corporate and Democratic Core Costs		115	117	
HRA share of other amounts included in the whole Authority Net Cost of services but not allocated to specific services		0	0	
<b>Net Cost of HRA Services</b>		<b>(2,205)</b>	<b>82,070</b>	
Interest payable and similar charges	2,528		2,908	
(Gain) / Loss on sale of HRA fixed assets	(1,112)		(276)	
Interest and investment income	(37)		(124)	
		1,379	2,508	
<b>(Surplus)/deficit for the year on HRA services</b>		<b>(826)</b>	<b>84,578</b>	

## Statement of Movement on the HRA Balance

	<b>2009/2010</b>	<b>Restated 2008/2009</b>	<b>Note</b>
	<b>£000</b>	<b>£000</b>	
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(826)	84,578	
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(814)	(85,093)	
(Increase)/decrease in the Housing Revenue Account Balance	(1,640)	(515)	
Housing Revenue Account surplus brought forward	(4,422)	(3,907)	
<b>Housing Revenue Account surplus carried forward</b>	<b>(6,062)</b>	<b>(4,422)</b>	<b>8</b>

## Note to the Statement of Movement on the HRA Balance

	2009/2010		Restated	Note
	£000	£000	2008/2009 £000	
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>				
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)		(128)	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	0		0	
Depreciation of fixed assets	(2,951)		(4,805)	2
Impairment of fixed assets	(8,526)		(88,786)	2,6
Gain on sale of HRA fixed assets	1,112		276	
Net charges made for retirement benefits in accordance with FRS 17	(357)		(726)	
Amortisation of Deferred Grants	7,300		7,736	
Sums directed by the Welsh Assembly Government to be debited/credited to the HRA that are not income or expenditure in accordance with UK GAAP.	0		0	
		(3,494)	(86,433)	
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>				
Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	658		834	
HRA Minimum Revenue Provision	1,046		1,078	
Capital expenditure funded by the HRA	800		0	6
Transfers to / (from) Reserves	176		(572)	
		2,680	1,340	
<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>		<b>(814)</b>	<b>(85,093)</b>	



## 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 1.44% of lettable properties were void (a decrease from 1.77% in 2008/2009). The average weekly rent at 31 March 2010 was £67.66 (£64.95 in 2008/2009), based on a 48-week collection period.

### 2. Depreciation and Impairment

	2009/2010 £000	Restated 2008/2009 £000
Council Dwellings (refer to Note 23 Core Financial Statements)	2,832	4,747
Other Land & Buildings	119	6
Vehicles, Plant & Equipment	0	52
Depreciation written back on revaluation of council dwellings	0	0
Asset Impairments	0	80,577
Deferred Charge Writedown	0	0
Gain on Disposal	0	0
<b>Total HRA Depreciation and Impairment of Fixed Assets</b>	<b>2,951</b>	<b>85,382</b>
Write off of non-enhancing expenditure	8,526	8,209
<b>Total HRA depreciation, impairment and non-enhancing expenditure</b>	<b>11,477</b>	<b>93,591</b>

### 3. Rent Arrears

The rent arrears encompass monies owed by both current and former council tenants. During the year, total rent arrears decreased by £8,177. Total current rent arrears represent 2.3% of Gross Rent Income.

	£
Arrears at 31 March 2009	1,204,478
Bad Debt Provision 31 March 2009	(687,036)
<b>Net Arrears at 31 March 2009</b>	<b>517,442</b>
Arrears at 31 March 2010	1,196,301
Bad Debt Provision 31 March 2010	(693,337)
<b>Net Arrears at 31 March 2010</b>	<b>502,964</b>

### 4. Housing Subsidy

Housing Subsidy contributions of £7.016m were payable in 2009/2010. This compares to the previous year of £7.132m. Approximately 73% 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 10,999 dwellings during 2009/10. The type of stock managed by the Authority is made up of approximately 60% houses, 26% flats and 14% bungalows.

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>Number</b>	<b>Number</b>
Stock at 1 April	11,010	11,025
Acquisitions/New Build	0	0
Sales/Demolitions/Expired Leases	(23)	(15)
<b>Stock at 31 March</b>	<b>10,987</b>	<b>11,010</b>

### 6. Capital Expenditure and Financing

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>Assets</b>	<b>Assets</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Expenditure</b>		
Enhancement to Council Stock	8,526	8,209
Environmental Work	0	0
<b>Total Expenditure</b>	<b>8,526</b>	<b>8,209</b>
<b>Capital Financing</b>		
Major Repairs Allowance	(7,300)	(7,300)
Capital Receipts	(426)	(561)
Capital Grants	0	(348)
Revenue Reserves	(800)	0
<b>Total Income</b>	<b>(8,526)</b>	<b>(8,209)</b>

### 7. Capital Receipts and Unapplied Capital Income

	<b>2009/2010</b>	<b>Restated</b>
	<b>£000</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Balance at 1st April	(176)	(492)
Amounts received - Right to Buy	(967)	(525)
Amounts received - Other	(172)	(276)
Less Statutory Set aside for debt repayment	773	556
Less Applied to Capital Financing	426	561
<b>Balance at 31st March</b>	<b>(116)</b>	<b>(176)</b>

## Notes to the Housing Revenue Account (continued)

### 8. Balance Carried Forward

The working balance at 31 March 2010 was £6.062m, a net increase of £1.64m over the year.

<u>Reserves</u>	Balance at 01.04.09 £000	Appropriations From Reserves £000	Appropriations To Reserves £000	Balance at 31.03.10 £000
Housing Fund Balances	(3,376)	1,656	(1,276)	(2,996)
Supporting People	(375)	0	0	(375)
Housing Earmarked Capital	0	0	(2,020)	(2,020)
Week 53 Debit	(671)	0	0	(671)
	<b>(4,422)</b>	<b>1,656</b>	<b>(3,296)</b>	<b>(6,062)</b>

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 due to be released back to revenue over the following five years.

### 9. Major Repairs Allowance

	2009/2010 £000	2008/2009 £000
Amount Received in Year	(7,300)	(7,300)
Amounts Applied in Year	7,300	7,300
<b>Amounts Carried Forward</b>	<b>0</b>	<b>0</b>