

2011/2012 Statement of Accounts



The General Office building on the site of the former steelworks, Ebbw Vale, is a grade II* listed building built in 1915-1916 for the Ebbw Vale Iron and Steel Company. Designed by leading Cardiff architects Veall & Sant in the free dutch/baroque style, the high specification reflects the great prosperity associated with the steelworks in the Edwardian period.

The building has undergone a substantial refurbishment to become a visitor attraction showcasing the Valleys. Included in the development is the construction of a purpose built extension to house the Gwent Record Office, which relocated to the premises in October 2011.

The General Offices were officially opened by Her Majesty The Queen and The Duke of Edinburgh on May 2, 2012.



Cover Photo: The General Offices Reception and Stairway, by Ian Munroe.



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Abbreviations and Terms Used

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Abbreviations and Terms Used in the Statement of Accounts

| | | | |
|---------|---|--------|---|
| ACW | Arts Council of Wales | FSR | Financial Strength Rating |
| AEF | Aggregate External Finance | GGCJC | Greater Gwent Cremation Joint Committee |
| AGM | Annual General Meeting | GJRC | Gwent Joint Records Committee |
| AIR | Annual Improvement Report | GTU | Gwent Transport Unit |
| BGCBC | Blaenau Gwent County Borough Council | GWICES | Gwent Wide Integrated Community Equipment Service |
| BVACOP | Best Value Accounting Code of Practice | HMRC | HM Revenue and Customs |
| CAMWG | Corporate Asset Management Working Group | HRA | Housing Revenue Account |
| CBC | County Borough Council | IAG | Improvement Agreement Grant |
| CC | City or County Council | IAS | International Accounting Standard |
| CCT | Compulsory Competitive Tendering | ICC | Integrated Childcare Centre |
| CDS | Credit Default Swap | ICT | Information and Communications Technology |
| CIP | Corporate Improvement Plan | IFRIC | International Financial Reporting Interpretations Committee |
| CIPFA | Chartered Institute of Public Finance and Accountancy | IFRS | International Financial Reporting Standard |
| CMT | Corporate Management Team | IPSAS | International Public Sector Accounting Standard |
| ComplES | Comprehensive Income and Expenditure Statement | Las | Local Authorities |
| COT-3 | Central Office of Tribunals Form 3 | LAMS | Landscape Access Management Schemes |
| CPFA | Chartered Public Finance Accountant | LASAAC | Local Authority (Scotland) Accounts Advisory Committee |
| CPI | Consumer Price Index | LDP | Local Development Plan |
| CYPP | Children and Young People's Plan | LGPS | Local Government Pension Scheme |
| DfE | Department for Education | LHB | Local Health Board |
| DLO | Direct Labour Organisation | LMS | Local Management of Schools |
| DRC | Depreciated Replacement Cost | LOBO | Lender's Option Borrower's Option |
| DWP | Department for Work and Pensions | LSB | Local Service Board |
| ERDF | European Regional Development Fund | MiRS | Movement in Reserves Statement |
| EUV | Existing Use Value | MMI | Municipal Mutual Insurance |
| EUV-SH | Existing Use Value - Social Housing | MoHRAS | Movement on Housing Revenue Account Statement |
| FIP | Finance, Improvement and Performance (Scrutiny Committee) | MRA | Major Repairs Allowance |
| FRS | Financial Reporting Standard | MRICS | Member of the Royal Institution of Chartered Surveyors |

Abbreviations and Terms Used in the Statement of Accounts

| | | | |
|----------|---|---------|--|
| MRP | Minimum Revenue Provision | TPS | Teachers Pension Scheme (<i>also</i> : uTPS) |
| MRR | Major Repairs Reserve | UITF | Urgent Issues Task Force |
| MTFS | Medium Term Financial Strategy | UK GAAP | United Kingdom Generally Accepted Accounting Principles (and/or Practices) |
| NCS | Net Cost of Services | UKPS | United Kingdom Practice Statement |
| NDC | Non-Distributed Costs | uTPS | Unfunded Teachers Pension Scheme (<i>also</i> : TPS) |
| NHS | National Health Service | VALREC | Valleys Regional Equality Council |
| NNDR | National Non-Domestic Rates | VAT | Value Added Tax |
| NPV | Net Present Value | VPE | Vehicles, Plant and Equipment |
| PACT | Parents and Children Together | WAO | Wales Audit Office |
| PPE | Property, Plant and Equipment | WEFO | Welsh European Funding Office |
| PWLB | Public Works Loan Board | WG | Welsh Government |
| RBA | Results Based Accountability | WLGA | Welsh Local Government Association |
| RCCO | Revenue Contribution to Capital Outlay | WPC | Welsh Purchasing Consortium |
| REFCUS | Revenue Expenditure Funded from Capital Under Statute | | |
| RICS | Royal Institution of Chartered Surveyors | | |
| RPI | Retail Price Index | | |
| RRA | Revaluation Reserve Account | | |
| RSG | Revenue Support Grant | | |
| RSL | Registered Social Landlord | | |
| SEN | Special Education Needs | | |
| SeRCoP | Service Reporting Code of Practice | | |
| SEWTA | South East Wales Transport Alliance | | |
| SOA | Scheme of Arrangement | | |
| SOLACE | Society of Local Authority Chief Executives | | |
| SORP | Statement of Recommended Practice | | |
| SSAP | Statement of Standard Accounting Practice | | |
| STRGL | Statement of Total Recognised Gains and Losses | | |
| SVWS Ltd | Silent Valley Waste Services Ltd | | |



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1. Introduction

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

The financial statements cover the period 1 April 2011 to 31 March 2012 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

The Welsh Government's Revenue Settlement for 2011/2012 was the lowest ever known in recent times, with a possibility of similarly low settlements over the next three years. As a result of a floor mechanism, the overall headline decrease for Blaenau Gwent was limited to -1.7% (the percentage changes across all Wales ranging from +0.01% to -1.7%).

The settlement again posed challenges for the Authority both in terms of developing a robust and balanced revenue budget and managing its financial affairs during the year to achieve a relatively sustainable financial position. This at least positions the Authority well to deal with the significant challenges of the years to come.

The budget for 2011/2012 estimated a contribution of approximately £778,000 to be made from the former HRA reserve as part of an overall strategy encompassing a managed use of reserves in light of the considerable challenges the Authority faces in terms of WG Financial Settlements. Cost pressures identified will have to undergo a rigorous process of evaluation and if it is concluded that these have to be met, then this will be done so through a managed use of general reserves.

The economic situation remains a major concern to the public sector in Wales. Indications from the Welsh Government are that financial settlements for the medium term are to be far worse than 2011/2012, with further reductions anticipated. In addition, low interest rates continue to result in a lower return on any investments held by the Authority.

The implication for the citizens of Blaenau Gwent is that service provision may require review in line with any future budget changes.

3. Background - Significant Events

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

3.1 Estyn Inspection

The outcome of an Estyn inspection in May 2011 into the quality of Local Authority education services, was that it should be placed into the category of requiring special measures. Subsequently, the Executive Member for Education resigned, Executive Powers for Education have been withdrawn and four commissioners have been appointed by the Welsh Government. The Authority's action plan, as a starting point for demonstrating improvement, has been agreed by Estyn. The Authority is working with all stakeholders including officers, Members, schools, Estyn and Welsh Government to develop tangible improvements for pupils. Following a monitoring visit in June 2012, Estyn has concluded that whilst there have been some improvements in processes, these have been tentative and slow and important work remains to be done by the Local Authority in order to meet fully the 2011 Inspection recommendations.

3.2 Wales Audit Office Corporate Assessment

Shortly after the Estyn Inspection, the Minister for Local Government and Communities requested that the Auditor General for Wales undertake a special investigation of the Authority. The approach that the Auditor General took (through the Wales Audit Office) was to undertake a full Corporate Assessment. The outcome of the assessment was reported to Council in December 2011 and required an action plan to be drawn up and implemented to address identified issues.

3.3 Silent Valley Waste Services Ltd.

From 23 August 2011 until 31 March 2012, the Board of Directors at SVWS agreed to continue to honour contractual waste disposal commitments and procure a residual waste contractor. Consequently all waste was managed by SVWS via a third party provider. SVWS considered a number of options and sourced potential third party landfill operators and treatment options for this period. This has led to the need for BGCBC to look at options in relation to services that SVWS are able to continue to provide, the potential future of the Company and the longer term implications for the Authority.

In May 2012, the Company was restructured, reducing its board members from six to four (three of whom, D. Waggett, J. Parsons and D. McAuliffe, are employees of BGCBC).

3.4 Job Evaluation

Following extensive trade union negotiations, the Council was able to ballot staff on a new pay and grading structure in March 2012. Back pay (for those staff subject to an increase in pay) was backdated to 1 April 2011. A compensation scheme for those staff subject to a reduction in pay was also subject to union negotiation and agreement. New pay grades are effective from 1 April 2012 and backpay/compensation will be paid from May 2012.

The Authority has established a provision of £2.633m in the 2011/2012 Accounts to cover the costs of compensation, back pay and ex-gratia payments arising from the implementation of the scheme.

3.5 Material Events After the Reporting Date

Non-Adjusting Post Balance Sheet Event

The recent falls in the value of securities quoted on world stock exchanges have resulted in changes to the value of investments held by the Greater Gwent (Torfaen) Pension Fund. The accounting statements are required to reflect the conditions applying at the end of the financial year. However, as the pension fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments have been made for any changes in the fair value of investments between 31 March 2012 and the date that the accounting statements are authorised for issue.

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

| Pension Assets and Liabilities | 31 March 2012 | | | 31 March 2011 | | |
|--------------------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
| | LGPS | uTPS | Total | LGPS | uTPS | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | 217,244 | 0 | 217,244 | 217,622 | 0 | 217,622 |
| Liabilities | (361,173) | (24,049) | (385,222) | (334,388) | (23,001) | (357,389) |
| Net Liabilities | (143,929) | (24,049) | (167,978) | (116,766) | (23,001) | (139,767) |

4. Future Developments

4.1 Budget-Setting Process

In preparing balanced budgets for financial years prior to 2013/2014, the Authority utilised a strategic staff downsizing policy in order to identify savings targets across Portfolios. This policy had a specified timescale of 3 years. For 2013/2014, a model has been developed to identify provisional savings targets which utilises a two-tier approach and which prioritises schools and front-line social services budgets. This is the first stage of an interim strategy pending the review of the Authority's Medium Term Financial Strategy (MTFS).

4.2 Collaborative Arrangements

The Welsh Government established a review "to examine how local government might perform better if it were to review and realign the commissioning and delivery of some of its functions". Any change would deliver better value for money or lead to an improvement in service, or ideally both. Joe Simpson was appointed to lead the review and the resulting report and recommendations have become known as the Simpson Report/Agenda. The Report made 21 recommendations, which included the introduction or further development of collaborative procurement in specific social services; support services for social care; waste management and re-use facilities; specific corporate services; procurement, deployment and maintenance of ICT systems; and Welsh translation services. As the Simpson Agenda proceeds and develops, service configuration will change across a number of services provided by the Authority. At present the Authority is directly engaged with a collaboration of 5 Councils in South East Wales in order to establish a single education achievement service which will ultimately provide the majority of education services for the constituent bodies. The Authority is also working towards a substantial collaborative agreement with Caerphilly CBC in respect of Social Services, believed to be the largest single collaboration in Wales. A number of other arrangements are at various stages, including collaboration on ICT provision with Merthyr CBC.

4.3 Welfare Reform

Welfare reform proposals will also impact on current service provision, particularly around council tax and housing benefits and the way in which fraud is investigated in these areas.

4.4 The Works

The considerable challenges (both operational and financial) at The Works site are being overcome. The next two years will see the majority of services in full flow at the site, with a range of facilities completed and brought into use. These include the Coleg Gwent Learning Zone facility and associated infrastructure which opened in September 2012; the Primary School, due for completion in Q4 2012; the Main Square, Southern Access Road and Multi-Storey Car Park, due for completion in Q1 2013; and the Sports Centre and Secondary School, due for completion in Q3 2013.

4.5 Capital Programme

On the broader capital front, plans for a programme of works under the 21st Century Schools initiative are developing. In addition, Welsh Government in conjunction with local government are exploring new mechanisms for funding infrastructure projects in the face of reducing capital resources from central government.

5. Summary of Outturn

During 2011/2012 the Authority faced a number of funding pressures, which presented challenges for specific service areas, particularly Social Services. Pressures were managed in-year through applications to the Budget Contingency Fund and Invest to Save Fund.

In setting the 2011/2012 budget, the Authority set a Council Tax increase of 3.2%, (which was 1.2% lower than the previous financial year) and at that stage proposed drawing £0.8m from the former HRA Reserve. At the end of the financial year, the movement on the Council Fund Balance was an overall decrease of £1.250m. However, in arriving at this net figure, £1.068m was transferred from Earmarked Reserves and £0.800m was received from the Housing Revenue Account to fund residual costs arising from the housing stock transfer. Overspending on Portfolios was monitored during the year through Departmental action plans. However, the Social Services Portfolio outturn was a substantial deficit. The aggregate sum of provisions and reserves set aside for job evaluation and pay remodelling has increased by £1.348m and now stands at £9.554m, the early terminations provision has increased to £1.029m mainly to cover known redundancy costs arising from the reorganisation of school provision around the Learning Works, whilst within the transfer from earmarked reserves figure, school balances have reduced by £0.3m from £1.5m to £1.2m.

The Housing Revenue Account fund balance has decreased by £0.677m - this figure will continue to reduce to fund the residual costs arising from the housing stock transfer.

6. Revenue Expenditure Outturn and Funding

6.1 2011/2012 Outturn

In 2011/2012, the Authority's expenditure and income compared to budget was:

| Service Expenditure compared to Budget | Original Estimate £000 | Actual | | | Variance £000 | Note: | Page: |
|--|---------------------------|----------------------|---------------------------------|-----------------|------------------|-------|-------|
| | | Council Fund £000 | Housing Revenue Account £000 | Total £000 | | | |
| (Surplus)/Deficit on the Provision of Services | (2,579) | (19,002) | 654 | (18,348) | (15,769) | | 32 |
| Total Comprehensive Income and Expenditure | (2,579) | (19,002) | 654 | (18,348) | (15,769) | | |
| Adjustments between Accounting basis & Funding basis under regulations | 3,357 | 21,320 | 23 | 21,343 | 17,986 | 7 | 52-54 |
| Net (Increase)/Decrease before transfers to Earmarked Reserves | 778 | 2,318 | 677 | 2,995 | 2,217 | | |
| Transfers to/(from) Earmarked Reserves | 0 | (1,068) | 0 | (1,068) | (1,068) | 8 | 58 |
| Transfers to/from Council Fund | 0 | 0 | 0 | 0 | 0 | | |
| (Increase)/Decrease in 2011/2012 | 778 | 1,250 | 677 | 1,927 | 1,149 | | |

Included in the outturn figures disclosed for *Surplus/Deficit on the Provision of Services* are a number of accounting entries required for compliance with the Code, for which no original estimate was provided. These include Capital Grants & Contributions (-£46.350m) and Revaluation Losses (£14.076m). These accounting entries are included among those reversed in the *Adjustments between Accounting Basis Under Regulations* line, such that the figures in *Net Increase/Decrease before transfers to Earmarked Reserves* reflect the amounts chargeable to Council Tax and Rent payers (as required by statute) and are directly comparable with the original estimate.

The variance in outturn compared to estimate, an overspend of £2.995m compared to the estimated overspend of £0.778m, was due to a range of factors, including the overspend of £0.3m attributable to schools and the £2.6m cost of providing for compensation and backpay relating to the implementation of the job evaluation scheme.

6.2 Impact of Inflation on Revenue Expenditure

Consumer price inflation during 2011/2012 ranged between 3.4% and 5.2%, above the Bank of England's target of 2%. In February 2012, the Bank of England's Inflation Report projected that CPI inflation would fall to around 2% or just below by the end of the 2012/2013 financial year. However, by April the Monetary Policy Committee was reporting that CPI inflation had fallen less than anticipated, due in part to rises in gas and oil prices. Additional duties announced in the Budget would also add around 0.1% to annual inflation from April. There is therefore a risk that inflation will fall more slowly than predicted in February and there is a greater chance that above-target inflation will persist into the medium term.

The impact of inflationary pressures on the Authority varies according to specific areas of spend. Much of the Authority's expenditure relates to employee costs, which should see relatively minor increases due to continued wage restraint in the short-term, although this will be offset by increases in Employer NI rates. A 1% increase in employee costs equates to £1.05m.

Other significant areas of spend are:

- Gas: 16.1% inflation in 2011/2012;
- Electricity: 8.1% inflation;
- Fuels and lubricants: 4.8% inflation;
- Postal Services: 10.5% inflation; and
- Food and beverages: 4.6% inflation.

Continued inflationary increases in these items affects a wide range of services, including schools, street lighting, sports centres, schools catering and meals on wheels. Whilst the Bank of England projection is for overall CPI to fall, it recognises that there remains upward pressure on retail energy and fuel costs which would have a detrimental impact on these areas of service budgets.

6.3 Funding Sources

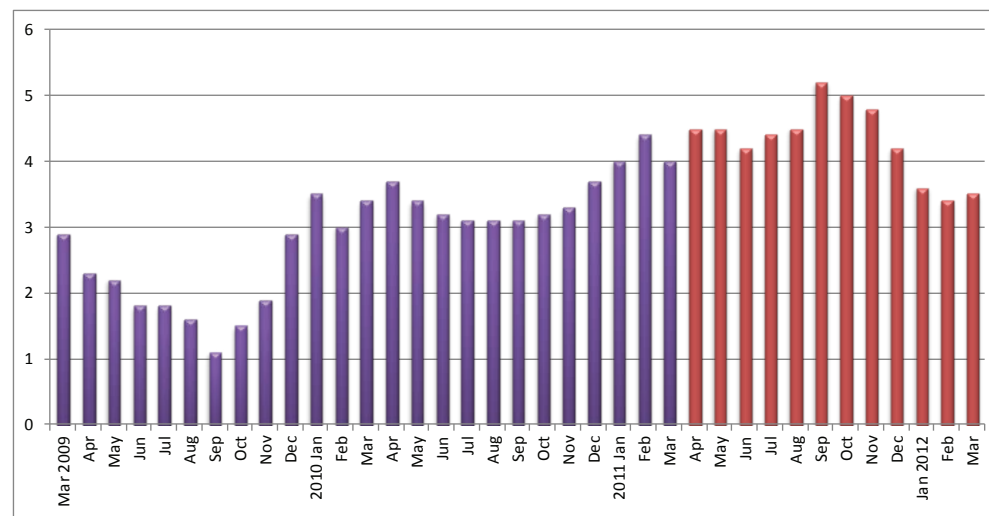
Central Government provides the majority of the Authority's funding, through Revenue Support Grant, Specific Grants and Non-Domestic Rates (73.8% of funding in 2011/2012). As a result of central government policy, the level of funding to local authorities will be reduced in cash terms over the period covered by the comprehensive spending review (to 2013/2014).

A 1% reduction in RSG compared to 2011/2012 levels represents a reduction of £0.924m, which equates to 0.42% of the Authority's total funding. In real terms the impact of this reduction is increased by the impact of inflation.

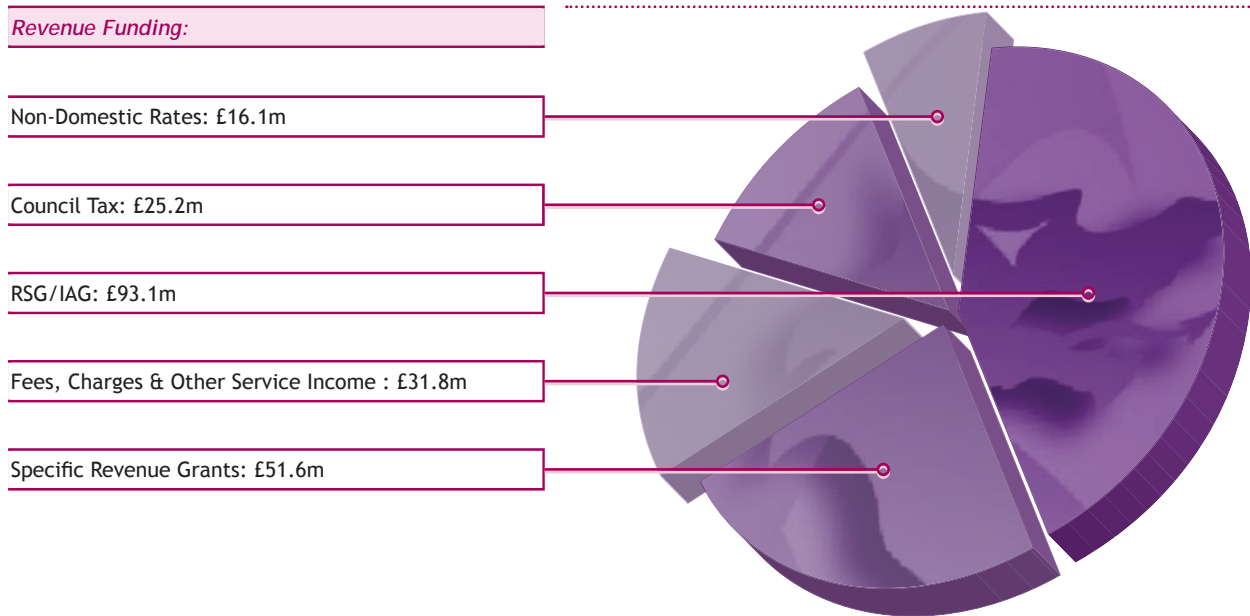
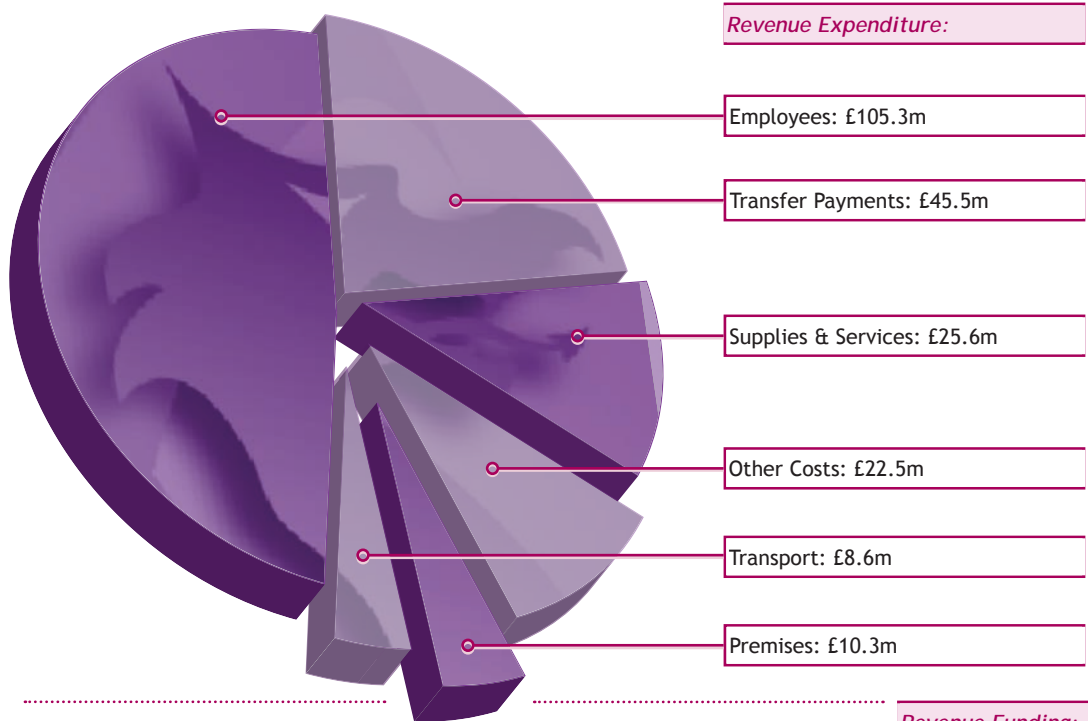
Interest rates remain at the historically low level of 0.5%, but this has curtailed the amount of investment income available to the Authority. It is unlikely that rates will rise significantly in the short to medium term.

The combination of relatively high inflation (particularly in relation to specific commodities, services and utilities), low interest rates and reduced grant funding create an environment in which there is continued pressure to control costs.

Consumer Price Index (CPI) Inflation: March 2009-March 2012



For 2011/2012, revenue expenditure and funding can be analysed as follows:



7. Capital Expenditure Outturn and Funding

Capital Expenditure

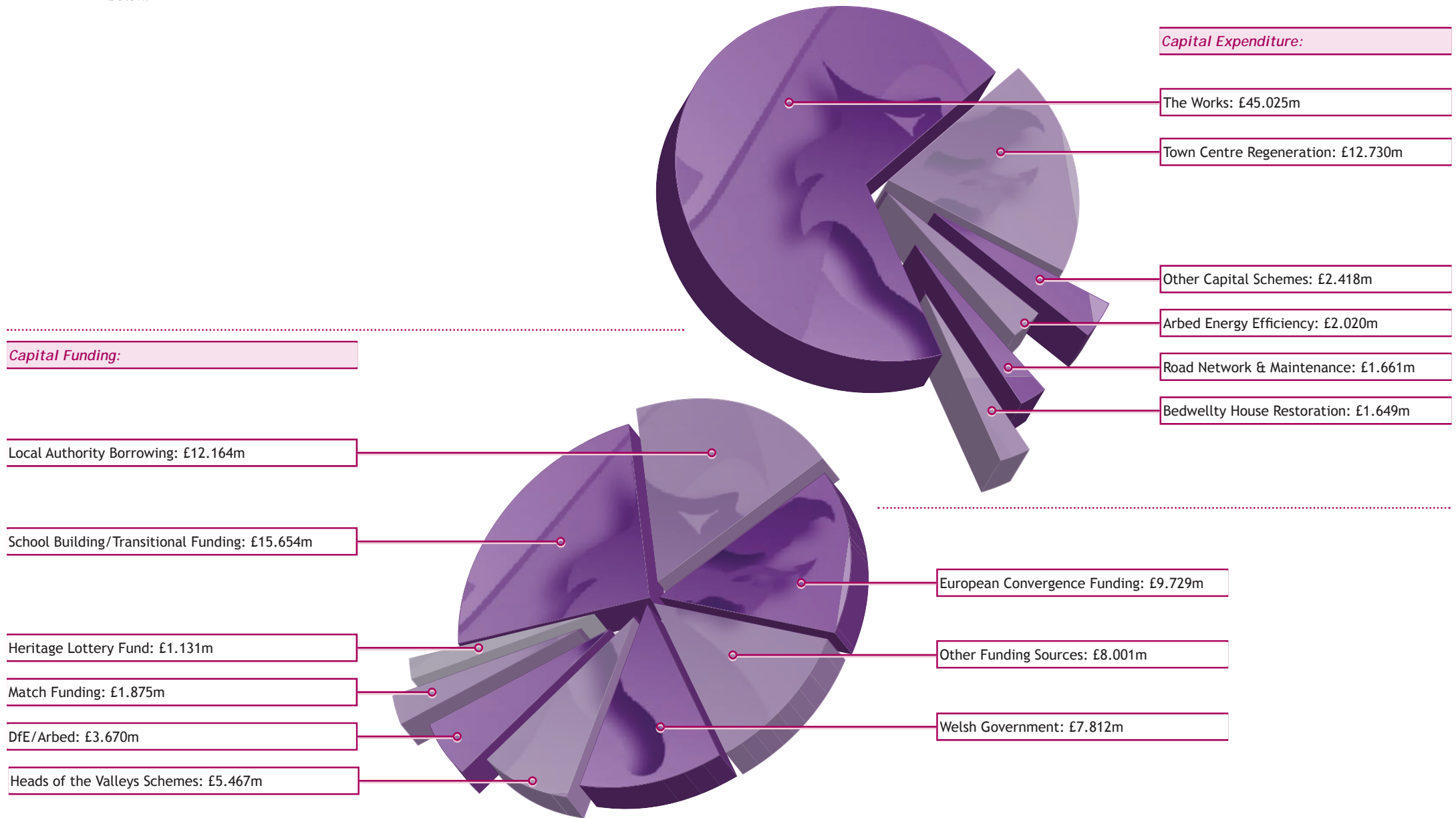
Total capital expenditure amounted to £65.503m; the major items within this figure are identified below. Further details of capital expenditure are contained in Notes 28.3 (page 84) and 28.5 (page 86) to the Core Statements.

| Capital Expenditure | 2011/2012 £000 | 2010/2011 (Restated) £000 |
|------------------------------------|-------------------|------------------------------|
| Housing Revenue Account: | | |
| Repairs and Improvements | 0 | 1,439 |
| | 0 | 1,439 |
| Council Fund: | | |
| Housing Grants | 838 | 922 |
| Housing Renewal Areas | 349 | 715 |
| Town Centre Regeneration | 12,730 | 1,616 |
| Road Network & Maintenance Schemes | 1,661 | 630 |
| The Works | 45,025 | 32,765 |
| Bedwellty House and Park | 1,649 | 2,091 |
| Heads of the Valley Schemes | 1,099 | 3,972 |
| Arbed Energy Efficiency Schemes | 2,020 | 1,908 |
| Learning Works/Learning Zone | 0 | 1,439 |
| Other | 132 | 8,121 |
| | 65,503 | 54,179 |
| Total: | 65,503 | 55,618 |

Note: Prior year figures have been restated to reflect capital schemes disclosed in 2011/2012. Aggregate figures for 2010/2011 are unchanged.

Financing of Capital Expenditure

Capital expenditure totalling £65.503m was financed by local authority borrowing (£12.164m), grants (£50.129m) and other sources (£3.210m). Capital expenditure and funding are summarised in the graphs below.



8. Reserves, Provisions, Contingencies and Write Offs

8.1 Reserves

Movements on reserves are detailed in note 43 to the Core Statements (pages 123-136). Total usable reserves at the commencement of the year amounted to £47.969m, decreasing by £1.554m to £46.415m at 31 March 2012. The most significant net contributions to usable reserves were:

| Summary Reserves Movements | 2011/2012 | | 2010/2011 (Restated) | |
|--|-----------|----------|----------------------|----------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | (47,969) | | (42,034) |
| Significant net contributions (to)/from earmarked reserves: | | | | |
| Job Evaluation/Pay Remodelling | 1,285 | | (2,375) | |
| Invest to Save Fund | 179 | | (921) | |
| LMS Balances | 280 | | (723) | |
| Budget Contingency Fund | 714 | | (1,224) | |
| | | 2,458 | | (5,243) |
| Significant net contributions (to)/from other usable reserves: | | | | |
| HRA | 677 | | 415 | |
| Usable Capital Receipts | 2,445 | | (1,308) | |
| Other net contributions (to)/from usable reserves | (4,026) | | 201 | |
| | | (904) | | (692) |
| Balance at 31 March | | (46,415) | | (47,969) |

Note: Prior year figures have been restated to reflect significant net contributions disclosed in 2011/2012. Aggregate figures for 2010/2011 are unchanged.

Impact of Pension Deficit on Reserves

The Authority holds total usable reserves of £46.415m at 31 March 2012 (£47.969m at 31 March 2011). The effect of applying the net superannuation fund deficit of £167.978m to the Authority's usable reserves would be a deficit of £121.563m (2010/2011: the superannuation deficit of £139.767m exceeded usable reserves by £91.798m).

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

Further details on Pension balances and transactions can be found in notes 41-42, page 116.

8.2 Provisions

Total provisions held by the Authority at the beginning of the year amounted to £7.407m. During 2011/2012, total provisions increased by £3.702m to £11.109m, due largely to the establishment of a provision for the payment of job evaluation backpay and compensation, an increase in the estimated settlement figures in relation to residual equal pay claims and additional provision for known early termination costs. Details of the movements of individual provisions are shown in note 37.1 to the Core Statements (see page 102).

8.3 Contingencies

A number of contingent liabilities are disclosed in relation to issues where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority, where it is not probable that an outflow of resources will be required or where the amount of the obligation cannot be measured reliably. For 2011/2012, disclosures covered:

- Residual insurance claims against Gwent County Council for which the Authority has a share in the liability;
- The Municipal Mutual Insurance run-off claims;
- Warranties and indemnities to Tai Calon arising from the transfer of housing stock;
- Potential costs falling to the Authority as a result of Environment Agency enforcement notices at Waun Pond;
- Contractual disputes arising from the regeneration of The Works site;
- Sharing collateral warranty costs arising from contractor failure at the Learning Zone; and
- Part 1 compensation claims arising from the Ebbw Valley Railway Project.

No contingent assets have been included.

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

Further details of contingent liabilities and assets can be found in notes 37.2 and 37.3, pages 103-104.

8.4 Material Write-Offs

Sundry Debtors of £0.103m were written off during the year, charged to the relevant service account against which the initial debt was raised. Irrecoverable council tax of £0.315m was also written off, effectively charged against the established council tax debtors impairment account.

9. Treasury Management Activities

In March 2010, the Authority approved the Treasury Strategy Statement, Annual Investment Strategy and MRP Policy Statement for the 2011/2012 financial year. The prime objectives of these policies were firstly to ensure the security of capital and secondly to maximise the liquidity of investments. In doing so, the policies sought to minimise the revenue costs of debt whilst maintaining a prudent level of debt redemption.

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

| Borrowing | 2011/2012 | 2010/2011 |
|----------------------------|------------------|------------------|
| | £000 | £000 |
| Balance at 1 April | (93,071) | (139,726) |
| Long Term Loans Repaid | 156 | 40,078 |
| Long Term Loans Raised | 0 | 0 |
| Temporary Loans Repaid | 234,390 | 244,690 |
| Temporary Loans Raised | (260,010) | (238,080) |
| Effective Interest | (35) | (33) |
| Balance at 31 March | (118,570) | (93,071) |

Total external loan debt at 31 March 2012 amounted to £118.570m (31 March 2011: £93.071m). The increase in temporary borrowing is largely a result of timing differences between expenditure and receipt of funding for The Works project.

Investing Activities

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

| Investments | 2011/2012 | 2010/2011 |
|----------------------------|------------------|------------------|
| | £000 | £000 |
| Balance at 1 April | 18,000 | 10,550 |
| Investments Made | 37,800 | 64,200 |
| Investments Repaid | (49,800) | (56,750) |
| Balance at 31 March | 6,000 | 18,000 |

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

The 2003 Capital Finance Regulations require amounts to be set aside from revenue for the repayment of external loans. This is known as the Minimum Revenue Provision (MRP) and in 2011/2012 the sum of £4.420m (2010/2011: £4.654m) has been set by the Authority based on statutory guidance, as disclosed in note 1.22 (page 47).

Interest on external loan debt of £3.875m has been charged to the Comprehensive Income & Expenditure Statement in 2011/2012 (2010/2011: £4.439m).

10. Significant Changes in Accounting Policies

CIPFA Code of Practice on Local Authority Accounting, 2011/2012

Further to the implementation of the first IFRS-compliant Accounting Code in 2010/2011, there have been a number of amendments to accounting policies and disclosure notes to reflect changes in legislation or adopted accounting standards. The key changes introduced by the 2011/2012 IFRS Code are:

10.1 Accounting Policies

Heritage Assets

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

Where information is available, the Code requires heritage assets to be included in the Balance Sheet on the basis of valuation or cost. A number of assets have been identified by the Authority that meet the definition of heritage assets. Of these, the Ebbw Vale War Memorial and The Guardian, Six Bells have been included in the Balance Sheet, using Insurances valuations based on replacement cost. A range of other assets have been disclosed (page 88) for which there is either no valuation or the value is below the Authority's capitalisation level of £50,000.

10.2 Disclosure Notes

The most significant amendments to disclosure requirements arising from the 2011/2012 Code are:

- Additional disclosure in respect of remuneration and exit packages; and
- New disclosures around the valuation, acquisition, disposal and impairment of heritage assets.

11. Main Financial Statements

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

11.1 The Movement in Reserves Statement (MiRS) (Pages 29-30)

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

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

11.2 The Comprehensive Income and Expenditure Statement (CompleS) (Pages 31-32)

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

11.3 The Balance Sheet (Pages 33-34)

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

11.4 The Cash Flow Statement (Page 35)

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

11.5 The Housing Revenue Account (HRA) Income & Expenditure Statement (Pages 145-146)

The HRA I&E Statement (HRA-IES) is presented in a manner consistent with the Comprehensive Income and Expenditure Statement and records the full accounting cost of providing council housing.

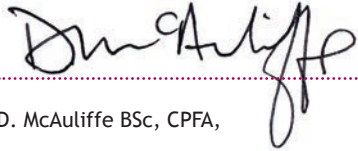
11.6 The Movement on Housing Revenue Account Statement (MoHRAS) (Pages 147-148)

Presented in a manner consistent with the Movement in Reserves Statement, the MoHRAS records the movement in the year on the HRA-specific reserves, analysed between usable and unusable reserves. The MoHRAS also includes adjustments to remove accounting entries made in accordance with proper practice in the HRA-IES, in order that Rent Payers are charged only with amounts required by statute and regulations.

12. Conclusion

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

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



D. McAuliffe BSc, CPFA,

Chief Finance Officer



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Cyngor Bwrdeisdref Sirol

Blaenau Gwent

County Borough Council



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Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

The Responsibilities of the Chief Finance Officer

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

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

The Chief Finance Officer has also:

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

Certification of Accounts

In my opinion the Statement of Accounts gives a true and fair view of the financial position of Blaenau Gwent County Borough Council at 31 March 2012, and of its expenditure and income for the year then ended.



Chief Finance Officer

I confirm that these Accounts were approved at the Audit Committee Meeting on 25 September 2012. Signed on behalf of Blaenau Gwent County Borough Council:



Chair of Meeting



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Cyngor Bwrdeisdref Sirol

Blaenau Gwent

County Borough Council

1. Scope of Responsibility

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

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Authority for the year ended 31 March 2012 and up to the date of approval of the annual Statement of Accounts.

3. The Governance Framework

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

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

- 3.1.1 The Corporate Improvement Plan (CIP) has been reviewed to reflect the requirements of the Local Government Measure (Wales) 2009. The CIP is the Council's business plan and is developed in two stages. Stage 1 of the plan is published as soon as practicably possible after the start of the financial year. This year, the plan will be endorsed after the elections in May. CIP Stage 1 will include an annual update of the 2011/2012 Improvement Objectives. The CIP 2008/2012 has come to an end after covering a four year period. In order to form an evaluation of the last CIP a four year summary is being developed to identify where priorities may need to continue or discontinue and where performance has improved or not. Stage 2 of the plan has to be published by the 31 October each year.
- 3.1.2 Under the requirements of the Local Government Measure the Council is required to set out its improvement objectives which support the Council's main priorities and provide focus for key areas for delivery over the coming year. The 2011/2012 Improvement Objectives are currently being evaluated and amended to make them more robust and outcome focussed. The intention is also to consult on the Improvement Objectives via the newly established Citizens Panel during September, and the Improvement Objectives will be reported in the CIP in October 2012.
- 3.1.3 The priorities set out in the Corporate Improvement Plan need to reflect what is most important for local people, and show what the Council will look to do to achieve improvements in people's lives. Issues raised through engagement and consultation with the community need to be acknowledged and this has been done through, for example, the Blaenau Gwent resident's survey (2009), engagement on the Community Strategy (2010) and consultation on the key strategic plans such as the Children and Young People's Plan (2011) and PACT meetings (2011/2012).

3.1.4 The Wales Audit Office (WAO) stated in their Annual Improvement Report for the Council (January 2012) that, the Council reports its progress but it is not always clear how this results in improvement for citizens and its prospects for major improvement will depend upon how it tackles its current problems. Following the Corporate Assessment, the Council received 1 recommendation from the WAO 'Develop and agree an action plan which addresses the issues raised in the Corporate Assessment Report, issued November 2011, in consultation with key stakeholders including the Welsh Local Government Association (WLGA) and the Welsh Government (WG)'.

3.1.5 Following the endorsement of the Community Strategy "Making a Difference", the big 20 year plan for Blaenau Gwent, and further guidance received from WG on plan and partnership rationalisation, partner organisations, led by the Council, are working together to develop a single integrated plan for delivery against the area's highest priorities by April 2013.

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

3.2.1 As the Council's business plan, progress against the CIP is reported on a quarterly basis to Corporate Management Team (CMT), the Executive and Scrutiny as part of the corporate performance management arrangements. The development of stage 1 of the CIP will include an annual review of the Improvement Objectives. Refinements of the Improvement Objectives are being undertaken and will be included in the CIP Stage 2. Both stages of the CIP are required to be approved by Council, and the plan is also subject to external audit by the WAO. The CIP represents the forward work programme of the Executive and will therefore inform the forward work programme of the scrutiny committees.

3.2.2 The Authority has adopted a constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. This constitution was approved by the Welsh Government (WG) in 2004 and its key components are subject to regular review.

3.2.3 The Authority's Corporate Management Team (CMT) of Directors and Chief Officers meet on a weekly basis to develop and review policy issues commensurate with the Authority's aims, objectives and priorities. Executive/Corporate Management Team meetings also consider other internal control issues, including risk management, performance management, compliance, efficiency and value for money, and financial management.

3.2.4 In addition, CMT meets on a regular basis with wider CMT (Wider CMT consists of first and second tier senior officers). The relationship between the two groups will evolve further, as part of the response to the Corporate Assessment.

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

3.3.1 The Performance Management Framework was implemented during 2007/2008 and work has continued to develop measures that focus on the outcome, rather than the traditional focus on output.

3.3.2 In response to WAO comments set out in the Annual Improvement Report (presented to Council in January 2011) the Council made progress in refining the measures linked to each of the improvement objectives by taking an approach known as Results Based Accountability (RBA), the principles of which are being advocated by both the WAO and the WG. Measures have been developed that assisted in recognising the difference the delivery of services is making to people by understanding:

- How much we did;
- How well we did it; and most importantly
- Is anyone better off as a result.

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

3.3.3 These refined measures will need to be agreed by CMT and then will be set out in the Stage 2 Corporate Improvement Plan, to be presented to Council in October 2012. They will then also form part of the performance information reported quarterly as part of the Corporate Performance Management arrangements.

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

- 3.4.1 The Authority's Constitution has a published Schedule of Delegation of Functions, wherein routine and operational decision-making is delegated to Committees and Officers. The Schedule sets out the relevant subject areas and the responsible officers.
- 3.4.2 Most policy decisions are developed and implemented by the Executive Committee, which comprises the Leader and nine Members with individual Portfolio responsibilities, including the Deputy Leader. The Authority has two other decision-making Committees - 'Planning' and 'Licensing'. There are six Scrutiny Committees which review decisions made or actions taken in connection with the discharge of any of the Authority's functions. The Executive adopted a formal work programme for 2011/2012 and identified the specific areas of that programme that would be delivered in conjunction with the appropriate Scrutiny Committee. With effect from October 2011, the Council selected Executive Members from all political groupings to form the Executive.
- 3.4.3 The Authority's six Scrutiny Committees can 'call-in' a decision which has been made by the Executive Committee but not yet implemented, to enable them to consider whether the decision is appropriate. They widen review work by having a number of non-Authority co-opted members. The Authority's Scrutiny Arrangements will be reviewed during 2012/2013 in line with the requirements of the Local Government Measure which introduces provisions relating to the appointment of Chairs of Overview and Scrutiny Committees. In addition the Annual Report (December 2011) of the Independent Remuneration Panel for Wales set the maximum proportion of each Council's membership that can be paid a Senior Salary. For Blaenau Gwent this has resulted in a reduction from 21 to 17 (plus Mayor and Deputy Mayor).
- 3.4.4 The Authority's Education Services for children and young people were inspected by Estyn in May 2011 and Estyn published a report on the outcome of the inspection in July 2011. The outcome of the inspection was that Estyn concluded that outcomes for children and young people in Blaenau Gwent were unsatisfactory and that the Authority's prospects for improvement were unsatisfactory. The Authority, as a result, has been placed in Estyn's follow-up category of special measures and the Executive function for Education has been removed from the Council.
- 3.4.5 Welsh Government appointed Education Commissioners in September 2011 to fulfil this function. To ensure transparency in decision making the Education Commissioners have decided they will consult the Executive on decisions made. An initial draft protocol which looks to set out clear lines of reporting between the Committee, the Council and the Education Commissioners is yet to be formally agreed as it will need to reflect the implications on the Council of the Remuneration Panel and changes to the Local Government Measure. A meeting has been planned for September 2012 where this matter will be discussed further.

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

- 3.5.1 The Authority has protocols for both Members and Officers. Codes of Conduct governing Member/Officer Relations are detailed in the Constitution. These documents are periodically reviewed and updated.
- 3.5.2 The principles of these codes are embedded through training and consultation and all Members and Officers are furnished with the appropriate documents.
- 3.5.3 At its meeting held on the 7 July 2011 the Council considered a Report prepared by an external consultant, Julie James, which had been commissioned to review the policies/protocols that were available to staff to pursue complaints against Members of the Council for alleged breaches of the Council's Code of Conduct for Members. The Council accepted the content of the Report and its recommendations and also approved the actions proposed in the Appendix to the Report of the Council's Monitoring Officer.
- 3.5.4 The Standards Committee has considered various actions and endorsed protocols regarding the Codes of Conduct and Member/Officer Relations. These have been accepted by Council and are now being operated and will be monitored by the Standards Committee.

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

- 3.6.1 The financial management of the Authority is conducted in accordance with the Financial Regulations set out in Part 4 of its Constitution. The Authority updates its Financial Strategy every year to support the aims of its strategic priorities.
- 3.6.2 The Authority's financial management arrangements conform with the governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government" (2010).
- 3.6.3 The Authority has a Constitutional Working Group whose remit includes the annual review and update of Financial Regulations and Standing Orders.
- 3.6.4 A Scheme of Delegation is detailed in the Constitution and the roles and responsibilities of Members and Officers are specified.
- 3.6.5 The Authority has a Risk Management Strategy in place which is to be reviewed in light of the findings and recommendations of the Corporate Assessment.

3.7 Undertaking the Core Functions of an Audit Committee:

3.7.1 The Authority has set up an Audit Committee, whose responsibilities in 2011/2012 included:

- To approve Internal Audit's strategy, plan and performance.
- To consider the effectiveness of the Authority's risk management arrangements, the control environment and anti-fraud and anti-corruption arrangements, and to seek assurance that action is being taken on risk related issues identified by auditors and inspectors.
- To be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- To ensure there are effective relationships between Internal and External Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- To review the financial statements, External Auditor's Opinion and reports to Members, and to monitor action in response to the issues raised by External Audit.
- To receive the annual report of the Head of Internal Audit.
- Approval of the Statement of Accounts and consideration of the statutory External Auditor's Report.

3.7.2 The functions of the Audit Committee will be subject to review during 2012/2013 in line with the requirements of the Local Government Measure.

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

- 3.8.1 The Authority has designated the Chief Legal Officer as Monitoring Officer. He ensures compliance with established policies, procedures, laws and regulations, and has authority to report to full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The Chief Finance Officer has similar obligations and functions relating to financial issues under s114 of the Local Government Finance Act 1988, and under s151 of the Local Government Act 1972.
- 3.8.2 The Chief Legal Officer (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Authority reviews the Constitution each year at its Annual Meeting.
- 3.8.3 The current Chief Executive Officer and Chief Finance Officer were appointed on an interim basis at the beginning of 2011/2012 to ensure the Authority continued to fulfil its statutory obligations. In July 2012 the Chief Executive Officer was appointed on a permanent basis and he has been tasked with undertaking a full review of the Senior Management Pay and Grading Structure.
- 3.8.4 The Leader of the Council resigned from the position in October 2011 and the then Deputy Leader was appointed as the new Leader of the Council and remained in post for the rest of the municipal year.

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

- 3.9.1 The Authority has adopted policies in relation to whistle-blowing and complaints from members of the public.
- 3.9.2 The Whistle-blowing process enables employees to raise serious concerns within the Council that fall outside the scope of other procedures. It allows individuals to confidentially raise concerns about any aspect of service provision or the conduct of Officers or Members of the Council or others acting on behalf of the Council. During the period April 2011 to August 2012 there has been one whistle-blowing incident reported to the Council that is currently under investigation.
- 3.9.3 A Members' Working Group was formed to develop the Complaints Policy. The policy was ratified by Council on 7 July 2011. The policy outlines a three stage process for escalating complaints about the Authority. Stage 1 and Stage 2 complaints are dealt with within the Authority, with the third stage complaints being referred to the Public Ombudsman for Wales. Between March 2011 and March 2012 the Authority had only three complaints that progressed to the third stage.

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

- 3.10.1 The Authority has a clear set of strategic outcomes and supporting actions which relate to the delivery of the Authority's Human Resources strategic and operational requirements.
- 3.10.2 Services are delivered by trained and experienced people. Each post has a detailed job description and person specification, and selection is made through a robust recruitment process to meet the specific skills and competencies of the post. Training and development needs are addressed by line managers through personal performance reviews / coaching.
- 3.10.3 The Authority has previously undertaken a comprehensive programme of financial training modules for elected Members.

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

3.11.1 As part of its legitimate role in relation to the duty placed on the Local Authority to initiate, maintain, facilitate and participate in community planning, the Council has led the delivery of the stakeholder events actively supported by partners. A range of views were gathered from stakeholders including through:

- Evidence from existing Needs Assessments and consultation information on the key strategic plans within Blaenau Gwent (undertaken throughout 2010/2011 for the development of the Children and Young People's Plan; Health, Social Care and Well-being Strategy; Community Safety Plan; and Local Development Plan, including joint engagement events during July and August 2010);
- Findings from the Living in Blaenau Gwent Residents Survey (undertaken in Summer 2009). Analysis used in the development of the Community Strategy during 2010/2011 and as a consequence the Corporate Improvement Plan - Stage 1 - 2011/2012;
- Stakeholder events for elected Members (November 2009 & January 2010);
- Stakeholder events for key organisations (December 2009 & January 2010);
- Formal Consultation process on proposed Strategy (12 weeks from Monday 14 June until Sunday 5 September 2010) which included:
 - » Speaking to local residents to inform them about the strategy consultation process in local towns and markets, and the Eisteddfod 2010 held in Ebbw Vale (July & August 2010);
 - » Communities First Co-ordinators and Voluntary Organisation Sessions (January 2010 & July 2011);
 - » A number of sessions held with people from minority communities living in Blaenau Gwent, led by the Valleys Regional Equality Council (July & August 2011); and
 - » Using new technology platforms such as Facebook and YouTube as part of the Formal Consultation (July & August 2010);

3.11.2 In addition, the draft Community Strategy document was subject to a formal consultation period generating in excess of six hundred comments from over one hundred respondents either as individuals or on behalf of organisations. The responses were analysed with a focus on looking for key and consistent messages, and were used to inform the final Community Strategy document.

3.11.3 The work currently in progress in relation to the development of the single plan, and partnership and plan rationalisation will be informed by the community planning engagements and community strategy. A workshop with key partnership members has been undertaken to map out current levels and types of engagement undertaken to inform the development of the engagement strategy as part of the requirements of the single plan. A citizens panel for Blaenau Gwent is currently being established in conjunction with LSB partners. Recruitment of 1006 panel members that broadly represent the Blaenau Gwent population has been completed.

3.11.4 Other examples of communication and engagement include:

- PACT (Partners and Communities Together) meetings (throughout 2011/2012 in Blaenau Gwent wards)
- CONNECT magazine which is delivered to all residents in Blaenau Gwent included information on the Community Strategy, CIP and budget setting process.
- Engagement and consultation exercise on the equality objectives that formed part of the strategic equality plan endorsed by Council in March 2012 included public consultation exercise VALREC undertaking a session via the Voices in the Valley forum and a period of formal consultation.
- A short web-based consultation exercise on the current Improvement Objectives (which are under review) was undertaken in May 2012.
- Various forums are established that offer effective consultation, engagement and participation opportunities e.g. the Youth Forum, Grand Schools Council, 50+ network and Access for All Forum.

3.11.5 The Council ratified its Corporate Communications Strategy in November 2011. The Strategy priorities explicitly reflect the seven key themes of the Community Strategy and the Council's priorities as laid out in the CIP.

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

3.12.1 The most contemporary legislative context in relation to Community Strategies and Planning is contained within the Local Government (Wales) Measure 2009 (part 2). In April 2009, a report was presented to Council setting out both the duty and the obligations in relation to the community planning process, and the development of the new Community Strategy for Blaenau Gwent.

3.12.2 Specifically, the Measure:

- Places a duty on Local Authorities to initiate, maintain, facilitate and participate in community planning for their area;
- Places a duty on community planning partners to participate in community planning and assist the Local Authority in the discharge of their duties; and
- Requires local partners to co-operate in the delivery of community strategic outcomes and to engage with citizens.

3.12.3 The community planning process enabled consensus on the Community Strategy outcomes to be developed, and these are set out in the final strategy, which was endorsed by Council in January 2011. The Community Strategy will be used to inform the priorities within the new CIP 2012/2016 and will also lead the plan and partnership rationalisation process.

3.12.4 Local Service Boards (LSB's) are part of the WG's radical new approach to stepping up the pace of public service reform in Wales. The purpose of the LSB is to strengthen collaborative working at the local level.

3.12.5 The statutory duty to initiate, maintain, facilitate and participate in the community planning process to develop the community strategy, lies with the Council. To support this, the LSB has been endorsed by Council as the steering group to oversee the Community Strategy. The LSB's governance arrangements set out the Council as the lead organisation and have been approved by Council. The LSB officer network has been established and consists of a cross section of partners representing all sectors and partnerships.

3.12.6 The Authority continues to work with key partners to review its business continuity and resilience arrangements.

3.12.7 The Authority has embraced the principles of the Simpson Review issued in February 2011. The Council has signed up to the "Compact for Change" (an agreement between WG and WLGA) and a specific action plan is being developed in response as reported to Executive in January 2012.

3.12.8 Collaborative arrangements are being developed in several departments of the Authority. The Social Services Directorate embarked on a Social Services Integration Programme with Caerphilly County Borough Council. The Workforce Development teams from both authorities joined together during April 2012 and work is ongoing to further rationalise/merge the services for the whole of the department with the ultimate objectives of one management team and the delivery of improved standardised services to the citizens of Blaenau Gwent and Caerphilly.

3.12.9 A South East Wales Integrated Achievement Service has been set up by five Welsh Local Authorities with the first stages of joint working coming into effect in September 2012 with the aims of improving standards of attainment in schools throughout the South East Wales region.

3.12.10 Blaenau Gwent and Merthyr Councils have entered into a collaborative arrangement for the provision of ICT services. A Memorandum of Understanding has been signed and initial steps towards full integration of services has commenced.

3.12.11 There are also some smaller scale collaborative endeavours in place throughout the Council.

4. Review of Effectiveness

- 4.1 Blaenau Gwent County Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework include the following:
- 4.2.1 The Authority adopted a Code of Governance in November 2010. This document is subject to an ongoing review process, with the latest review date being July 2012.
- 4.2.2 Corporate and Senior Management are consulted on and contribute to the development and review of policies, strategies and frameworks impacting on the Council's governance arrangements.
- 4.2.3 The Authority's non-executive Committees carry out a number of regularity functions, including:
- Four Scrutiny Committees, which review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Authority's functions;
 - A Planning Committee to determine planning applications and related matters;
 - A Licensing Committee which monitors and reviews the effectiveness of the Authority's licensing policy and procedures;
 - An Audit Committee, which addresses the wide range of governance issues, including the role, activities and recommendations of Internal Audit, corporate risk management arrangements, approving the Statement of Accounts, relationships with and recommendations of external bodies, particularly External Audit, and the procedures for and preparation of the Annual Governance Statement;
 - A Standards Committee which promotes, monitors and enforces probity and high ethical standards in the Authority.
- 4.2.4 Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a five-year plan which is reported for approval by the Audit Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and service manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The process includes reviews of recommendations after six months to ensure that they are acted upon. An escalation process is in place for instances where agreement cannot be reached. Internal Audit work includes consideration of the quality and effectiveness of financial management and compliance with the Authority's Financial Regulations, and an assessment in accordance with quantification and classification of internal control level definitions.
- 4.2.5 The Internal Audit Section is subject to regular review by the Authority's external auditors, who place reliance on the work carried out by the Section.
- 4.2.6 The Authority is subject to external regulation by the WAO and other regulators who provide regular reports on its control environment. The most recent of these include the Full Corporate Assessment (2011), the Estyn inspection (2011) and the Annual Improvement Report (2012). These reports highlighted significant concerns regarding some aspects of the Authority's governance arrangements including the culture and leadership of the Authority.
- 4.2.7 Concerns identified included the lack of a consistent and effective application of the performance management framework and other frameworks in operation.
- 4.2.8 The Council is addressing the weaknesses identified in these regulatory reviews to ensure continuous improvement, and appropriate action plans have been put in place and are monitored regularly. The corporate recovery plan for the Corporate Assessment is a standing item at Corporate Management Team meetings to facilitate this improvement. The unified action plan in response to the Estyn report is regularly reported via the Commissioners and the Executive Committee.
- 4.2.9 Full details of the Corporate Assessment and the Estyn inspection along with the Corporate Recovery Programme and the Unified Action Plan are available from the Chief Executive's Department.

5. Significant Governance Issues

- 5.1 Following a request from the Minister for Local Government and Communities, the Auditor General for Wales undertook a full Corporate Assessment of the Authority. The Council submitted an initial action plan in December 2011 which has been accepted and detailed actions supporting this have been developed.
- 5.2 A Corporate Recovery Programme has been developed that encompasses proposed improvements to satisfy the findings of the Corporate Assessment 2010/2011, the Annual Improvement Reports 2010/2011 and 2011/2012, the Full Corporate Assessment 2011/2012 and the Outcome Agreement Review 2011/2012 as well as other thematic reviews undertaken by external regulators.
- 5.3 The Corporate Recovery Programme will address the findings of these reports which centre around key issues to be resolved as follows:
- All Elected Members and Senior Officers demonstrate the individual attitudes and behaviours required to ensure the effective running of the Council and demonstrate high standards of governance.
 - All Elected Members have a clear understanding and strong collective commitment to ensure that the Council is run in such a way that it remains focused on delivering against agreed priorities for the benefit of the citizens.
 - The Council's priorities are based on sound evidence, clearly understood, communicated and challenged to focus resources of the Council.
 - The arrangements that support good governance are understood and used consistently to support decision making and deliver improvement services.
 - The impact of service delivery and how services are performing is more clearly understood and challenge is based on better analysis of performance information.
- 5.4 The outcome of an Estyn inspection in May 2011 into the quality of local authority education services, was that Estyn were critical both of the outcomes our children and young people achieve, the service we provide and our capacity to improve and as such, the Authority has been placed into the category of requiring special measures. Independent Commissioners have been appointed and the Authority's agreed action plan responding to the recommendations of the Estyn Inspection is being progressed.

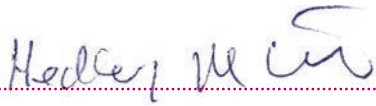
6. Areas Where Further Work was/is Required on Governance and Internal Control Issues, with Updates and Actions Taken

| Source | Issues | Update on Action Taken |
|---------------------|--|--|
| External Monitoring | Asset Management - need to accelerate progress with working group and appraisal of assets. | The Corporate Asset Management Working Group (CAMWG) has been re-established with new terms of reference with effect from 30 September 2011. CAMWG is responsible for delivering the Corporate Asset Management Action Plan 2012/2013 which was agreed by the Council's Executive Committee on 25 January 2012. The Action Plan sets out the process and timescales for reviewing the operational portfolio. The Area Review Inspections have been completed and an initial analysis of the data undertaken. Discussions are currently taking place with Service Heads to agree the categorisation of their properties (e.g. red/amber/green). An initial "traffic light" report was reported to CAMWG in July. The report will be presented again in November following further refinement. |
| | A report was issued by WAO regarding the redundancy of the Director of Business Services. | The Council agreed a response to the recommendations at the AGM on the 26 May 2011. |
| | A report was issued by an external consultant (Julie James) regarding a review of the protocols and policies available to staff for the pursuit of complaints. | The Council considered the report at its meeting held on the 7 July 2011 and agreed an action plan as proposed in the report of the Council's Monitoring Officer. |
| | Implementation of Single Status. | Job Evaluation has been implemented with effect from April 2012 with back pay and compensation payments anticipated to be paid during 2012/2013 following the signing of COT 3 agreements. |

| Source | Issues | Update on Action Taken |
|-----------------------|--|---|
| "In house" Monitoring | Capital Contracts Tendering Weaknesses. | Continuing monitoring including improved reporting arrangements and compliance with Standing Orders for contracts. |
| | Attendance Management. | To address variances between Payroll and departmental records, Payroll will circulate details of information held back to departments for confirmation. |
| | The Works. (1) Correct accounting treatment for complex "brown field" site. (2) Formal confirmation of anticipated funding approvals. (3) Relatively high levels of short-term borrowing. (4) Contract variations and overspends. (5) High level spends. (6) Non-adherence to Contract Standing Orders | (1) The Authority will continue to review appropriate guidance and clarify technical issues with WAO colleagues. (2) An exercise has been undertaken in collaboration with senior WG officials in order to confirm formal funding approvals and required spending profiles. These will be regularly monitored by the Works Programme Board. (3) During the period of confirming funding approvals the Council has undertaken short-term borrowing in order to manage cash flow. Current levels of short-term borrowing are expected to reduce following the confirmation of approvals and the drawing down of more appropriate longer term borrowing from the Public Works Loan Board. (4&5) These are to be reported to the Works Programme Board in an agreed format which will also be used as a basis for reports to Blaenau Gwent Executive and Scrutiny Committees. (6) Reports on specific instances of non-adherence to Contract Standing Orders will be reported to the Audit Committee. |
| | Adoption and further development of a Medium Term Financial Strategy (MTFS). | Council adopted an inaugural MTFS in October 2011. Following the Corporate Assessment, the MTFS will be reviewed as part of the Council's Action Plan in order to address matters raised by WAO. The process of embedding the MTFS as part of the mainstream financial planning arrangements will evolve from the review. |
| | Closure of the Authority's landfill site and the future role and preferred structure of Silent Valley Waste Services Ltd. (SVWS Ltd). | Executive approved a revised company structure for SVWS Ltd on 28 March 2011 and this has been implemented. A medium term business plan for SVWS Ltd as a "going concern" is being developed. In drafting the 2011/2012 Statement of Accounts the disclosure of SVWS Ltd matters is likely to be similar to the previous year, pending the issue of anticipated WAO guidance. |
| | Job Evaluation/Equal Pay | Job Evaluation has been implemented with effect from April 2012 with back pay and compensation payments anticipated to be paid during 2012/2013 following the signing of COT 3 agreements. |
| | IT systems: - lack of capacity - age of applications | Collaborative arrangement with Merthyr CBC will strengthen the service and it is anticipated it will increase capacity and skills sets. |
| | Collaboration arrangements | Direct and indirect impact on the Authority's systems and processes. Appropriate governance arrangements are being developed to best fit the individual services involved. |
| | Outstanding issues from unsatisfactory/unsound audit reports relating to immaterial issues. | Action plans agreed within services and follow up audits to be conducted. |

7. Conclusion

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Councillor Hedley McCarthy

Leader of the Council

September 2012



David McAuliffe

Chief Finance Officer

September 2012



David Waggett

Chief Executive

September 2012



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

I have audited the accounting statements and related notes of Blaenau Gwent County Borough Council for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

Blaenau Gwent County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 based on International Financial Reporting Standards (IFRSs).

Respective Responsibilities of the Responsible Financial Officer and the Independent Auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the Statement of Accounts, which gives a true and fair view.

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

Scope of the Audit of the Accounting Statements

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

- whether the accounting policies are appropriate to Blaenau Gwent County Borough Council's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the responsible financial officer; and
- the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the Accounting Statements of Blaenau Gwent County Borough Council

In my opinion the accounting statements and related notes:

- Give a true and fair view of the financial position of Blaenau Gwent County Borough Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012.

Opinion on Other Matters

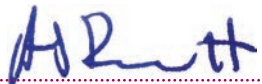
In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on Which I Report by Exception

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

Certificate of Completion of Audit

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



Anthony Barrett



Date

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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



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



Cyngor Bwrdeisdref Sirol

Blaenau Gwent

County Borough Council



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Movement in Reserves Statement

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

| Movement in Reserves Statement 2010/2011 | Fund Balances | | | Capital Reserves | | | Total Usable Reserves £000 | Restated Unusable Reserves £000 | Restated Total Authority Reserves £000 | Note | Page |
|--|---------------|-------------------------------|---------------------------------------|-----------------------------|--------------------------------|--------------------------------|-------------------------------------|--|--|------|-------|
| | Council Fund | Housing Revenue Account | Earmarked Council Fund Reserves | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | | | | |
| Balance at 31 March 2010 | (5,715) | (5,301) | (16,356) | 0 | (12,283) | (2,379) | (42,034) | (29,512) | (71,546) | | |
| Deficit on the Provision of Services | (12,238) | 112,076 | 0 | 0 | 0 | 0 | 99,838 | 0 | 99,838 | | 32 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (43,855) | (43,855) | 6 | 52 |
| Total Comprehensive Income and Expenditure | (12,238) | 112,076 | 0 | 0 | 0 | 0 | 99,838 | (43,855) | 55,983 | | 32 |
| Adjustments between Accounting basis & Funding basis under regulations | 8,312 | (111,678) | 0 | 0 | (1,308) | (1,099) | (105,773) | 105,773 | 0 | 7 | 55-57 |
| Net (Increase)/Decrease before transfers to Earmarked Reserves | (3,926) | 398 | 0 | 0 | (1,308) | (1,099) | (5,935) | 61,918 | 55,983 | | |
| Transfers to/from Earmarked Reserves | 6,149 | 0 | (6,149) | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 58 |
| Transfers to/from Council Fund | (17) | 17 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| (Increase)/Decrease in 2010/2011 | 2,206 | 415 | (6,149) | 0 | (1,308) | (1,099) | (5,935) | 61,918 | 55,983 | | |
| Balance at 31 March 2011 | (3,509) | (4,886) | (22,505) | 0 | (13,591) | (3,478) | (47,969) | 32,406 | (15,563) | | |

Note: Other Comprehensive Income and Expenditure restated to correct the cumulative effect of rounding adjustments in previous years.

| Movement in Reserves Statement 2011/2012 | Fund Balances | | Earmarked Council Fund Reserves £000 | Capital Reserves | | | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 | Note | Page |
|--|---------------|---------------------------------------|---|-------------------------------------|--|--|-------------------------------------|------------------------------|--|------|-------|
| | Council Fund | Housing Revenue Account £000 | | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | | | | | |
| | £000 | £000 | | £000 | £000 | £000 | | | | | |
| Balance at 31 March 2011 | (3,509) | (4,886) | (22,505) | 0 | (13,591) | (3,478) | (47,969) | 32,406 | (15,563) | | |
| (Surplus)/Deficit on the Provision of Services | (19,002) | 654 | 0 | 0 | 0 | 0 | (18,348) | 0 | (18,348) | | 32 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26,499 | 26,499 | 6 | 52 |
| Total Comprehensive Income and Expenditure | (19,002) | 654 | 0 | 0 | 0 | 0 | (18,348) | 26,499 | 8,151 | | 32 |
| Adjustments between Accounting basis & Funding basis under regulations | 21,320 | 23 | 0 | 0 | 2,445 | (3,886) | 19,902 | (19,902) | 0 | 7 | 52-54 |
| Net (Increase)/Decrease before transfers to Earmarked Reserves | 2,318 | 677 | 0 | 0 | 2,445 | (3,886) | 1,554 | 6,597 | 8,151 | | |
| Transfers to/from Earmarked Reserves | (1,068) | 0 | 1,068 | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 58 |
| Transfers to/from Council Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| (Increase)/Decrease in 2011/2012 | 1,250 | 677 | 1,068 | 0 | 2,445 | (3,886) | 1,554 | 6,597 | 8,151 | | |
| Balance at 31 March 2012 | (2,259) | (4,209) | (21,437) | 0 | (11,146) | (7,364) | (46,415) | 39,003 | (7,412) | | |

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with regulations; this differs from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| Comprehensive Income & Expenditure Statement | 2011/2012 | | | 2010/2011 (Restated) | | | Note: | Page: |
|--|-------------------|-----------------|-----------------|----------------------|-----------------|-----------------|--------|---------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Continuing Operations | | | | | | | | |
| Central Services | 4,398 | (3,848) | 550 | 2,433 | (1,354) | 1,079 | 22 | 74 |
| Cultural & Related Services | 13,023 | (3,630) | 9,393 | 21,034 | (4,040) | 16,994 | | |
| Environmental & Regulatory Services | 14,124 | (4,106) | 10,018 | 13,421 | (3,843) | 9,578 | | |
| Planning Services | 28,950 | (4,965) | 23,985 | 22,430 | (4,326) | 18,104 | | |
| Children's & Education Services | 97,442 | (27,870) | 69,572 | 117,068 | (27,596) | 89,472 | | |
| Highways & Transport Services | 9,672 | (2,229) | 7,443 | 10,610 | (3,301) | 7,309 | | |
| Housing Services | 30,535 | (29,493) | 1,042 | 23,278 | (24,221) | (943) | H5, H6 | 150 |
| Adult Social Care | 37,801 | (10,710) | 27,091 | 36,207 | (9,283) | 26,924 | 16 | 67-68 |
| Corporate & Democratic Core | 4,527 | (2) | 4,525 | 4,308 | (9) | 4,299 | | |
| Non-Distributed Costs | 1,879 | 0 | 1,879 | 1,394 | 0 | 1,394 | | |
| Past Service Gains | 0 | 0 | 0 | (20,140) | 0 | (20,140) | 13 | 66 |
| Cost of Services (excluding transferred services) | 242,351 | (86,853) | 155,498 | 232,043 | (77,973) | 154,070 | | |
| Transferred Services | | | | | | | | |
| Housing Revenue Account | 806 | (127) | 679 | 12,450 | (5,917) | 6,533 | | |
| Corporate & Democratic Core | 0 | 0 | 0 | 17 | 0 | 17 | HRA | 145-146 |
| Non-Distributed Costs | 0 | 0 | 0 | 0 | (2,262) | (2,262) | | |
| Sub Total: Transferred Services | 806 | (127) | 679 | 12,467 | (8,179) | 4,288 | | |
| Total Deficit on Continuing Services | 243,157 | (86,980) | 156,177 | 244,510 | (86,152) | 158,358 | 9 | 59-64 |

| Comprehensive Income & Expenditure Statement (Continued) | 2011/2012 | | | 2010/2011 (Restated) | | | Note: | Page: |
|--|-------------------|------------------|-----------------|----------------------|------------------|-----------------|----------|--------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Total Deficit on Continuing Services | 243,157 | (86,980) | 156,177 | 244,510 | (86,152) | 158,358 | | |
| Other Operating Income and Expenditure | 7,556 | (4,074) | 3,482 | 158,256 | (2,034) | 156,222 | 10 | 64 |
| Financing and Investment Income and Expenditure | 23,428 | (14,699) | 8,729 | 30,210 | (13,967) | 16,243 | 11, 15.1 | 65, 67 |
| Taxation and Non-Specific Grant Income | 0 | (186,736) | (186,736) | 0 | (230,985) | (230,985) | 12, 26 | 65, 77 |
| (Surplus)/Deficit on Provision of Services | 274,141 | (292,489) | (18,348) | 432,976 | (333,138) | 99,838 | MiRS, 9 | 29-30, 59-64 |
| (Surplus) Arising on the Revaluation of Non-Current Assets | | | (538) | | | (6,270) | 6 | 52 |
| Actuarial (Gains)/Losses on Pension Assets/Liabilities | | | 27,037 | | | (37,582) | 6, 42 | 52, 117 |
| Other Comprehensive Income & Expenditure | | | 26,499 | | | (43,852) | 6 | 52 |
| Total Comprehensive Income & Expenditure | | | 8,151 | | | 55,986 | | |

Note: The 2010/2011 Comprehensive Income & Expenditure Statement has been restated to take account of:

- Changes to the mandatory service divisions by the CIPFA Service Reporting Code of Practice 2011/2012, splitting Culture, Environment, Regulatory & Planning division into Cultural & Related Services, Environmental & Regulatory Services and Planning Services; and
- the requirement to separately disclose material items on the face of the account. Past Service Gains have been separated from Non-Distributed Costs.

Balance Sheet

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

- Usable reserves are those reserves that the Authority may use to provide services, subject to any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt) and the need to maintain a prudent level of reserves.
- Unusable reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (e.g. the Capital Adjustment Account, Pensions Reserve and Accumulated Absences Account).

| Balance Sheet (Restated) | 31 March 2012 | | 31 March 2011 | | 1 April 2010 | | Note: | Page: |
|--------------------------------------|---------------|----------------|---------------|----------------|--------------|----------------|-------|--------|
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Property, Plant & Equipment | 261,725 | | 235,998 | | 392,487 | | 28 | 80-86 |
| Heritage Assets | 413 | | 413 | | 413 | | 29 | 87-89 |
| Intangible Assets | 47 | | 67 | | 57 | | | |
| Non-Current Investments | 217,494 | | 217,872 | | 217,427 | | 31 | 92 |
| Non-Current Debtors | 3,975 | | 243 | | 279 | | 32 | 96 |
| Sub Total: Non-Current Assets | | 483,654 | | 454,593 | | 610,663 | | |
| Current Investments | 4 | | 4 | | 4 | | 39 | 105 |
| Assets Held for Sale | 330 | | 330 | | 1,683 | | 33 | 97 |
| Inventories | 1,680 | | 1,562 | | 1,802 | | 34 | 98 |
| Current Debtors | 49,960 | | 44,231 | | 35,303 | | 35 | 99-100 |
| Cash and Cash Equivalents | 6,348 | | 5,487 | | 5,887 | | 46 | 140 |
| Sub Total: Current Assets | | 58,322 | | 51,614 | | 44,679 | | |

| Balance Sheet (Restated) (Continued) | 31 March 2012 | | 31 March 2011 | | 1 April 2010 | | Note: | Page: |
|---|---------------|------------------|---------------|------------------|--------------|------------------|-------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Current Borrowing | (45,197) | | (11,621) | | (18,272) | | 39 | 105-107 |
| Current Creditors | (18,875) | | (31,717) | | (19,891) | | 36 | 101 |
| Current Provisions | (9,366) | | (4,463) | | (4,734) | | 37 | 102-103 |
| Sub Total: Current Liabilities | | (73,438) | | (47,801) | | (42,897) | | |
| Non-Current Borrowing | (73,371) | | (81,450) | | (121,454) | | 39 | 105-107 |
| Non-Current Provisions | (1,743) | | (2,944) | | (3,145) | | 37 | 102-103 |
| Other Non-Current Liabilities | (386,012) | | (358,449) | | (416,300) | | 38 | 104 |
| Sub Total: Non-Current Liabilities | | (461,126) | | (442,843) | | (540,899) | | |
| Total Net Assets | | 7,412 | | 15,563 | | 71,546 | | |
| Usable Reserves | (46,415) | | (47,969) | | (42,034) | | 43 | 123-130 |
| Unusable Reserves | 39,003 | | 32,406 | | (29,512) | | 43 | 131-136 |
| Total Reserves | | (7,412) | | (15,563) | | (71,546) | | |

Note: Balance Sheet figures as at 31 March 2011 for Property, Plant & Equipment and Unusable Reserves have been restated to correct the cumulative effect of rounding adjustments in previous years. Figures as at 1 April 2010 have been restated as a result of the revaluation of Heritage Assets.

Cash Flow Statement

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

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

| Cash Flow Statement | 2011/2012 | | 2010/2011 | | Note: | Page: |
|---|-----------|--------------|-----------|---------------|-------|-------|
| | £000 | £000 | £000 | £000 | | |
| Net (deficit) on the provision of services | 18,348 | | (99,838) | | | 32 |
| Adjustments to the provision of services for non-cash movements | 37,159 | | 45,905 | | 44.1 | 137 |
| Adjustments for items included in the provision of services that are investing and financing activities | (54,134) | | 100,095 | | 44.2 | 137 |
| Net Cash Inflows from Operating Activities | | 1,373 | | 46,162 | 45.1 | 138 |
| Investing activities | | (25,590) | | 3,929 | 45.2 | 139 |
| Financing activities | | 25,078 | | (50,491) | 45.3 | 139 |
| Net increase or (decrease) in cash and cash equivalents | | 861 | | (400) | 46 | 140 |
| Cash and cash equivalents at the beginning of the reporting period | | 5,487 | | 5,887 | | |
| Cash and cash equivalents at the end of the reporting period | | 6,348 | | 5,487 | 46 | 140 |



1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/2012 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (Wales) Regulations 2005, as amended.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 and the Service Reporting Code of Practice 2011/2012, supported by International Financial Reporting Standards (IFRS). Where there is no relevant IFRS or International Accounting Standard (IAS), reference is made to International Public Sector Accounting Standards (IPSASs); if there is no relevant IPSAS, domestic accounting standards (SSAPs and FRSS) are applied.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

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

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

1.3 Acquisitions and Discontinued Operations

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

The transfer of the Authority's housing stock to Tai Calon Community Housing Ltd in July 2010 was not a discontinuation of service as defined by the Code and has been accounted for as a transfer of service to another public sector entity.

1.4 Back Pay Arising from Unequal Pay Claims

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implements its equal pay strategy.

Provisions made in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended in 2007 and 2010) give discretion to local authorities not to charge to revenue a provision for back pay arising from unequal pay claims until cash settlement takes place. The regulations currently apply to liabilities recognised before 1 April 2013. The Authority has exercised its discretion in not charging equal pay claims to revenue accounts until the settlement has occurred. The provision for back pay is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the Council Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the Council Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

1.5 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are held in call accounts and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.6 Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in note 37.3, page 104 to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.7 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 37.2, pages 103-104 to the Accounts.

1.8 Employee Benefits

1.8.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which can be carried forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee is expected to take the benefit. The accrual is charged to relevant service headings in the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.8.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. A provision has been established to charge services with termination (redundancy) costs known at the end of the financial year but not paid until the following year.

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

1.8.3 Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% for duration profile of 24 years and above, 4.7% for duration profiles between 14 and 23 years and 4.5 % for duration profiles up to 13 years. Discount rates have been derived for each duration profile at which payments may be due, based on AA-rated bonds (without embedded options) in the Barclays Capital Sterling Aggregate: Corporate Index.
- The assets of Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.

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

- Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. Due to their material nature, the gains arising from the change in calculating pension scheme liabilities using CPI instead of RPI have been separately disclosed on the face of the Comprehensive Income and Expenditure Statement as Past Service Gains.
- 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 - debited or credited to the Pensions Reserve.
- Contributions paid to the Greater Gwent (Torfaen) Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.8.4 Discretionary Benefits

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

1.9 Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.10 Exceptional Items

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

1.11 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.12 Financial Instruments

Valuation of Assets and Liabilities Carried at Amortised Cost

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

- The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender. This is the rate applicable in the market on the date of valuation (31 March 2012) for an instrument with the same duration, i.e. equal to the outstanding period from valuation date to maturity. For Public Works Loan Board (PWL) borrowing the new PWLB borrowing rate has been used.
- Interest is calculated using the most common market convention (actual number of days/365).
- For fixed term deposits it is assumed that interest is received on maturity.

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

Premiums/Discounts

1. Where premiums/discounts arising before April 2006 could be attributed to the replacement debt, then they were amortised using an effective interest basis and were included as part of the replacement loan carrying amount as at 31 March 2007. The additional interest resulting from the effective interest method is charged to the Comprehensive Income & Expenditure Statement.

2. Where premiums/discounts arising before 1 April 2006 could not be attributed to identifiable loan debt on the closing 2006/2007 Balance Sheet, then they were derecognised by writing off the balance as at 31 March 2007 to the Council Fund/HRA balance and then reversing out through the Financial Instruments Adjustment Account. The premium/discount write down for future years is charged/(credited) to the Movement in Reserves Statement.

3. Where premiums/discounts have arisen after 1 April 2006, then the accounting treatment depends upon whether it can be classified as a modification or an extinguishment. In order to be classified as a modification, then the repayment and replacement must be on the same day and must meet the 10% test. If the modification test cannot be met then it is treated as an extinguishment. All post April 2006 premiums/discounts do not meet the modification test and therefore have been accounted for as extinguishments, with the accounting treatment being the same as for (2) above.

Interest

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

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

1.13 Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

1.14 Intangible Assets

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

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

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

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

1.15 Inventories

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

1.16 Leases

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

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

The following accounting treatment applies to each type of lease:

Finance Lease

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

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

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

- A long term lease debtor is set up for the principal amount outstanding (the net investment in the lease)
- Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, the Deferred Capital Receipts Reserve is credited with the total value of the lease asset due.
- Lease income received from the third party is split into principal and interest. The principal element is treated as a capital receipt and will write down the long term lease debtor.
- The interest element is credited to the Comprehensive Income & Expenditure Statement as financing and investment income.
- For leases entered into prior to 31 March 2011, the capital accounting regulations allow mitigating accounting entries that enable the principal element to continue to be treated as revenue income.

Operating Lease

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

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

Service Concessions and Arrangements Containing Leases

The Authority currently has no such arrangements.

1.17 Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

- The asset must be available for immediate sale;
- The sale must be highly probable & there must be an active programme to locate a buyer;
- The asset must be marketed for sale at a price that is reasonable in relation to its fair value; and
- The sale should be anticipated to be completed within one year from the date of classification. Consequently, all Assets Held for Sale are included in the Balance Sheet as Current Assets.

1.18 Surplus Fixed Assets Under PPE

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

1.19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/2012 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

1.20 Property, Plant and Equipment

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

1.20.1 Recognition

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

From 2011/2012, only expenditure in excess of £50,000 has been capitalised, with amounts below this threshold being charged directly to revenue. In previous years a threshold of £10,000 was applied. The estimated impact of this change in accounting policy in 2010/2011 would have been £328,000. As this variance is not considered to be material, the 2010/2011 accounts have not been restated.

1.20.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end; as a minimum, all assets are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, the accounting treatment is:

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

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

1.20.3 Impairment

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

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

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

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

1.20.4 Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- Infrastructure - straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.20.5 Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

1.20.6 Componentisation

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

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

All assets incurring significant expenditure in 2011/2012 have been considered for componentisation. This has resulted in 4 assets within the Education & Leisure Portfolio being revalued and assessed for material components.

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

1.21 Heritage Assets

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

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

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

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

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

1.22 Minimum Revenue Provision

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

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

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

The MRP for 2011/2012 has been calculated in accordance with the Authority's 2011/2012 MRP statement which was approved by full Council in March 2011, utilising the following options:

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

1.23 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

1.24 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

1.25 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

1.26 Value Added Tax

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

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

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

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

Council Tax

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

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

National Non-Domestic Rates (NNDR)

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

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

1.28 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

2. Accounting Standards Issued but not yet Adopted

The 2012/2013 Accounting Code adopts amendments to IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets)*, issued in October 2010, that are intended to assist users of the financial statements in evaluating the risk exposures that relate to transfers of financial assets.

It is likely that this Standard will not have a material impact on the financial statements of the Authority.

3. Critical Judgements in Applying Accounting Policies

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

- i. These accounts have been prepared on a going concern basis, which assumes that the functions and services provided by the Authority will continue in operational existence for the foreseeable future.
- ii. The Welsh Government has provided three year Aggregate External Finance (AEF) figures for 2011/2012 to 2013/2014. This has provided a degree of certainty and will enable forward planning. Therefore, the Authority has determined that this level of certainty is a significant indication that the assets of the Authority will not be impaired (resulting in a need to close facilities and reduce levels of service provision).
- iii. Residual costs arising from the transfer of the Authority's housing stock in 2010 will continue to be managed downwards in the medium term, through the use of the balance held within the Housing Revenue Account.
- iv. The Authority has reviewed all property assets in accordance with the relevant accounting policies and has made appropriate reclassifications for assets that are held for sale.
- v. The Authority has determined that assets used for economic development purposes, e.g. industrial estates, are not held solely for the purpose of income generation or capital appreciation and therefore do not meet the definition of investment properties. These assets have been treated as Property, Plant and Equipment in the Balance Sheet.
- vi. In compliance with current guidance regarding the treatment of certain types of school, the assets of voluntary controlled schools continue to be excluded from the Balance Sheet. There are currently 5 voluntary controlled schools that the Authority does not own and does not have access to for valuation purposes: St Marys Church in Wales Primary, All Saints Roman Catholic, St Mary Roman Catholic, St Josephs Roman Catholic and Brynmawr Comprehensive.
- vii. The Authority is the sole shareholder of Silent Valley Waste Services Ltd.. An exercise has been undertaken to determine the extent to which retained profit held by the company relates to intra-group transactions, i.e. those transactions with Blaenau Gwent County Borough Council. Of the £3.937m retained profit at 31 March 2012, £1.334m related to intra-group transactions. On elimination of these amounts, it has been determined that the remaining activities are not sufficiently material to warrant consolidation of Silent Valley Waste Services. Consequently, group accounts have not been prepared.
- viii. The Authority has classified its leases as finance or operating in accordance with IFRS. The definition of finance leases is not definitive and therefore an element of judgement has been required in assessing each lease arrangement. The impact of this assessment process has been that some leases previously treated as operating leases have been reclassified as finance leases and some leases previously treated as finance leases have been reclassified as operating leases.
- ix. Capital and revenue grants and contributions continue to be reviewed to determine the existence of any conditions requiring repayment of sums involved to the awarding body, and the extent to which any conditions have been fulfilled. There has been a consequential impact on sums retained on the Balance Sheet and credited to the Comprehensive Income and Expenditure Statement.
- x. Where disclosure notes required by the Accounting Code are insignificant or immaterial in value and their omission has been determined not to have a detrimental impact on the presentation of the financial position or performance of the Authority, these disclosures have not been presented.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------|---|--|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. The fund actuary has advised that a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £6.140m, with a corresponding reduction in current service costs of £0.246m. However, the assumptions interact in complex ways. During 2011/2012, the Authority's actuaries advised that the net pensions liability had increased by £27.037m as a result of actuarial gains/losses. This increase comprised a £14.049m actuarial loss on assets (representing the difference between actual and expected asset return for the year) and a £12.988m actuarial loss on liabilities (being the difference in liability valuations arising solely from changes in the actuarial assumptions applied at the beginning and end of the financial year (<i>see page 121</i>)). |

5. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by Mr. D. McAuliffe BSc., CPFA, Chief Finance Officer, on 25 September 2012.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Movements in Reserves Notes

6. Other Comprehensive Income and Expenditure

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

| Other Comprehensive Income and Expenditure | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Surplus arising on the revaluation of Non-Current Assets | (538) | (6,270) |
| Surplus on revaluation of available for sale financial assets | 0 | 0 |
| Actuarial (Gains)/losses on pension fund assets and liabilities | 27,037 | (37,582) |
| Other Comprehensive Income and Expenditure | 26,499 | (43,852) |

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. These adjustments include transactions relating to depreciation and impairment, pensions provision, employee accruals, unequal pay and capital grants. The following transactions were made in 2011/2012:

| Adjustments between Accounting Basis and Funding Basis under Regulations 2011/2012 | Council Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------------|--|--|---|
| Transactions between Funds & Usable Reserves: | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 7,665 | 0 | 0 | 0 | (7,665) | 0 |
| Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income & Expenditure Statement | 126 | 23 | 0 | (149) | 0 | 0 |
| Contribution from the Capital Receipts Reserve towards funding of prudential borrowing schemes | (79) | 0 | 0 | 79 | 0 | 0 |

| Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2011/2012 | Council Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------------|--|--|---|
| Transactions Involving Unusable Reserves: | | | | | | |
| Adjustments to/from the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Charges for depreciation & impairment of non-current assets | (18,833) | 0 | 0 | 0 | 0 | 18,833 |
| Revaluation losses on Property Plant & Equipment | (14,076) | 0 | 0 | 0 | 0 | 14,076 |
| Amortisation of intangible assets | (20) | 0 | 0 | 0 | 0 | 20 |
| Capital grants & contributions applied | 46,350 | 0 | 0 | 0 | 0 | (46,350) |
| Revenue expenditure funded from capital under statute | (6,023) | 0 | 0 | 0 | 0 | 6,023 |
| Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income & Expenditure Statement | (31) | 0 | 0 | 0 | 0 | 31 |
| Items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 4,420 | 0 | 0 | 0 | 0 | (4,420) |
| Capital expenditure charged against the Council Fund & HRA balances | 333 | 0 | 0 | 0 | 0 | (333) |
| Items involving Usable Capital Reserves: | | | | | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 3,779 | (3,779) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 0 | 2,600 | 0 | (2,600) |
| Use of the Major Repairs Reserve to finance new Capital expenditure | 0 | 0 | 0 | 0 | 0 | 0 |

Note: Additional transactions occur between the Capital Adjustment Account and the Revaluation Reserve. These are detailed in note 43.2.2 on pages 132-133.

| Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2011/2012 | Council Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------------|--|--|---|
| Adjustments to/from the Deferred Capital Receipts Reserve: | | | | | | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | 0 | (85) | 0 | 85 |
| Deferred Capital Receipts on Inception or Lessor Arrangement | 3,925 | 0 | 0 | 0 | 0 | (3,925) |
| Adjustment to/from the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 46 | 0 | 0 | 0 | 0 | (46) |
| Adjustments to/from the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement | (13,687) | 0 | 0 | 0 | 0 | 13,687 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 12,563 | 0 | 0 | 0 | 0 | (12,563) |
| Transfer of Residual Pensions Balance from HRA to Council Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustment to/from the Unequal Pay Back Pay Adjustment Account: | | | | | | |
| Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements | (1,295) | 0 | 0 | 0 | 0 | 1,295 |
| Adjustment to/from the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (64) | 0 | 0 | 0 | 0 | 64 |
| Total Adjustments between Accounting Basis and Funding Basis under Regulations | 21,320 | 23 | 0 | 2,445 | (3,886) | (19,902) |

The following transactions adjusting between accounting basis and funding basis were made in 2010/2011:

| Adjustments between Accounting Basis and Funding Basis under Regulations 2010/2011 (Restated) | Council Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------------|--|--|---|
| Transactions between Funds & Usable Reserves: | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 7,550 | 0 | 0 | 0 | (7,550) | 0 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the ComplEs | 871 | 710 | 0 | (1,581) | 0 | 0 |
| Transfer of Capital Receipts from HRA using Item 10 direction | 2,000 | (2,000) | 0 | 0 | 0 | 0 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals | 0 | (17) | 0 | 17 | 0 | 0 |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 1,303 | (1,303) | 0 | 0 | 0 |

| Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2010/2011 (Restated) | Council Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------------|--|--|---|
| Transactions Involving Unusable Reserves: | | | | | | |
| Adjustments to/from the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Charges for depreciation & impairment of non-current assets | (23,100) | (4,432) | 0 | 0 | 0 | 27,532 |
| Revaluation losses on Property Plant & Equipment | (33,974) | 0 | 0 | 0 | 0 | 33,974 |
| Amortisation of intangible assets | (36) | 0 | 0 | 0 | 0 | 36 |
| Capital grants & contributions applied | 43,340 | 38,843 | 0 | 0 | 0 | (82,183) |
| Revenue expenditure funded from capital under statute | (10,201) | 0 | 0 | 0 | 0 | 10,201 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the ComplEs | (919) | (149,467) | 0 | 0 | 0 | 150,386 |
| Items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 4,403 | 251 | 0 | 0 | 0 | (4,654) |
| Capital expenditure charged against the Council Fund & HRA balances | 498 | 0 | 0 | 0 | 0 | (498) |
| Items involving Usable Capital Reserves: | | | | | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 6,451 | (6,451) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 0 | 264 | 0 | (264) |
| Use of the Major Repair Reserve to finance new Capital expenditure | 0 | 0 | 1,303 | 0 | 0 | (1,303) |

Note: Restated to disclose impairment figures as part of 'Charges for depreciation & impairment of non-current assets'; previously included within 'Revaluation losses on Property, Plant & Equipment'.

| Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2010/2011 (Restated) | Council Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------------|--|--|---|
| Adjustments to/from the Deferred Capital Receipts Reserve: | | | | | | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | 0 | (8) | 0 | 8 |
| Adjustment to/from the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 45 | 736 | 0 | 0 | 0 | (781) |
| Adjustments to/from the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the ComplEs | 2,025 | 2,120 | 0 | 0 | 0 | (4,145) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 15,994 | 140 | 0 | 0 | 0 | (16,134) |
| Transfer of Residual Pensions Balance from HRA to Council Fund | (31) | 31 | 0 | 0 | 0 | 0 |
| Adjustment to/from the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the ComplEs on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (153) | 104 | 0 | 0 | 0 | 49 |
| Total Adjustments between Accounting Basis and Funding Basis under Regulations | 8,312 | (111,678) | 0 | (1,308) | (1,099) | 105,773 |

8. Transfers to/from Earmarked Reserves

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

| Usable Reserves | 1 April 2010 | Transfers In | Transfers Out | Restated | Transfers In | Transfers Out | |
|--|-----------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-----------------------|
| | £000 | 2010/2011 £000 | 2010/2011 £000 | 31 March 2011 £000 | 2011/2012 £000 | 2011/2012 £000 | 31 March 2012 £000 |
| Budget Contingency Fund | (293) | (1,959) | 735 | (1,517) | (383) | 1,097 | (803) |
| Downsizing - New | 0 | 0 | 0 | 0 | (1,000) | 697 | (303) |
| Insurance Liabilities | (2,461) | (1,845) | 1,862 | (2,444) | (1,833) | 1,428 | (2,849) |
| Invest to Save Fund | 0 | (1,000) | 79 | (921) | 0 | 179 | (742) |
| Job Evaluation / Pay Remodelling (Non Schools Staff) | (4,775) | (2,087) | 0 | (6,862) | (2,298) | 3,287 | (5,873) |
| Job Evaluation / Pay Remodelling (Schools Staff) | (1,056) | (288) | 0 | (1,344) | (289) | 585 | (1,048) |
| Land & Property Charges | 0 | 0 | 0 | 0 | (422) | 0 | (422) |
| LMS Balances | (784) | (723) | 0 | (1,507) | (2,515) | 2,795 | (1,227) |
| Portfolio Reserves | 0 | (1,035) | 462 | (573) | (276) | 1 | (848) |
| Revenue Grants & Contributions Unapplied | (136) | (668) | 49 | (755) | (408) | 409 | (754) |
| Other Usable Revenue Reserves | (5,452) | (648) | 1,078 | (5,022) | (969) | 765 | (5,226) |
| Sub-Total (Revenue Reserves): | (14,957) | (10,253) | 4,265 | (20,945) | (10,393) | 11,243 | (20,095) |
| Earmarked for Capital Purposes | (1,399) | (191) | 30 | (1,560) | (4) | 222 | (1,342) |
| Total: | (16,356) | (10,444) | 4,295 | (22,505) | (10,397) | 11,465 | (21,437) |

Comprehensive Income and Expenditure Statement Notes

9. Segmental Reporting Analysis (Amounts Reported for Resource Allocation Decisions)

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

| | Reported to Management | Statement of Accounts |
|------------------------------------|---|--|
| Capital Charges | Capital charges reported to management are estimates, as calculated prior to the commencement of the financial year during the budget-setting process. | Actual charges. |
| Equal Pay and Job Evaluation | Costs in respect of equal pay are committed in the management reports on the basis that the estimate has been fully utilised during the year. | Accrued amounts for settlement of equal pay claims are included. Provision is made for settlement of job evaluation compensation and back pay amounts that can properly be charged to the year of account. |
| IAS 19: Employee Benefits | For grant-funded expenditure, current service pension costs in the management reports is not on the basis of actuarially calculated liabilities, as required by IAS19, but on the basis of full cash cost. Accruals for short term compensated absences are not included. | Current service costs are recorded against services at the actuarially calculated liability rate, as required by IAS19. Accruals for short term compensated absences are included. |
| Past Service and Curtailment Costs | Service budgets report past service and curtailment costs against individual budgets. | In-year liabilities arising from past service or curtailments are included in Non-Distributed Costs; actual payments are charged to the council-tax payer by an adjustment to pensions reserves in the MiRS. |

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

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

| Principal Portfolio Income & Expenditure 2011/2012 | Education £000 | Social Services £000 | Neighbourhood Services & Housing £000 | Regeneration £000 | Total £000 |
|---|-------------------|-------------------------|--|----------------------|------------------|
| Fees, Charges & Other Service Income | (50,752) | (7,683) | (5,474) | (5,147) | (69,056) |
| Interest & Investment Income | 0 | 0 | 0 | 0 | 0 |
| Government Grants | (8,831) | (3,952) | (27,075) | (8,034) | (47,892) |
| Total Income | (59,583) | (11,635) | (32,549) | (13,181) | (116,948) |
| Employee Expenses | 50,313 | 17,271 | 4,195 | 6,769 | 78,548 |
| Other Service Expenses | 57,526 | 25,958 | 31,943 | 6,133 | 121,560 |
| Support Service Recharges | 4,137 | 4,635 | 3,337 | 2,484 | 14,593 |
| Depreciation, amortisation & impairment | 2,277 | 204 | 1,681 | 534 | 4,696 |
| Precepts and Levies | 0 | 0 | 0 | 0 | 0 |
| Total Expenditure | 114,253 | 48,068 | 41,156 | 15,920 | 219,397 |
| Net Expenditure | 54,670 | 36,433 | 8,607 | 2,739 | 102,449 |

| Principal Portfolio Income & Expenditure 2010/2011 | Education £000 | Social Services £000 | Neighbourhood Services & Housing £000 | Regeneration £000 | Total £000 |
|---|-------------------|-------------------------|--|----------------------|-----------------|
| Fees, Charges & Other Service Income | 38,460 | (5,170) | (2,061) | (5,515) | 25,714 |
| Interest & Investment Income | 0 | 0 | 0 | 0 | 0 |
| Government Grants | (10,068) | (4,223) | (25,494) | (12,372) | (52,157) |
| Total Income | 28,392 | (9,393) | (27,555) | (17,887) | (26,443) |
| Employee Expenses | 50,073 | 18,068 | 5,027 | 9,790 | 82,958 |
| Other Service Expenses | (27,736) | 24,901 | 30,750 | 7,959 | 35,874 |
| Support Service Recharges | 2,191 | 920 | (670) | 2,127 | 4,568 |
| Depreciation, amortisation & impairment | 4,743 | 442 | 1,228 | 2,312 | 8,725 |
| Precepts and Levies | 0 | 0 | 0 | 0 | 0 |
| Total Expenditure | 29,271 | 44,331 | 36,335 | 22,188 | 132,125 |
| Net Expenditure | 57,663 | 34,938 | 8,780 | 4,301 | 105,682 |

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2011/2012 | Principal Portfolio Analysis £000 | Portfolios not included in Principal Portfolio Analysis £000 | Included in Portfolio Statements but not included in NCS £000 | Not included in Portfolio Statements but included in NCS £000 | Allocation of Support Services Recharges £000 | Net Cost of Services £000 | Corporate Items £000 | Total £000 |
|--|--------------------------------------|---|--|--|--|------------------------------|-------------------------|------------------|
| Fees, Charges & Other Service Income | (69,056) | (31,092) | 141 | (9,641) | 76,627 | (33,021) | 0 | (33,021) |
| (Surplus)/Deficit on Trading Activities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest & Investment Income | 0 | (50) | 50 | 0 | 0 | 0 | (14,699) | (14,699) |
| Income from Council Tax | 0 | 0 | 0 | 0 | 0 | 0 | (29,236) | (29,236) |
| Government Grants & Contributions | (47,892) | (6,065) | (2) | 0 | 0 | (53,959) | (157,500) | (211,459) |
| Gains on Disposal of Non-Current Assets | 0 | 0 | 0 | 0 | 0 | 0 | (4,074) | (4,074) |
| Total Income | (116,948) | (37,207) | 189 | (9,641) | 76,627 | (86,980) | (205,509) | (292,489) |
| Employee Expenses | 78,548 | 25,470 | (3,388) | 3,392 | 0 | 104,022 | 0 | 104,022 |
| Other Service Expenses | 121,560 | 19,891 | (261) | 5,771 | 0 | 146,961 | 0 | 146,961 |
| Support Service Recharges | 14,593 | 15,647 | (2,277) | 0 | (76,627) | (48,664) | 0 | (48,664) |
| Depreciation, Amortisation & Impairment | 4,696 | 1,929 | (4,349) | 38,562 | 0 | 40,838 | 0 | 40,838 |
| Interest Payments | 0 | 0 | 0 | 0 | 0 | 0 | 23,428 | 23,428 |
| (Gains)/Losses on Disposal of Non-Current Assets | 0 | 0 | 0 | 0 | 0 | 0 | 31 | 31 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 0 | 7,525 | 7,525 |
| Total Expenditure | 219,397 | 62,937 | (10,275) | 47,725 | (76,627) | 243,157 | 30,984 | 274,141 |
| (Surplus) or Deficit on the Provision of Services | 102,449 | 25,730 | (10,086) | 38,084 | 0 | 156,177 | (174,525) | (18,348) |

| 2010/2011 | Principal Portfolio Analysis £000 | Portfolios not included in Principal Portfolio Analysis £000 | Included in Portfolio Statements but not included in NCS £000 | Not Included in Portfolio Statements but included in NCS £000 | Allocation of Support Services Recharges £000 | Net Cost of Services £000 | Corporate Items £000 | Total £000 |
|--|--------------------------------------|---|--|--|--|------------------------------|-------------------------|------------------|
| Fees, Charges & Other Service Income | 25,714 | (21,358) | (46,509) | 1,647 | 12,154 | (28,352) | 0 | (28,352) |
| (Surplus)/Deficit on Trading Activities | 0 | 0 | 0 | 0 | 0 | 0 | (2,034) | (2,034) |
| Interest & Investment Income | 0 | (50) | 0 | 50 | 0 | 0 | (13,967) | (13,967) |
| Income from Council Tax | 0 | 0 | 0 | 0 | 0 | 0 | (27,910) | (27,910) |
| Government Grants & Contributions | (52,157) | (5,389) | (423) | 34 | 135 | (57,800) | (203,075) | (260,875) |
| Gains on disposal of Non Current Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Income | (26,443) | (26,797) | (46,932) | 1,731 | 12,289 | (86,152) | (246,986) | (333,138) |
| Employee Expenses | 82,958 | 25,486 | (21,833) | (2,774) | 0 | 83,837 | 0 | 83,837 |
| Other Service Expenses | 35,874 | 21,046 | 45,493 | 2,652 | (12,289) | 92,776 | 1,968 | 94,744 |
| Support Service Recharges | 4,568 | 3,403 | (119) | (6,893) | 0 | 959 | 0 | 959 |
| Depreciation, Amortisation & Impairment | 8,725 | 2,926 | 37,294 | 17,993 | 0 | 66,938 | 0 | 66,938 |
| Interest Payments | 0 | 0 | 0 | 0 | 0 | 0 | 30,210 | 30,210 |
| (Gains)/Losses on disposal of Non Current Assets | 0 | 0 | 0 | 0 | 0 | 0 | 148,805 | 148,805 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 0 | 7,483 | 7,483 |
| Total Expenditure | 132,125 | 52,861 | 60,835 | 10,978 | (12,289) | 244,510 | 188,466 | 432,976 |
| (Surplus) or Deficit on the Provision of Services | 105,682 | 26,064 | 13,903 | 12,709 | 0 | 158,358 | (58,520) | 99,838 |

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

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

| Reconciliation of Portfolio Income & Expenditure to Cost of Services in the ComplES | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Net Expenditure in the Principal Portfolio Analysis | 102,449 | 105,682 |
| Net Expenditure of Portfolios not Included in the Principal Analysis | 25,730 | 26,064 |
| Amounts Included in Portfolio Outturn Statements but not included in Net Cost of Services | (10,086) | 13,903 |
| Amounts not included in Portfolio Outturn Statements but included in Net Cost of Services | 38,084 | 12,709 |
| Allocation of Support Service Recharges | 0 | 0 |
| Cost of Services in Comprehensive Income & Expenditure Statement | 156,177 | 158,358 |
| Corporate Items | (174,525) | (58,520) |
| (Surplus) or Deficit on Provision of Services | (18,348) | 99,838 |

10. **Other Operating Income and Expenditure**

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

| Other Operating Income and Expenditure | 2011/2012 | | | 2010/2011 | | |
|--|--|-------------------------|----------------------------|------------------------------|-------------------------|----------------------------|
| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| | (Gains)/losses on the Disposal of Non-Current Assets | 31 | (4,074) | (4,043) | 148,805 | 0 |
| Revaluations Downwards of Non-Current Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Precepts & Levies: | | | | | | |
| Gwent Police Authority Precept | 3,713 | 0 | 3,713 | 3,576 | 0 | 3,576 |
| Community Council Precepts | 339 | 0 | 339 | 339 | 0 | 339 |
| South Wales Fire Authority Levy | 3,379 | 0 | 3,379 | 3,476 | 0 | 3,476 |
| Other Levies | 94 | 0 | 94 | 92 | 0 | 92 |
| Trading Activities: | | | | | | |
| DSO Activities | 0 | 0 | 0 | 1,968 | (2,034) | (66) |
| Total | 7,556 | (4,074) | 3,482 | 158,256 | (2,034) | 156,222 |

11. Financing and Investment Income and Expenditure

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

| Financing and Investment Income and Expenditure | 2011/2012 | | | 2010/2011 | | |
|---|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest payable and similar charges | 3,970 | 0 | 3,970 | 7,901 | 0 | 7,901 |
| Interest receivable and similar Income | 0 | (220) | (220) | 0 | (173) | (173) |
| Pensions Interest Cost and Expected Return on Pensions Assets | 19,458 | (14,429) | 5,029 | 22,309 | (13,744) | 8,565 |
| Other Investment Income (Dividends) | 0 | (50) | (50) | 0 | (50) | (50) |
| Total | 23,428 | (14,699) | 8,729 | 30,210 | (13,967) | 16,243 |

12. Taxation and Non-Specific Grant Income

This disclosure includes:

- Local taxation income, such as Council Tax receipts;
- Grants and contributions that are not attributable to specific services and are applied as general revenue funding; and
- Capital grants and contributions from a variety of funding bodies to cover expenditure on capital schemes. The significant variance between 2010/2011 and 2011/2012 is largely due to the receipt of a one-off payment from the Welsh Government of £43.3m to cover the cost of overhanging debt arising on the transfer of housing stock to Tai Calon in July 2010.

| Taxation & Non Specific Grant Income | 2011/2012 | 2010/2011 |
|--------------------------------------|------------------|------------------|
| | £000 | £000 |
| Non-Specific grants | | |
| Council Tax Income | (29,236) | (27,910) |
| Non-Domestic Rates | (16,122) | (19,299) |
| Revenue Support Grant/IAG | (93,051) | (91,164) |
| Total Non-Specific grants | (138,409) | (138,373) |
| Capital grants and contributions | (48,327) | (92,612) |
| Total | (186,736) | (230,985) |

13. Material Items of Income or Expense

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

Material Items of Income or Expense in 2011/2012:

Job Match

Blaenau Gwent CBC was lead Authority for the Job Match Phase 2 project, covering 5 Local Authority areas. This scheme came to an end in December 2011 and as a result expenditure included within Planning Services expenditure in the ComplIES has reduced from £9.104m in 2010/2011 to £5.115m in 2011/2012, with matching reductions in WG grant income.

Material Items of Income or Expense in 2010/2011:

Past Service Gains

A past service gain of £20.140m arising from the UK Government's decision to increase public service pensions using the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI) has been disclosed separately on the face of the ComplIES in 2010/2011.

Actuarial Gains

As a result of the actuarial valuation of the Local Government Pension Scheme as at 31 March 2010, net pension liabilities were reduced by net actuarial gains of £37.582m. Of these, £24.092m arose as net experience gains resulting from the reassessment of estimated actuarial figures over the previous three years. These adjustments have been reflected in the non-current investments and liabilities included in the Balance Sheet for 2010/2011.

Stock Transfer

Following a vote by the Authority's housing tenants, the housing stock was transferred to Tai Calon Community Housing Ltd. on 27 July 2010. This had the following material effects on the 2010/2011 accounting statements:

- The Housing Revenue Account reflects only 17 weeks activity for the year and consequently expenses and revenues have reduced;
- All the HRA assets were written out or transferred. The carrying value of assets disposed of was £151.97 million and the value of those transferred to the Council Fund was £0.174 million;
- Outstanding debt relating to the HRA was repaid to the Public Works Loan Board (PWLB) along with the associated premia. In addition, an amount relating to existing HRA premia was paid to the PWLB in order to further reduce the Authority's debt liability. The total debt and premia repaid amounted to £43.272m, the cost of which was reimbursed to the Authority by the WG; and
- Pension liabilities of £21.5m were transferred to Tai Calon in relation to staff who moved to the RSL in July 2010; the associated assets transferred were £19.3m. This resulted in a settlement gain to the Authority of £2.2m.

14. Acquired or Discontinued Operations

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

15. Nature, Turnover and Profits/Losses of Significant Trading Operations

15.1 Dividends

Dividends are recognised when the Authority's right to receive payment is established and sums recorded therefore represent the amounts paid to the Authority for the year in which the approval of the dividend was made.

| Dividends | 2011/2012 | | 2010/2011 | |
|-----------------------------------|-------------|----------------------|-------------|----------------------|
| | £000 | | £000 | |
| Silent Valley Waste Services Ltd. | (50) | (2010/2011 Dividend) | (75) | (2009/2010 Dividend) |
| Total Dividends | (50) | | (75) | |

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

16.1 The Gwent Wide Integrated Community Equipment Service (GWICES)

The Gwent Wide Integrated Community Equipment Service (GWICES) is a Section 33 Partnership Agreement between the five Local Authorities in the Gwent area and the Aneurin Bevan Local Health Board for the provision of an efficient and effective integrated community equipment service to users who are resident in the partner localities. This agreement came into effect on 1 October 2008. The Authority's transactions are included in the Adult Social Care line of the CompLES. Income and expenditure for the pooled budget arrangements for the financial year ending 31 March 2012 is as follows.

| Partnership Schemes: GWICES | 2011/2012 | 2010/2011 |
|---|----------------|----------------|
| | £000 | £000 |
| Expenditure | | |
| Staff | 71 | 123 |
| Non-Staff | 2,534 | 2,644 |
| Total Expenditure | 2,605 | 2,767 |
| Funding | | |
| Blaenau Gwent County Borough Council | (284) | (311) |
| Caerphilly County Borough Council | (601) | (668) |
| Monmouthshire County Borough Council | (321) | (367) |
| Newport City Council | (428) | (465) |
| Torfaen County Borough Council | (340) | (379) |
| Aneurin Bevan Health Board | (523) | (443) |
| Contribution to Lead Commissioner - LAs | (52) | (95) |
| Contribution to Lead Commissioner - LHBs | (22) | (39) |
| Community Resource Team (Frailty Project) | (34) | 0 |
| Total Funding | (2,605) | (2,767) |

16.2 The Gwent Frailty Programme

The Gwent Frailty Programme is a Section 33 Partnership Agreement between the five Local Authorities in the Gwent area and the Aneurin Bevan Local Health Board for the delivery of a range of services to avoid hospital admissions, facilitate early discharge and help individuals remain “happily independent”. The Community Resource Teams (CRTs) provide integrated Urgent Response, Reablement and Falls services within each Locality in line with agreed Locality Annual Commissioning Plans (LCPs). This agreement came into effect on 4 April 2011, although some expenditure was incurred to establish the scheme during the previous year. The Authority’s transactions are included in the Adult Social Care line of the CompLES. Income and expenditure for the pooled budget arrangements for the financial year ending 31 March 2012 is as follows.

| Partnership Schemes Gwent Frailty | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| Expenditure | | |
| Base Declarations | 8,204 | 0 |
| Invest to Save | 1,648 | 16 |
| Central Costs | 671 | 203 |
| Total Expenditure | 10,523 | 219 |
| Funding | | |
| Blaenau Gwent County Borough Council | (427) | 0 |
| Caerphilly County Borough Council | (2,121) | 0 |
| Monmouthshire County Borough Council | (920) | 0 |
| Newport City Council | (1,000) | 0 |
| Torfaen County Borough Council | (383) | 0 |
| Aneurin Bevan Health Board | (3,353) | 0 |
| Welsh Government Invest to Save | (2,250) | (2,775) |
| Total Funding | (10,454) | (2,775) |
| Net In-Year (Under) / Overspend | 69 | (2,556) |

17. Members' Allowances

The total amount of allowances and expenses paid to Members during the year was £782,687 (2010/2011: £766,491), analysed as follows:

| Members' Allowances | 2011/2012 £000 | 2010/2011 £000 |
|---------------------|-------------------|-------------------|
| Allowances | 779 | 761 |
| Expenses | 4 | 5 |
| Total: | 783 | 766 |

18. Officers' Remuneration

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

| Officers Emoluments | 2011/2012 | | | | | 2010/2011 | | | | |
|---|-----------|----------|-----------|---------------------|-------------------------------|-----------|----------|-----------|---------------------|-------------------------------|
| | Teaching | Other | Total | Left During Year | Total excluding leavers | Teaching | Other | Total | Left During Year | Total excluding leavers |
| Remuneration Band | | | | | | | | | | |
| £60,000 - £64,999 | 7 | 4 | 11 | 3 | 8 | 9 | 3 | 12 | 3 | 9 |
| £65,000 - £69,999 | 2 | 0 | 2 | 1 | 1 | 4 | 1 | 5 | 2 | 3 |
| £70,000 - £74,999 | 1 | 3 | 4 | 0 | 4 | 2 | 2 | 4 | 0 | 4 |
| £75,000 - £79,999 | 3 | 0 | 3 | 0 | 3 | 1 | 0 | 1 | 0 | 1 |
| £80,000 - £84,999 | 2 | 1 | 3 | 2 | 1 | 2 | 0 | 2 | 0 | 2 |
| £85,000 - £89,999 | 2 | 0 | 2 | 0 | 2 | 1 | 1 | 2 | 1 | 1 |
| Remuneration bands £90,000 - £124,999 omitted | - | - | - | - | - | - | - | - | - | - |
| £125,000 - £129,999 | 1 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 0 |
| Total | 18 | 8 | 26 | 7 | 19 | 19 | 8 | 27 | 7 | 20 |

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

The 2011/2012 total of 26 includes 6 staff who would not have been included in the note if it were not for one-off severance payments. This comprises 3 in the Teaching category and 3 in the Other category. Further details of termination benefits can be found in note 20 (page 72).

18.2 Senior Officers' Remuneration

The following table sets out the remuneration in 2011/2012 for senior officers (as defined by statute) whose salary for the year was between £60,000 and £150,000. There were no senior officers whose salary exceeded £150,000.

| Post Title | Notes | Salary | Expense | Compensation | Benefits | Total | Employers | Total |
|--|--------|----------------------------------|------------|-----------------------|--------------|--|--------------------------|--|
| | | (Including Fees & Allowances) | Allowances | for Loss of Office | in Kind | Remuneration excluding Pension Contributions 2011/2012 | Pension Contributions | Remuneration including Pension Contributions 2011/2012 |
| | | £ | £ | £ | £ | £ | £ | £ |
| Chief Executive | Note 1 | 103,050 | 309 | 0 | 864 | 104,223 | 22,156 | 126,379 |
| Director of Education & Leisure | | 85,000 | 0 | 0 | 862 | 85,862 | 18,275 | 104,137 |
| Director of Social Services | | 81,021 | 44 | 0 | 852 | 81,917 | 17,420 | 99,337 |
| Director of Environment & Regeneration | | 81,021 | 4 | 0 | 831 | 81,856 | 17,420 | 99,276 |
| Chief Finance Officer | | 58,128 | 6 | 0 | 911 | 59,045 | 12,549 | 71,594 |
| Chief People & Performance Officer | | 64,962 | 27 | 0 | 915 | 65,904 | 13,936 | 79,840 |
| Chief Regeneration Officer | | 62,793 | 12 | 0 | 870 | 63,675 | 13,500 | 77,175 |
| Chief Legal Officer | | 62,867 | 9 | 0 | 952 | 63,828 | 13,500 | 77,328 |
| Total | | 598,842 | 411 | 0 | 7,057 | 606,310 | 128,756 | 735,066 |

Note 1: Salary includes £11,022.65 remuneration relating to directorship of Silent Valley Waste Services Ltd..

The following table sets out the remuneration in 2010/2011 for senior officers (as defined by statute) whose salary for the year was between £60,000 and £150,000. There were no senior officers whose salary exceeded £150,000.

| Post Title | Notes | Salary | Expense | Compensation | Benefits | Total | Employers | Total |
|---|--------|---------------------------------------|-----------------|----------------------------|--------------|---|-------------------------------|---|
| | | (Including Fees & Allowances) £ | Allowances £ | for Loss of Office £ | in Kind £ | Remuneration excluding Pension Contributions 2010/2011 £ | Pension Contributions £ | Remuneration including Pension Contributions 2010/2011 £ |
| Chief Executive | Note 1 | 111,866 | 148 | 25,084 | 1,132 | 138,230 | 25,394 | 163,624 |
| Corporate Director Community Services | Note 2 | 5,285 | 4 | 0 | 34 | 5,323 | 1,200 | 6,523 |
| Chief Education Officer | Note 3 | 49,583 | 0 | 0 | 570 | 50,153 | 11,255 | 61,408 |
| Corporate Director Business Development | Note 4 | 80,884 | 27 | 0 | 1,053 | 81,964 | 18,361 | 100,325 |
| Corporate Director Environment | | 81,334 | 127 | 0 | 967 | 82,428 | 18,463 | 100,891 |
| Corporate Director Resources | | 81,442 | 242 | 0 | 963 | 82,647 | 18,463 | 101,110 |
| Chief People & Performance Officer | | 65,149 | 160 | 0 | 967 | 66,276 | 14,770 | 81,046 |
| Chief Regeneration Officer | | 63,035 | 161 | 0 | 969 | 64,165 | 14,309 | 78,474 |
| Chief Legal Officer | | 63,181 | 9 | 0 | 965 | 64,155 | 14,309 | 78,464 |
| Total | | 601,759 | 878 | 25,084 | 7,620 | 635,341 | 136,524 | 771,865 |

Note 1: Salary includes £11,530.76 remuneration relating to directorship of Silent Valey Waste Services Ltd.. The Chief Executive resigned with effect from 31 March 2011 and received a payment in lieu of notice of £25,084.

Note 2: Employment ceased 19 April 2010. Full time equivalent salary: £100,144.

Note 3: Employment commenced 1 September 2010. Full time equivalent salary: £85,000.

Note 4: New post, commenced 19 April 2010.

19. Benefits Payable During Employment

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

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

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

The following sums have been included for short-term accumulating compensated absences in the 2011/2012 financial statements:

| Short-term Compensated Absences | 2011/2012 | | | 2010/2011 Restated | | |
|---------------------------------------|--------------------------------------|-------------------------|----------------------------|--------------------------------------|-------------------------|----------------------------|
| | Reversal of prior year accrual | Current Year Accrual | Net In-year Movement | Reversal of prior year accrual | Current Year Accrual | Net In-year Movement |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Central Services | (456) | 586 | 130 | (58) | 456 | 398 |
| Cultural and Related Services | (107) | 98 | (9) | (108) | 107 | (1) |
| Environmental and Regulatory Services | (94) | 50 | (44) | (91) | 94 | 3 |
| Planning Services | (40) | 42 | 2 | (79) | 40 | (39) |
| Children's & Education Services | (1,286) | 1,268 | (18) | (1,351) | 1,286 | (65) |
| Highways & Transport Services | (37) | 14 | (23) | (53) | 37 | (16) |
| Housing Services | (7) | 7 | 0 | (44) | 7 | (37) |
| Adult Social Care | (190) | 222 | 32 | (185) | 190 | 5 |
| Corporate & Democratic Core | (2) | 2 | 0 | (99) | 2 | (97) |
| Non-Distributed Costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing Revenue Account | 0 | 0 | 0 | (57) | 0 | (57) |
| Total - Cost of Services: | (2,219) | 2,289 | 70 | (2,125) | 2,219 | 94 |
| Trading Activities | (6) | 0 | (6) | (51) | 6 | (45) |
| Total - Provision of Services: | (2,225) | 2,289 | 64 | (2,176) | 2,225 | 49 |

Note: 2010/2011 figures have been restated to reflect changes to the mandatory service divisions by the CIPFA Service Reporting Code of Practice 2011/2012, splitting Culture, Environment, Regulatory & Planning division into Cultural & Related Services, Environmental & Regulatory Services and Planning Services.

20. Termination Benefits

Employment contracts may be terminated for a variety of reasons, including redundancy and retirement. On termination, the Authority incurs a range of liabilities including redundancy payments, pension lump sum payments and enhancements (e.g. added years). In 2011/2012, the contracts of 149 employees were terminated, incurring total liabilities of £2.500m (2010/2011: 114 employees, incurring liabilities of £2.869m). These payments can be disaggregated as follows:

| Termination Benefits | 2011/2012 £000 | 2010/2011 £000 |
|----------------------|-------------------|-------------------|
| Redundancy Costs | 1,410 | 1,820 |
| Pension Costs | 1,090 | 1,049 |
| Total | 2,500 | 2,869 |

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

| Termination Benefits | 2011/2012 | | 2010/2011 | |
|---|------------|--------------|------------|--------------|
| | No | £000 | No | £000 |
| Budget Savings and Restructuring | 27 | 602 | 0 | 0 |
| Cessation of Funding including Job Match & LAMS | 50 | 262 | 0 | 0 |
| Closure of Cartref Aneurin Bevan and Crawshay House | 7 | 103 | 25 | 289 |
| Downsizing | 5 | 222 | 0 | 0 |
| School Downsizing | 23 | 584 | 7 | 203 |
| School Downsizing & Reorganisation - Crossmatching | 1 | 31 | 20 | 522 |
| Early Retirements/Efficiency/Flexible Retirements | 7 | 116 | 8 | 5 |
| Termination benefits arising for other reasons | 29 | 580 | 54 | 1,850 |
| Total | 149 | 2,500 | 114 | 2,869 |

21. Exit Packages

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

| Exit Package Cost Band (including special payments) | 2011/2012 | | | | 2010/2011 | | | |
|---|-----------------------------------|----------------------------|-------------------------------|-------------------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------------------------|
| | Number of Compulsory Redundancies | Number of Other Departures | Total Number of Exit Packages | Total Cost of Exit Packages £000 | Number of Compulsory Redundancies | Number of Other Departures | Total Number of Exit Packages | Total Cost of Exit Packages £000 |
| £0 - £19,999 | 53 | 51 | 104 | 675 | 25 | 34 | 59 | 473 |
| £20,000 - £39,999 | 2 | 23 | 25 | 697 | 3 | 30 | 33 | 948 |
| £40,000 - £59,999 | 0 | 8 | 8 | 399 | 0 | 12 | 12 | 547 |
| £60,000 - £149,999 | 0 | 12 | 12 | 920 | 1 | 9 | 10 | 901 |
| Total | 55 | 94 | 149 | 2,691 | 29 | 85 | 114 | 2,869 |

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

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

| Reconciliation between Exit Packages & Termination Benefits | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Exit Packages Total | 2,691 | 2,869 |
| Long Service Award | (3) | 0 |
| Pay in Lieu of Notice | (47) | 0 |
| Other Payments | (141) | 0 |
| Termination Benefits Total | 2,500 | 2,869 |

22. External Audit Fees

The Authority's appointed external auditors for the 2011/2012 financial year were the Wales Audit Office (WAO). The following fees, included in Central Services expenditure in CompLES, were incurred in relation to external audit and inspection:

| External Audit Fees | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Fees payable in respect of: | | |
| External audit services | 312 | 310 |
| Certification of grant claims and returns | 155 | 115 |
| Other services | 0 | 2 |
| Total Audit Fees | 467 | 427 |

23. National Non-Domestic Rates

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

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

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

| Non-Domestic Ratepayers Account | 2011/2012 | | | 2010/2011 | | |
|-------------------------------------|----------------|-------------------|----------------|----------------|-------------------|---------------|
| | Agency £000 | Authority £000 | Total £000 | Agency £000 | Authority £000 | Total £000 |
| Rate Debits including adjustments | 14,283 | 0 | 14,283 | 12,832 | 0 | 12,832 |
| Reliefs & Allowances | (3,478) | 0 | (3,478) | (2,486) | 0 | (2,486) |
| Refunds | 500 | 0 | 500 | 236 | 0 | 236 |
| Court Costs | 0 | 5 | 5 | 0 | 6 | 6 |
| Write Offs | (1,466) | 0 | (1,466) | 0 | 0 | 0 |
| | 9,839 | 5 | 9,844 | 10,582 | 6 | 10,588 |
| Cash Collected | (11,500) | (5) | (11,505) | (11,024) | (6) | (11,030) |
| Net In-Year NDR Transactions | (1,661) | 0 | (1,661) | (442) | 0 | (442) |

- The total non-domestic rateable value at 31 March 2012 was £33,608,209 (31 March 2011: £33,653,725).
- The national non-domestic rate multiplier for the year 2011/2012 was 0.428 (2010/2011: 0.409).

24. Council Tax

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

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

| Council Tax Transactions | 2011/2012 | | 2010/2011 | |
|--|-----------|-----------------|-----------|-----------------|
| | £000 | £000 | £000 | £000 |
| Council Tax Collected | (29,039) | | (28,133) | |
| Less: Impairment of bad & doubtful debts | (197) | | 223 | |
| Net Total Proceeds from Council Tax | | (29,236) | | (27,910) |
| Less: Gwent Police Authority Precept | 3,713 | | 3,576 | |
| Community Council Precepts | 339 | | 339 | |
| | | 4,052 | | 3,915 |
| Council Tax attributable to this Authority: | | (25,184) | | (23,995) |

24.2 Council Tax Base

The Council Tax base is calculated with reference to the number of effective properties (i.e. properties net of specific exemptions, reliefs and discounts) in each of 10 property valuation bands, multiplied by a ratio related to that valuation band. For 2011/2012, the tax base, expressed as equivalent band D properties, has been calculated as follows:

| | Band | | | | | | | | | | Total |
|---------------------------------|--------------|------------------|-----------------|-----------------|-----------------|---------------|---------------|--------------|--------------|--------------|------------------|
| | A* | A | B | C | D | E | F | G | H | I | |
| Properties | 57.00 | 18,301.00 | 7,703.00 | 2,347.00 | 1,456.00 | 771.00 | 263.00 | 42.00 | 15.00 | 6.00 | 30,961.00 |
| Exemptions, Reliefs & Discounts | (6.75) | (2,340.50) | (695.50) | (179.25) | (85.75) | (38.00) | (11.00) | (2.00) | (7.00) | (1.50) | (3,367.25) |
| Effective Properties | 50.25 | 15,960.50 | 7,007.50 | 2,167.75 | 1,370.25 | 733.00 | 252.00 | 40.00 | 8.00 | 4.50 | 27,593.75 |
| Ratio | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | 21/9 | - |
| Band D Equivalent | 27.92 | 10,640.34 | 5,450.28 | 1,926.89 | 1,370.25 | 895.89 | 364.00 | 66.67 | 16.00 | 10.50 | 20,768.74 |
| Impairment | | | | | | | | | | | (1,029.77) |
| Council Tax Base | | | | | | | | | | | 19,738.97 |

25. Precepts & Demands

25.1 Precepting Authorities

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

| Precepting Authorities | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Gwent Constabulary | 3,713 | 3,576 |
| Abertillery & Llanhilleth Community Council | 90 | 89 |
| Brynmawr Town Council | 43 | 43 |
| Nantyglo & Blaina Town Council | 68 | 68 |
| Tredegar Town Council | 138 | 139 |
| Total | 4,052 | 3,915 |

25.2 Levies & Demands by Joint Committees and Other Bodies

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

| Levies & Demands | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| Brecon Beacons National Park Authority | 33 | 34 |
| South Wales Fire Authority | 3,379 | 3,476 |
| Magistrates & Coroners Courts | 61 | 58 |
| Total: | 3,473 | 3,568 |

26. Grants and Contributions

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

| Capital Grants Credited to Services | 2011/2012 £000 | 2010/2011 £000 |
|-------------------------------------|-------------------|-------------------|
| Welsh European Funding Office | (434) | (162) |
| Welsh Government | (4,591) | (2,200) |
| Other Grants & Contributions | (381) | (405) |
| Total: | (5,406) | (2,767) |

| Capital Grants Credited to taxation and non-specific grant income | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Caerphilly County Borough Council | (51) | (468) |
| Torfaen County Borough Council | (313) | (66) |
| Welsh European Funding Office | (9,308) | (720) |
| Welsh Government | (38,302) | (88,509) |
| Other Grants & Contributions | (353) | (2,849) |
| Total: | (48,327) | (92,612) |

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

| Revenue Grants Credited to Services | 2011/2012 £000 | 2010/2011 £000 |
|---------------------------------------|-------------------|-------------------|
| Arts Council for Wales | (218) | (89) |
| Caerphilly County Borough Council | (41) | (81) |
| Coleg Gwent | (645) | (485) |
| Communities First | 0 | (22) |
| Countryside Council for Wales | (73) | (62) |
| Disability Sport Wales | (9) | (18) |
| Department for Work and Pensions | (26,046) | (20,043) |
| European Social Fund | (603) | (458) |
| Forestry Commission | (19) | (3) |
| Home Office | 0 | (111) |
| Lottery Fund | (149) | (272) |
| Merthyr Tydfil County Borough Council | (4) | (13) |
| Sub-Total: | (27,807) | (21,657) |

| Revenue Grants Credited to Services (continued) | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Sub-Total: | (27,807) | (21,657) |
| Monmouthshire County Council | (32) | (31) |
| Pembrokeshire County Council | (74) | 0 |
| Sports Council for Wales | (309) | (369) |
| Swansea City Council | 0 | (13) |
| Tai Calon Community Housing Ltd. | (64) | (28) |
| Torfaen County Borough Council | (25) | 0 |
| Welsh Government | (23,177) | (35,406) |
| Welsh Language Board | (69) | 0 |
| Welsh Local Government Association | 0 | (77) |
| Other Grants & Contributions | (62) | (136) |
| Total: | (51,619) | (57,717) |

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

| Capital Receipts in Advance | 2011/2012 £000 | 2010/2011 £000 |
|-------------------------------|-------------------|-------------------|
| Welsh European Funding Office | (111) | (2,681) |
| Welsh Government | (4,948) | (12,250) |
| Other Grants & Contributions | (33) | (99) |
| Total: | (5,092) | (15,030) |

| Revenue Receipts in Advance | 2011/2012 £000 | 2010/2011 £000 |
|-------------------------------|-------------------|-------------------|
| Arts Council for Wales | (13) | (12) |
| Countryside Council for Wales | 0 | (12) |
| Sports Council for Wales | (24) | 0 |
| Welsh Government | (191) | (1,247) |
| Other Grants & Contributions | (64) | (467) |
| Total: | (292) | (1,738) |

27. Related Parties

27.1 Central Government

Central Government has effective control over the general operations of the Authority and provides the statutory framework within which the Authority operates, the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Details of the general and specific grants received in 2011/2012 can be found in note 26; details of the amounts owed to or from central government are included in notes 36 and 35 respectively.

27.2 Silent Valley Waste Services Limited

The Authority is the sole shareholder of the waste disposal company Silent Valley Waste Services Limited (SVWS Ltd.). For the 2011/2012 financial year, the Authority's Chief Executive was a non-executive director of the company. The following related party transactions took place with SVWS Ltd. during the year:

The Authority made payments to SVWS Ltd totalling £2,989,581 in 2011/2012 (2010/2011: £1,987,975), comprising the following:

- Payments totalling £2,070,545 in relation to the collection of waste (2010/2011: £1,987,975). At 31 March 2012, the Authority owed £176,055 in relation to waste collection services (31 March 2011: £181,210 was owed).
- £799,036 was paid towards the capping and restoration of the Silent Valley site. These costs were charged to the SVWS capping provision which was specifically established for this purpose (no equivalent payments were made in 2010/2011).
- £120,000 was paid towards the construction of a transfer station (2010/2011: £0).

The Authority received income from SVWS Ltd. totalling £8,330 in 2011/2012 (2010/2011: £306,223), comprising the following:

- £8,130 was received in relation to services provided by the Authority's Chief Executive in his role as a director of SVWS Ltd. (2010/2011: £11,454). At 31 March 2012 the Authority was owed £3,471 in relation to this income (2010/2011: £0);
- No income was received in relation to royalties (2010/2011: £79,563);
- No contributions towards the future capping costs of the site were received (2010/2011: £85,795);
- No dividend income was received from SVWS Ltd. during the year (2010/2011: £125,000);
- £200 of income was received during 2011/2012 as sponsorship of the Environmental Awards (2010/2011: £400); and
- No income was received in 2011/2012 in relation to the provision of environmental services at the Silent Valley site (2010/2011: the Authority received £4,011 as payment for the control of flying insects).

Further disclosures in relation to Silent Valley Waste Services can be found in note 31.3 (Non-Current Investments - Silent Valley Waste Services Ltd.) on pages 93-96.

27.3 Capita Gwent Consultancy Limited

The Authority has a minority interest in Capita Gwent Consultancy Limited; the major shareholder being Capita Symonds. The Authority's Acting Director of Environment & Regeneration is a non-executive director. During 2011/2012, payments of £945,158 were made to Capita Gwent Consultancy Ltd. for design, supervision and consultancy work on a range of schemes including the regeneration of Abertillery town centre, reconfiguration of Mountain Road, Ebbw Vale and borough wide improvements under the Valleys Cycle Network Scheme (2010/2011: £769,747).

27.4 Members

TJ Brown & Sons funeral directors carry out pauper burials on behalf of the Authority, the approximate cost of these burials for 2011/2012 was £1,685 (£880 in 2010/2011). A Member of the Council has an interest in this company.

The Authority made payments of £6,599 to Glenn Willis Plumbing Ltd. during 2011/2012 (£4,212 in 2010/2011). The Director of the company is the son of a member of the Council.

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

Balance Sheet Notes

28. Property Plant & Equipment

28.1 Carrying Amount of Non-Current Assets

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

| Property, Plant & Equipment (Restated) | 31 March 2012 | 31 March 2011 |
|--|----------------|----------------|
| | £000 | £000 |
| Gross Carrying Amount | 289,168 | 256,937 |
| Accumulated Depreciation | (27,443) | (20,939) |
| Net Book Value | 261,725 | 235,998 |

Details of the transactions relating to the carrying amounts and depreciation of non-current assets are set out on pages 81-82.

There are currently 5 voluntary controlled schools (St Marys Church in Wales Primary, All Saints Roman Catholic, St Mary Roman Catholic, St Josephs Roman Catholic and Brynmawr Comprehensive) within the boundary of the Local Authority. The Authority does not own these assets and does not have access to them for valuation purposes and therefore has not included them in the Balance Sheet and associated disclosures.

Movements in 2011/2012:

| Property, Plant & Equipment Movements | Operational Assets | | | | | | | Total Property, Plant & Equipment £000 |
|---|---------------------------|----------------------------------|---------------------------------------|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | |
| Cost or Valuation as at 1 April 2011 | 0 | 157,989 | 9,879 | 66,438 | 132 | 1,919 | 20,580 | 256,937 |
| Appropriations | 0 | 9,185 | 0 | 239 | 0 | 2,682 | (12,106) | 0 |
| Assets reclassified to/from held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 121 | 142 | 1,690 | 0 | 0 | 1,575 | 3,528 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 449 | 0 | 0 | 0 | 102 | 0 | 551 |
| Revaluation increases/(decreases) recognised in the Provision of Services | 0 | (14,309) | 0 | 0 | 0 | 57 | 0 | (14,252) |
| Capital expenditure written off | 0 | (10,475) | (29) | (398) | (1,662) | 0 | (26) | (12,590) |
| Derecognition - disposals | 0 | 0 | (86) | 0 | 0 | 0 | 0 | (86) |
| Other movements in cost or valuation | 0 | 10,567 | (4) | 597 | 1,662 | 0 | 42,258 | 55,080 |
| Cost or Valuation as at 31 March 2012 | 0 | 153,527 | 9,902 | 68,566 | 132 | 4,760 | 52,281 | 289,168 |

| Property, Plant & Equipment Depreciation & Impairment | Operational Assets | | | | | | | Total Property, Plant & Equipment £000 |
|--|---------------------------|----------------------------------|---------------------------------------|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | |
| Accumulated Depreciation & Impairment as at 1 April 2011 | 0 | (1,856) | (6,435) | (12,620) | (4) | (24) | 0 | (20,939) |
| Depreciation charge | 0 | (4,104) | (1,058) | (1,586) | (1) | (35) | 0 | (6,784) |
| Depreciation written out to the Revaluation Reserve | 0 | 48 | 0 | 0 | 0 | 0 | 0 | 48 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appropriations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 152 | 0 | 0 | 0 | 24 | 0 | 176 |
| Derecognition - disposals | 0 | 0 | 56 | 0 | 0 | 0 | 0 | 56 |
| Accumulated Depreciation & Impairment as at 31 March 2012 | 0 | (5,760) | (7,437) | (14,206) | (5) | (35) | 0 | (27,443) |

| | | | | | | | | |
|------------------------------------|---|---------|-------|--------|-----|-------|--------|---------|
| Net Book Value as at 31 March 2012 | 0 | 147,767 | 2,465 | 54,360 | 127 | 4,725 | 52,281 | 261,725 |
| Net Book Value as at 31 March 2011 | 0 | 156,133 | 3,444 | 53,818 | 128 | 1,895 | 20,580 | 235,998 |

Movements in 2010/2011:

| Property, Plant & Equipment Movements (Restated) | Operational Assets | | | | | | | Total Property, Plant & Equipment £000 |
|---|------------------------------|-------------------------------------|--|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|
| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | |
| Cost or Valuation as at 1 April 2010 | 184,613 | 185,478 | 11,132 | 60,190 | 107 | 773 | 9,785 | 452,078 |
| Appropriations | 0 | 7,072 | 0 | 4,640 | 0 | 616 | (12,328) | 0 |
| Assets reclassified to/from held for sale | 0 | 0 | 0 | 0 | 0 | 242 | 0 | 242 |
| Additions | 0 | 273 | 403 | 1,526 | 0 | 0 | 2,872 | 5,074 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 4,400 | 0 | 0 | 25 | 391 | 0 | 4,816 |
| Revaluation increases/(decreases) recognised in the Provision of Services | 0 | (38,415) | (508) | 0 | 0 | (103) | 0 | (39,026) |
| Capital expenditure written off | (1,439) | (17,833) | (7) | (375) | (3,544) | 0 | 0 | (23,198) |
| Derecognition - disposals | (184,613) | (820) | (1,180) | 0 | 0 | 0 | 0 | (186,613) |
| Other movements in cost or valuation | 1,439 | 17,834 | 39 | 457 | 3,544 | 0 | 20,251 | 43,564 |
| Cost or Valuation as at 31 March 2011 | 0 | 157,989 | 9,879 | 66,438 | 132 | 1,919 | 20,580 | 256,937 |

| Property, Plant & Equipment Depreciation & Impairment (Restated) | Operational Assets | | | | | | | Total Property, Plant & Equipment £000 |
|--|------------------------------|-------------------------------------|--|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|
| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | |
| Accumulated Depreciation & Impairment as at 1 April 2010 | (32,697) | (9,275) | (6,593) | (11,022) | (3) | 0 | 0 | (59,590) |
| Depreciation charge | (2,992) | (4,943) | (1,089) | (1,598) | (1) | (53) | 0 | (10,676) |
| Depreciation written out to the Revaluation Reserve | 0 | 6,933 | 0 | 0 | 0 | 5 | 0 | 6,938 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 638 | 0 | 0 | 0 | 0 | 0 | 638 |
| Appropriations | 0 | 222 | 0 | 0 | 0 | (222) | 0 | 0 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 4,097 | 70 | 0 | 0 | 246 | 0 | 4,413 |
| Derecognition - disposals | 35,689 | 472 | 1,177 | 0 | 0 | 0 | 0 | 37,338 |
| Accumulated Depreciation & Impairment as at 31 March 2011 | 0 | (1,856) | (6,435) | (12,620) | (4) | (24) | 0 | (20,939) |

| | | | | | | | | |
|------------------------------------|---------|---------|-------|--------|-----|-------|--------|---------|
| Net Book Value as at 31 March 2011 | 0 | 156,133 | 3,444 | 53,818 | 128 | 1,895 | 20,580 | 235,998 |
| Net Book Value as at 31 March 2010 | 151,916 | 176,203 | 4,539 | 49,168 | 104 | 773 | 9,785 | 392,488 |

Note: Property, Plant & Equipment prior year figures have been restated for the following:

- Inclusion of Impairment amounts in 'Depreciation & Impairment'; previously included in 'Cost or Valuation';
- Correction of the cumulative effect of rounding adjustments in previous years (surplus assets and assets under construction); and
- Reclassification to Other Land and Buildings of transactions incorrectly disclosed against Council Dwellings in 2010/2011.

28.2 Depreciation Methods and Useful Lives

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

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

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

| Asset Type | Standard Life (Years) |
|------------------------|-----------------------------|
| Council Dwellings | 25 |
| Vehicles | 5 |
| Equipment ¹ | 10 |
| I.T. Equipment | 5 |
| Infrastructure Assets | 40 |
| Street Lighting | 40 |

¹: In some cases the relevant technical officer may provide a different assessment of the useful life.

28.3 Capital Commitments

Within the Authority's 2011/2012 capital programme, £51.041m relates to schemes that were contractually committed as at 31 March 2012 (£33.943m contractually committed as at 31 March 2011), as detailed below.

| Capital Commitments | Commitment | Estimated | Commitment | Estimated |
|---|----------------------------|--|----------------------------|--|
| | Value 2011/2012 £000 | Timescale for Completion No of Years | Value 2010/2011 £000 | Timescale for Completion No of Years |
| ARBED - Energy Efficiency Programme | 1,246 | 1 | 3,290 | 1 |
| Learning Works - Learning Zone (Leadbitter) | 10,446 | 1 | 21,615 | 2 |
| Regeneration of Former Steelworks Site | 3,079 | 1 | 3,084 | 1 |
| Replacement of Ysgol Gymraeg School | 128 | 1 | 128 | 1 |
| Learning Works - Leisure Centre (Willmott Dixon) | 14,492 | 2 | 0 | 0 |
| Learning Works - Multi Storey Car Park (Willmott Dixon) | 4,528 | 2 | 0 | 0 |
| Learning Works - 3-11 / SEN/ ICC (Leadbitter) | 7,111 | 1 | 0 | 0 |
| Highways Maintenance Works (Tarmac) | 5,746 | 3 | 0 | 0 |
| The Works - Cold Mill & Hot Mill Infrastructure | 936 | 1 | 0 | 0 |
| Other* | 3,329 | | 5,826 | |
| Total | 51,041 | | 33,943 | |

Other: This includes various schemes e.g. Learning Works 11-16 school, Abertillery Town Centre Regeneration, 3G sports pitches, General Offices Refurbishment etc.*

Note: The redevelopment of the former steelworks site requires consultancy support to implement the scheme. Consultants have been competitively procured, however there is no formal contract in place and it is difficult to commit for the expected cost of these fees due to the complexity of the scheme. As at the 31 March 2012, the Authority had spent £17.987m on these consultancy costs; there is no commitment included in the disclosed figures for this expenditure.

28.4 Revaluations

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

In 2011/2012, a number of education and leisure assets (on which material capital expenditure had been incurred during the year) were revalued by the Authority's Principal Estates Officer, P.J. Miles BSc. (Hons), MRICS. In addition, Savills were commissioned to carry out the valuation of The Works development site in Ebbw Vale. The valuations required in 2011/2012 were significantly lower than previous years due to the transfer of housing stock in 2010.

Valuations were carried out using the bases outlined in the Accounting Policies (page 45), in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors and resulted in a net decrease in value to the Authority's assets of £13.07 million.

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

All assets subject to revaluation during 2011/2012, along with an asset from each different class of asset have been assessed for material components. The revaluations of those components, where considered to be material are included in the figures below for 2011/2012.

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

| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2008 £000 | Total £000 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|
| Non-Current Asset Valuations | | | | | | |
| Current Value: | | | | | | |
| Council Dwellings | 0 | 0 | 0 | 0 | 50 | 50 |
| Shops | 0 | 0 | 0 | 397 | 0 | 397 |
| Heritage Assets | 413 | 0 | 0 | 0 | 0 | 413 |
| Other Land & Buildings | 24,118 | 170,427 | 95,947 | 202,128 | 171,701 | 664,321 |
| Community Assets | 0 | 25 | 5 | 6 | 0 | 36 |
| | 24,531 | 170,452 | 95,952 | 202,531 | 171,751 | 665,217 |
| Historic Cost: | | | | | | |
| Infrastructure | 0 | 0 | 0 | 0 | 50 | 50 |
| Vehicles Plant & Equipment | 142 | 206 | 516 | 660 | 921 | 2,445 |
| | 142 | 206 | 516 | 660 | 971 | 2,495 |
| Total cost or valuation: | 24,673 | 170,658 | 96,468 | 203,191 | 172,722 | 667,712 |

28.5 Capital Expenditure and Financing

Of the £65.503m capital investment made in 2011/2012, £53.339m was financed in-year through the application of capital receipts, government grants and contributions from revenue. The remaining £12.164m capital financing requirement has been funded through borrowing, as indicated below:

| Capital Expenditure & Financing | 2011/2012 | | 2010/2011 | |
|--|-----------|---------------|-----------|--------------|
| | £000 | £000 | £000 | £000 |
| Capital Investment: Property, Plant & Equipment | 58,562 | | 48,153 | |
| Intangible Fixed Assets | 0 | | 47 | |
| REFCUS | 6,941 | | 7,418 | |
| | | 65,503 | | 55,618 |
| Sources of Finance: | | | | |
| Revenue Provision | (610) | | (497) | |
| Capital expenditure charged to the Council Fund | 0 | | 0 | |
| Capital Receipts | (2,600) | | (264) | |
| Government Grants & Other Contributions | (50,129) | | (51,094) | |
| | | (53,339) | | (51,855) |
| Increase in capital financing requirement: | | 12,164 | | 3,763 |
| Explanation of in-year movements: | | | | |
| Borrowing Supported by Government Financial Assistance | | 4,433 | | 2,587 |
| Borrowing Unsupported by Government Financial Assistance | | 7,731 | | 1,176 |
| Total borrowing: | | 12,164 | | 3,763 |

29. Heritage Assets

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

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

These monuments have been valued on an insurance replacement cost basis and were formerly included within Community Assets with a nominal value totalling £2.

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

| Heritage Assets | 2011/2012 | | 2010/2011 (Restated) | |
|---|-----------|--------------|----------------------|--------------|
| | Monuments | Total Assets | Monuments | Total Assets |
| | £000 | £000 | £000 | £000 |
| Valuation as at 1 April | 413 | 413 | 413 | 413 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| Revaluation increase/decrease | 0 | 0 | 0 | 0 |
| Impairment Losses recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 |
| Impairment Losses recognised in the Surplus or Deficit | 0 | 0 | 0 | 0 |
| Depreciation | 0 | 0 | 0 | 0 |
| Valuation as at 31 March | 413 | 413 | 413 | 413 |

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

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

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

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

29.1 Heritage Assets: Effect of Change in Accounting Policy

The Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £2 should now be recognised as heritage assets and measured at £0.413m with corresponding increases in the Revaluation Reserve of £0.211m and the Capital Adjustment Account of £0.202m. These assets relate to monuments which were previously recognised in the community assets classification of property, plant and equipment. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/2011 comparative figures have thus been restated in the 2011/2012 Statement of Accounts to apply the new accounting policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £0.413 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £2. The revaluation reserve has increased by £0.211 million; the capital adjustment account has increased by £0.202 million.
- The fully restated 1 April 2010 Balance Sheet is provided on pages 33-34. The adjustments that have been made to that Balance Sheet over the version published in the 2010/2011 Statement of Accounts are as follows:

| Restatement of opening Balance Sheet | Opening Balances as at | | Restated |
|--------------------------------------|------------------------|--------------|------------------------|
| | 1 April 2010 | Restatement | Opening Balances as at |
| | £000 | £000 | 1 April 2010 £000 |
| Property, Plant & Equipment | 392,487 | 0 | 392,487 |
| Heritage Assets | 0 | 413 | 413 |
| Other Non Current Assets | 217,763 | 0 | 217,763 |
| Current Assets | 44,679 | 0 | 44,679 |
| Current Liabilities | (42,897) | 0 | (42,897) |
| Non Current Liabilities | (540,899) | 0 | (540,899) |
| Total Net Assets | 71,133 | 413 | 71,546 |
| Usable Reserves | (42,034) | 0 | (42,034) |
| Unusable Reserves | (29,099) | (413) | (29,512) |
| Total Reserves | (71,133) | (413) | (71,546) |

There have been no additions, disposals, revaluations or impairments of Heritage Assets further to their initial recognition at 1 April and the assets have not been depreciated. Consequently there are no amendments to the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement for 2010/2011.

30. Leases

30.1 Authority as Lessee - Finance Leases

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

| Lessee: Finance Lease Acquisitions | 31 March 2012 £000 | 31 March 2011 £000 |
|------------------------------------|-----------------------|-----------------------|
| Other Land & Buildings | 0 | 0 |
| Vehicles, Plant & Equipment | 1,075 | 1,396 |
| Total | 1,075 | 1,396 |

The Authority is committed to making minimum payments under these leases comprising settlement of the non-current liability for the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| Finance Lease Minimum Payments | 31 March 2012 £000 | 31 March 2011 £000 |
|---------------------------------------|-----------------------|-----------------------|
| Finance lease liability | 852 | 1,051 |
| Finance costs payable in future years | 216 | 258 |
| Minimum lease payments | 1,068 | 1,309 |

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

| Minimum Lease Payments | 31 March 2012 | | 31 March 2011 | |
|--|------------------------|---------------------------|------------------------|---------------------------|
| | Minimum Lease Payments | Finance Lease Liabilities | Minimum Lease Payments | Finance Lease Liabilities |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 420 | 339 | 463 | 374 |
| Later than 1 year and not later than 5 years | 645 | 512 | 832 | 667 |
| Later than 5 years | 3 | 1 | 14 | 10 |
| Total | 1,068 | 852 | 1,309 | 1,051 |

30.2 Authority as Lessee - Operating Leases

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

| Operating Lease Minimum Payments | 31 March 2012 | | 31 March 2011 | |
|--|-----------------------------|------------------------|-----------------------------|------------------------|
| | Vehicles, plant & equipment | Other land & buildings | Vehicles, plant & equipment | Other land & buildings |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 173 | 237 | 254 | 276 |
| Later than 1 year and not later than 5 years | 210 | 875 | 274 | 897 |
| Later than 5 years | 0 | 2,809 | 0 | 3,024 |
| Total Minimum Lease Payments | 383 | 3,921 | 528 | 4,197 |

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

| Operating Leases | 2011/2012 | | 2010/2011 | |
|------------------------|-----------------------------|------------------------|-----------------------------|------------------------|
| | Vehicles, plant & equipment | Other land & buildings | Vehicles, plant & equipment | Other land & buildings |
| | £000 | £000 | £000 | £000 |
| Minimum lease payments | 337 | 237 | 296 | 276 |
| Total | 337 | 237 | 296 | 276 |

30.3 Authority as Lessor - Finance Leases

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

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

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

| Finance Lease Debtor | 31 March 2012 | 31 March 2011 |
|---|------------------------|------------------------|
| | Other land & buildings | Other land & buildings |
| | £000 | £000 |
| Current | 79 | 0 |
| Non Current | 3,766 | 0 |
| Unearned Finance Income | 0 | 0 |
| Unguaranteed Residual Value of Property | 0 | 0 |
| Total | 3,845 | 0 |

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

| | Gross Investment in Lease | | Minimum Lease Payments | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | Other land & buildings £000 | Other land & buildings £000 | Other land & buildings £000 | Other land & buildings £000 |
| Finance Leases - Lessor | | | | |
| Not later than one year | 79 | 0 | 256 | 0 |
| Later than 1 year and not later than 5 years | 317 | 0 | 1,023 | 0 |
| Later than 5 years | 3,449 | 0 | 11,102 | 0 |
| Total | 3,845 | 0 | 12,381 | 0 |

30.4 Authority as Lessor - Operating Leases

The Authority leases out land and buildings under operating leases.

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

| | 31 March 2012 £000 | 31 March 2011 £000 |
|--|-----------------------|-----------------------|
| Operating Lease Minimum Payments | | |
| Not later than one year | 183 | 183 |
| Later than 1 year and not later than 5 years | 448 | 541 |
| Later than 5 years | 506 | 593 |
| Total Minimum Lease Payments | 1,137 | 1,317 |

31. Non-Current Investments

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

31.1 Summary of Non-Current Investments in Balance Sheet

| Non-Current Investments | 31 March 2012 £000 | 31 March 2011 £000 |
|--------------------------------------|-----------------------|-----------------------|
| Pensions Asset | 217,244 | 217,622 |
| Silent Valley Waste Services Ltd. | 250 | 250 |
| Total Non-Current Investments | 217,494 | 217,872 |

31.2 Pensions-Related Investments

Included in the Balance Sheet is the Authority's apportioned share of assets relating to the Local Government Pension Scheme, a funded scheme in which it is a participant. These assets represent the net cash inflows/outflows to the scheme relating to Blaenau Gwent CBC employees, adjusted for investment performance, as notified by the scheme actuary (reduced by unpaid employers contributions). There are no assets relating to the Teachers Pension Scheme as this is an unfunded pension scheme.

Further details of movements in the pension-related assets can be found in note 42, page 118 (Post-Employment Benefits - Defined Benefit Plans).

31.3 Silent Valley Waste Services Ltd. (SVWS)

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

At 31 March 2012, the company had six registered directors, one of whom was an 'alternate director' to ensure that board meetings were quorate and the parent Authority was always represented. The parent Authority's Chief Executive is one of the directors of the company; the board of directors has overall responsibility for the management of the company. In May 2012, the Company was restructured, reducing its board members from six to four (three of whom, D. Waggett, J. Parsons and D. McAuliffe, are employees of BGCBC).

The principal activities of the company are waste management, disposal and ancillary services such as recycling and waste collection.

Recent events in respect of Silent Valley Waste Services Ltd. concluded with the Environment Agency Wales issuing a closure notice for the landfill site at Cwm, Ebbw Vale. On 22 August 2011, the site stopped accepting waste to landfill.

The Authority is continuing to work on an interim residual waste disposal and treatment procurement contract jointly with its neighbour, Torfaen CBC. There have been unavoidable delays to this project resulting in the Authority having to ask Silent Valley Waste Services Ltd. to source a disposal option from the 1 April 2012 for an initial 3 month period, which will be subject to monthly extensions thereafter. Further delays to the joint project have threatened the Authority's position with regards to meeting the European Landfill Allowance target as well as the Welsh Government's targets for 2012/2013. Therefore these arrangements will need to be varied to include options around increasing recycling and landfill diversion until such time that the interim contract commences. Silent Valley Waste Service Ltd. continues to manage the Waste Transfer Station and the associated bulking and transportation of the Authority's waste at this facility, the Authority's three Civic Amenity Sites and the operations at the Leachate Lagoon.

In July 2012, the audit of the Accounts of Silent Valley Waste Services Ltd. was completed for the 2011/2012 financial year and was approved by the Board of Directors. The following pages contain extracts from the company's 2011/2012 financial statements.

Further information can be obtained from:

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

Silent Valley Waste Services Ltd. Profit and Loss Account:

| SVWS Ltd Profit & Loss Account | 2011/2012 | | 2010/2011 | |
|---|-----------|---------|-----------|---------|
| | £000 | £000 | £000 | £000 |
| Continuing Operations | (1,616) | | (825) | |
| Discontinued Activities | (2,339) | | (6,503) | |
| Turnover | | (3,955) | | (7,328) |
| Cost of sales | | 3,711 | | 6,309 |
| Gross Profit | | (244) | | (1,019) |
| Administrative expenses | 653 | | 900 | |
| Other operating income | (195) | | (176) | |
| | | 458 | | 724 |
| Continuing Operations | (219) | | (103) | |
| Discontinued Activities | 433 | | (192) | |
| Operating (Profit)/Loss | | 214 | | (295) |
| Other finance costs | | 2 | | 20 |
| (Profit)/Loss on Ordinary Activities before Interest | | 216 | | (275) |
| Interest receivable and similar income | (184) | | (147) | |
| Interest payable and similar charges | 67 | | 153 | |
| | | (117) | | 6 |
| (Profit)/Loss on Ordinary Activities before Taxation | | 99 | | (269) |
| Tax on profit on ordinary activities | | (19) | | 24 |
| (Profit)/Loss for the Financial Year after Taxation | | 80 | | (245) |

The following additional gains and losses have been recognised in the accounts of Silent Valley Waste Services Ltd.:

| SVWS Ltd Total Recognised (Gains)/Losses | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| (Profit)/Loss for the Financial Year | 80 | (245) |
| Actuarial (gains)/losses on pension scheme | 109 | (208) |
| Movement on deferred tax relating to pension liability | 0 | 148 |
| Total Recognised (Gains)/Losses relating to the year: | 189 | (305) |

Summarised in-year cashflows to and from Silent Valley Waste Services Ltd. were as follows:

| SVWS Ltd Cash Flow | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Net Cash Inflow from Revenue Activities | 680 | 679 |
| Returns on Investments and Servicing of Finance | 117 | (6) |
| Taxation | (36) | 9 |
| Capital Expenditure | 50 | (81) |
| Equity Dividends paid | 0 | (125) |
| Increase in Cash | 811 | 476 |

Silent Valley Waste Services Ltd. Summarised Balance Sheet:

| SVWS Ltd Summary Balance Sheet | 31 March 2012 | | 31 March 2011 | |
|---|---------------|---------|---------------|---------|
| | £000 | £000 | £000 | £000 |
| Non-Current Assets: | | 107 | | 168 |
| Current Assets: | 11,211 | | 11,423 | |
| Current Liabilities: | (144) | | (528) | |
| Net Current Assets/(Liabilities): | | 11,067 | | 10,895 |
| Total Assets less Current Liabilities: | | 11,174 | | 11,063 |
| Non-Current Liabilities: | | (6,902) | | (6,708) |
| Net Assets excluding pension liability: | | 4,272 | | 4,355 |
| Pension Liability | | (334) | | (228) |
| Net Assets/(Liabilities) including pension liability: | | 3,938 | | 4,127 |
| Capital and Reserves | | | | |
| Called Up Share Capital | | (1) | | (1) |
| Profit and Loss Account | | (3,937) | | (4,126) |
| Equity Shareholders' Funds: | | (3,938) | | (4,127) |

32. **Non-Current Debtors**

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

| Non Current Debtors | 2011/2012 | 2010/2011 |
|-----------------------------------|--------------|------------|
| | £000 | £000 |
| County Archives Lease Debtor | 3,766 | 0 |
| Newport City Council Managed Debt | 183 | 210 |
| Properties in Possession | 3 | 3 |
| Sale of Council Houses Advances | 23 | 30 |
| Total Non Current Debtors | 3,975 | 243 |

33. Assets Held for Sale

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

Transactions relating to these assets were as follows:

| Assets Held for Sale | 2011/2012 | | 2010/2011 | |
|---|-----------------|---------------------|-----------------|---------------------|
| | Current £000 | Non Current £000 | Current £000 | Non Current £000 |
| Balance Outstanding at Start of Year | 330 | 0 | 1,683 | 0 |
| Assets newly classified as held for sale: | | | | |
| Property, Plant & Equipment | 0 | 0 | 0 | 0 |
| Property, Plant & Equipment Surplus | 0 | 0 | 67 | 0 |
| Additions | 0 | 0 | 0 | 0 |
| Revaluation Losses | 0 | 0 | 0 | 0 |
| Revaluation Gains | 0 | 0 | 0 | 0 |
| Assets declassified as held for sale: | | | | |
| Property, Plant & Equipment | 0 | 0 | (310) | 0 |
| Assets Sold: | 0 | 0 | (1,110) | 0 |
| Balance Outstanding at Year-end | 330 | 0 | 330 | 0 |

In 2011/2012, no transactions relating to assets held for sale were included in the Comprehensive Income and Expenditure Statement. (In 2010/2011, the ComplES net gain on disposal of assets included £1.110m of asset valuations written off on disposal together with associated capital receipts of £1.188m, giving a gain on disposal of assets held for sale of £0.078m).

34. Inventories

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

| Inventories | General Stores £000 | Transport Stores £000 | Street Lighting £000 | Monwel Hankinson £000 | Catering & Cleaning Stocks £000 | Theatres & Cinemas £000 | Other £000 | Total £000 |
|--------------------------------------|------------------------|--------------------------|-------------------------|--------------------------|------------------------------------|----------------------------|---------------|---------------|
| Balance at 1 April 2010 | 540 | 338 | 401 | 107 | 160 | 8 | 247 | 1,801 |
| Purchases | 1,609 | 960 | 330 | 386 | 1,381 | 29 | 28 | 4,723 |
| Recognised as an expense in the year | (1,448) | (914) | (443) | (379) | (1,391) | (33) | (246) | (4,854) |
| Written off balances | (108) | 0 | 0 | 0 | 0 | 0 | 0 | (108) |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2011 | 593 | 384 | 288 | 114 | 150 | 4 | 29 | 1,562 |
| Purchases | 1,478 | 821 | 956 | 268 | 1,290 | 32 | 18 | 4,863 |
| Recognised as an expense in the year | (1,574) | (800) | (714) | (296) | (1,297) | (27) | (37) | (4,745) |
| Written off balances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2012 | 497 | 405 | 530 | 86 | 143 | 9 | 10 | 1,680 |

35. Debtors

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

| Debtors | 31 March 2012 | 31 March 2011 |
|-----------------------------------|---------------|---------------|
| | £000 | £000 |
| Central Government | | |
| Welsh Government | 25,911 | 20,798 |
| European Funding Bodies | 6,080 | 3,409 |
| HM Revenue & Customs | 2,959 | 3,293 |
| | 34,950 | 27,500 |
| Local Authorities | | |
| Caerphilly County Borough Council | 311 | 100 |
| Monmouthshire County Council | 528 | 27 |
| Newport City Council | 78 | 73 |
| Torfaen County Borough Council | 922 | 72 |
| Other | 53 | 48 |
| | 1,892 | 320 |
| NHS | | |
| Aneurin Bevan Local Health Board | 677 | 579 |
| | 677 | 579 |
| Other Debtors | | |
| Council Tax | 2,447 | 2,249 |
| Other Entities and Individuals | 9,994 | 13,583 |
| | 12,441 | 15,832 |
| Total Debtors: | 49,960 | 44,231 |

Outstanding debtor balances can also be analysed as follows:

| Debtors | 31 March 2012 | 31 March 2011 |
|-----------------------|---------------|---------------|
| | £000 | £000 |
| Prepayments | 580 | 516 |
| Related Parties | 5 | (19) |
| Trade Customers | 759 | 432 |
| Other Debtors | 48,616 | 43,302 |
| Total Debtors: | 49,960 | 44,231 |

Where possible, debtor balances have been written down to eliminate outstanding sums that are deemed to be irrecoverable. Impairment allowance accounts have been established for the following debtors, to provide for the calculated amount of bad or doubtful debts.

| Debtor Impairment | 31 March 2012 | | | 31 March 2011 |
|-------------------------|---------------|----------------|--------------|---------------|
| | Debtor | Impairment | Net | Net |
| | £000 | £000 | £000 | £000 |
| Land & Property Charges | 2,161 | (1,739) | 422 | 0 |
| Council Tax | 4,401 | (1,954) | 2,447 | 2,249 |
| Sundry Debtors | 5,725 | (920) | 4,805 | 7,580 |
| Dangerous Structures | 163 | (163) | 0 | 0 |
| Housing Benefits | 137 | (38) | 99 | 375 |
| Total | 12,587 | (4,814) | 7,773 | 10,204 |

36. Creditors

Amounts owed by the Authority were as follows:

| Creditors | 31 March 2012 £000 | 31 March 2011 £000 |
|-----------------------------------|-----------------------|-----------------------|
| Central Government | | |
| Welsh Government | (7,800) | (14,723) |
| European Funding Bodies | (111) | (2,681) |
| Public Works Loan Board | (839) | (719) |
| | (8,750) | (18,123) |
| Local Authorities | | |
| Caerphilly County Borough Council | (118) | (4) |
| Monmouthshire County Council | (31) | (96) |
| Newport City Council | (10) | (29) |
| Torfaen County Borough Council | (168) | (223) |
| Other | (294) | (713) |
| | (621) | (1,065) |
| NHS | | |
| Aneurin Bevan Local Health Board | (49) | (125) |
| Other | 0 | 0 |
| | (49) | (125) |
| Other Creditors | | |
| Capital Creditors | (166) | (1,658) |
| Council Tax Payers Credits | (738) | (793) |
| Other Entities and Individuals | (8,551) | (9,953) |
| | (9,455) | (12,404) |
| Total Creditors: | (18,875) | (31,717) |

Outstanding creditor balances can also be analysed as follows:

| Creditors | 31 March 2012 £000 | 31 March 2011 £000 |
|---------------------|-----------------------|-----------------------|
| Receipts in Advance | (5,384) | (16,768) |
| Related Parties | (178) | (231) |
| Trade Customers | (730) | (4,010) |
| Other Creditors | (12,583) | (10,708) |
| Total | (18,875) | (31,717) |

37. Provisions, Contingent Liabilities and Contingent Assets

37.1 Provisions

The Authority holds the following provisions:

| Provision | Purpose | Timescale for Utilisation | Uncertainties, Assumptions and Potential Reimbursement |
|--|--|--|---|
| Back Pay | To provide for amounts estimated in relation to back pay claims. | To be utilised from 2012/2013 on settlement of claims. | The Authority still faces an ongoing financial risk in relation to the settlement of outstanding potential claims. The sum included in the provision for back pay represents a reasonable estimate of the possible financial impact of the liability arising from these claims, although the timing of settlement of these claims is inherently uncertain. There are diverging legal views and uncertainty regarding the need to recognise a provision in respect of pension contributions on equal pay settlements. The Authority has decided to include pension contributions, but future legal opinion may change this position. |
| Carbon Reduction Commitment | To provide for purchase of allowances arising from in year production of carbon emissions. | To be utilised in 2012/2013. | Provision is based on relevant utility readings for 2011/2012, some of which have been estimated. |
| Early Terminations | To provide for known sums in relation to early terminations where these had been approved prior to the end of the financial year. | Redundancy payments expected to be settled by August 2012. | The provision for early terminations comprises the known value of redundancy payments occurring after 31 March 2012 for which a legal or constructive obligation existed at that date. This obligation may have been through approval of the individual redundancies or through a decision that has a material impact on the structure or functions of the Authority. It is assumed that all employees included within the provision will have left during the next financial year. |
| Employment Tribunal | To pay amounts agreed by employment tribunal. | To be utilised in 2012/2013. | No uncertainties, assumptions or reimbursement relating to this provision. |
| Job Evaluation Back Pay & Compensation | To provide for the costs of back pay and compensation payable to employees as a result of the Job Evaluation Process. | To be substantially utilised by September 2012. | In the majority of cases, offers of compensation and back pay lapsed following the final COT3 signing sessions in August 2012. It has been assumed that there are no further financial obligations relating to these declined offers. |
| Short Term Compensated Absences | To provide for known liabilities arising from the costs of accruing staff leave, flexi-time and lieu time balances at the end of the financial year. | To be utilised in 2012/2013. | In some cases the accrual is based on estimates of annual leave/ flexi leave entitlements. It has been assumed that entitlement data provided is accurate and up to date. |
| Silent Valley Capping Costs | To fund the future costs of capping the Silent Valley waste site. | To be utilised from 2012/2013 on progression of capping works. | The full extent of capping costs at the Silent Valley Waste Site are currently being assessed by independent valuers. |
| Insurance | To provide for known insurance liabilities. | To be utilised from 2012/2013 on settlement of claims. | The amount and timing of settlement of insurance claims are inherently uncertain. It has been assumed that the timing and value of the settlement of future claims will be similar to known claims history. As all known claims fall below the Authority's excess level(s) there is not expected to be any reimbursement by the Authority's insurers. |
| Reservoir Act | To provide for known costs of studies and investigations arising from Environment Agency enforcement notices. | Anticipated completion of Phase 1 Studies in 2012/2013. | This provision is for an estimated sum and there are uncertainties relating to when Phase 1 Studies will be completed. The Authority is pursuing appropriate cost reimbursement from the owners. |

Movements in these provisions during 2011/2012 were as follows:

| Provision Movements | Balance at 1 April 2010 £000 | Net Movements 2010/2011 £000 | Balance at 1 April 2011 £000 | Additional Provisions made in 2011/2012 £000 | Amounts Used in 2011/2012 £000 | Unused Amounts Reversed in 2011/2012 £000 | Unwinding of Discount in 2011/2012 £000 | Balance at 31 March 2012 £000 |
|--|------------------------------------|---------------------------------------|------------------------------------|--|---|---|--|-------------------------------------|
| Current Provisions | | | | | | | | |
| Employee Provisions: | | | | | | | | |
| Back Pay | (1,000) | 0 | (1,000) | (1,366) | 71 | 0 | 0 | (2,295) |
| Early Terminations | (692) | 361 | (331) | (1,029) | 331 | 0 | 0 | (1,029) |
| Employment Tribunal | 0 | 0 | 0 | (201) | 0 | 0 | 0 | (201) |
| Job Evaluation Back Pay & Compensation | 0 | 0 | 0 | (2,633) | 0 | 0 | 0 | (2,633) |
| Short Term Compensated Absences | (2,177) | (48) | (2,225) | (2,289) | 2,225 | 0 | 0 | (2,289) |
| Other Provisions: | | | | | | | | |
| Carbon Reduction Commitment | 0 | 0 | 0 | (167) | 0 | 0 | 0 | (167) |
| Insurance | (864) | 257 | (607) | (150) | 212 | 93 | 0 | (452) |
| Reservoir Act | 0 | (300) | (300) | 0 | 0 | 0 | 0 | (300) |
| | (4,733) | 270 | (4,463) | (7,835) | 2,839 | 93 | 0 | (9,366) |
| Non-Current Provisions | | | | | | | | |
| Silent Valley Capping Costs | (1,532) | (134) | (1,666) | 0 | 799 | 0 | (42) | (909) |
| Insurance | (1,613) | 335 | (1,278) | (352) | 337 | 459 | 0 | (834) |
| | (3,145) | 201 | (2,944) | (352) | 1,136 | 459 | (42) | (1,743) |
| Total Provisions: | (7,878) | 471 | (7,407) | (8,187) | 3,975 | 552 | (42) | (11,109) |

37.2 Contingent Liabilities

- On 1 April 1996, Newport City Council took over management of the Gwent County Council insurance fund and its liabilities. The level of this fund (presently £0.776m, of which £0.126m is attributable to Blaenau Gwent) is maintained to meet all known claims at their currently estimated settlement values, although the timing and value of these settlements is uncertain. In the event that the fund proves insufficient to meet the liabilities, all unitary authorities in the Gwent area have signed an agreement to contribute to the deficit. A sum of £0.3m is included within the Authority's insurance reserve to offset the estimated liability arising from these outstanding claims.

- In January 1994, a contingent Scheme of Arrangement (SOA) became effective under section 425 of the Companies Act, further to the run-off entered into by Municipal Mutual Insurance (MMI) in September 1992 when its net assets fell below the minimum solvency requirement. This SOA allows for the clawback of sums from local authorities should MMI not have sufficient funds available to pay remaining claims. In addition, the Authority would be responsible for paying a percentage towards future claims, potentially for many years due to the inherent long-tail nature of the insured risks. The most recent MMI account statement was again cautious regarding the expected solvent run-off, which is dependent on the successful resolution of litigation and other uncertainties. The Supreme Court judgement of 28 March 2012 in respect of mesothelioma claims is unlikely to have improved the solvency position and makes triggering of the Scheme more probable. However, given the uncertainty regarding the timing and amount of potential liabilities, the Authority has chosen to set aside an amount within the Insurance Reserve rather than establish a specific provision.
- As part of the legal agreements associated with the transfer of the Authority's Housing Stock to Tai Calon, a number of warranties and indemnities have been provided for areas covering environmental, asbestos and redevelopment issues. Where appropriate, potential liabilities that could arise have been mitigated by obtaining insurance policies. For non-insured liabilities, the extent of each indemnity has been capped. At this stage, there have been no claims associated with the warranties provided and it is not possible to determine the extent and value of claims that may arise in the future.
- Although not the owner of the site, the Authority has joint and several liability for works required to Waun Pond arising from enforcement notices served by the Environment Agency. Until a full range of studies and investigations have been completed it is not possible to accurately determine the cost of works involved. A provision has been established to cover the cost of these studies. The Authority is also seeking to recover an appropriate share of the costs from the owners of the site.
- The Authority is currently in discussion with a major contractor regarding the resolution of a final account contract value for land reclamation works previously undertaken on the Works site. The Authority has indicated its preference to resolve this issue through a managed adjudication process. In March 2012, the agreed adjudicator dismissed all the first phase of claims submitted by the contractor, amounting to £1.282m plus interest. The contractor intends to refer this decision to arbitration and has also indicated their intention to submit a further claim for adjudication.
- The Learning Zone lease between the Authority and Coleg Gwent is yet to be formally agreed. This could include an agreed basis for sharing collateral warranty costs in the event of contractor failure, if the contractor warranty is insufficient to cover any defect costs.
- In relation to the Ebbw Valley Railway Project, the Authority has received a number of Part 1 claims arising under the 1973 Land Compensation Act. It is not yet possible to determine the final number and value of these claims in compliance with the Act and the extent to which any settlement will be made.

37.3 Contingent Assets

No contingent assets have been identified.

38. Non-Current Liabilities

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

| Non Current Liabilities | 2011/2012 | 2010/2011 |
|--------------------------------------|------------------|------------------|
| | £000 | £000 |
| Deferred Liabilities | (790) | (1,060) |
| Pensions Liability | (385,222) | (357,389) |
| Total Non Current Liabilities | (386,012) | (358,449) |

39. Financial Instruments

Fair Value of Assets and Liabilities Carried at Amortised Cost

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

The fair values calculated are as follows:

| Financial Assets | 31 March 2012 | | 31 March 2011 | |
|---|----------------|--------------|----------------|---------------|
| | Nominal Amount | Fair Value | Nominal Amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Temporary Investments - Cash Deposits | 6,000 | 6,000 | 18,000 | 18,000 |
| Temporary Investments - Fixed Term Deposits | 0 | 0 | 0 | 0 |
| War Bonds | 4 | 4 | 4 | 4 |
| Total | 6,004 | 6,004 | 18,004 | 18,004 |

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

| Financial Liabilities | 31 March 2012 | | 31 March 2011 | |
|-----------------------|------------------|------------------|-----------------|-----------------|
| | Nominal Amount | Fair Value | Nominal Amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| PWLB loans - maturity | (77,591) | (83,943) | (77,591) | (74,837) |
| PWLB loans - annuity | (576) | (674) | (664) | (730) |
| LOBO loan | (4,000) | (4,239) | (4,000) | (4,627) |
| Newport Debt | (166) | (166) | (240) | (240) |
| Temporary Loans | (37,080) | (36,949) | (11,460) | (11,529) |
| Total | (119,413) | (125,971) | (93,955) | (91,963) |

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

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

Reconciliation of Nominal Amounts to Carrying Amounts

| Reconciliation of Nominal Amounts to Carrying Amounts | PWLB | LOBO | Newport | Temporary | Total | Total |
|---|-----------------|----------------|--------------|-----------------|-----------------------|-----------------------|
| | £000 | £000 | £000 | Loans £000 | 31 March 2012 £000 | 31 March 2011 £000 |
| Nominal Amount | (78,171) | (4,000) | (166) | (37,080) | (119,417) | (93,954) |
| Pre 2006 premiums/discounts attached to loans | 647 | 0 | 0 | 0 | 647 | 646 |
| Amortised Cost adjustment - pre 2007/2008 | 409 | (49) | 0 | 0 | 360 | 362 |
| Effective Interest rate adjustment | (160) | 2 | 0 | 0 | (158) | (125) |
| Total Carrying Amount on Balance Sheet: | (77,275) | (4,047) | (166) | (37,080) | (118,568) | (93,071) |
| Made up of: | | | | | | |
| Short term borrowing | (8,037) | 0 | (80) | (37,080) | (45,197) | (11,621) |
| Long term borrowing | (69,238) | (4,047) | (86) | 0 | (73,371) | (81,450) |
| Total | (77,275) | (4,047) | (166) | (37,080) | (118,568) | (93,071) |

Financial Instrument Balances

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

| Financial Instrument Balances | 31 March 2012 | | 31 March 2011 | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Non-Current | Current | Non-Current | Current |
| | £000 | £000 | £000 | £000 |
| Financial Liabilities | | | | |
| Financial liabilities at amortised cost | (73,371) | (45,197) | (81,450) | (11,621) |
| Total Borrowings | (73,371) | (45,197) | (81,450) | (11,621) |
| Financial Assets | | | | |
| Loans & receivables | 0 | 6,004 | 0 | 11,529 |
| Available for Sale - Unquoted equity investment at cost | 250 | 0 | 250 | 0 |
| Total Investments | 250 | 6,004 | 250 | 11,529 |

Note: Silent Valley Waste Services Ltd.:

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

Financial Instrument Gains/Losses

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

| Financial Instrument Gains/Losses | Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans & Receivables £000 | Total 2011/2012 £000 | Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans & Receivables £000 | Total 2010/2011 £000 |
|--|--|---|----------------------------|--|---|----------------------------|
| Interest payable and similar charges: | | | | | | |
| Interest expense | 3,824 | 0 | 3,824 | 4,384 | 0 | 4,384 |
| Interest and investment income: | | | | | | |
| Interest income | 0 | (103) | (103) | 0 | (126) | (126) |
| Net gain/(loss) for the year: | 3,824 | (103) | 3,721 | 4,384 | (126) | 4,258 |

Soft Loans

Car loans are classified as soft loans and should be included in the Balance Sheet at fair value. Car loans have been included in the Balance Sheet at their carrying amount, as the difference between the fair value and carrying amount is considered to be immaterial. As at 31 March 2012, 246 car loans were outstanding with a total value of £0.984m (31 March 2011: 201 loans with a value of £0.956m).

40. Disclosure of Nature and Extent of Risks Arising from Financial Instruments

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

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

The Authority's overall risk management programme in relation to financial instruments focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk Management is carried out by the Capital Services Team of the Accountancy & Financial Planning Division, under policies approved by Council in the annual Treasury Management Strategy.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

In order to ensure that the Authority's investments are secure and that risk is minimised, an investment matrix is used to determine suitable investment counter-parties. This factors in the following:

- Fitch Credit Ratings;
- Moody's Credit Ratings;
- Credit Default Swap (CDS) spread data;
- Credit rating agencies' comments;
- Fully and part nationalised UK bank status;
- The Authority's corporate bank; and
- Investment limits.

Fitch Credit Ratings

The period of the investment is linked to the credit rating so that a counter-party meeting the lower end of the required criteria has investments limited to a shorter investment period than those counterparties at the top end of the required criteria.

The minimum level of credit rating for an approved counter-party is outlined in the following table:

| Fitch Credit Ratings | Maximum period of investment | | |
|----------------------|------------------------------|----------|---------|
| | 6 Months | 3 Months | 1 Month |
| | Green | Orange | Red |
| Short Term | F1+ | F1+ | F1+ |
| Long Term | AA | AA- | A+ |
| Individual | B | B/C | B/C |
| Support | 1 | 1 | 1 |
| Sovereign | AAA | AAA | AAA |

The periods of investments are assigned colours: green for 6 months, orange for 3 months, red for 1 month and yellow for 'do not invest'. If necessary, these 'credit rating colours' are adjusted, further to consideration of other factors in the investment matrix.

Short term rating - covers obligations which have a maturity of less than one year. This rating places greater emphasis on the liquidity necessary to meet financial commitments. Rating F1+ is the highest credit quality rating. It indicates the strongest capacity for timely payment of financial commitments.

Long term rating - covers maturities of up to five years. It provides an assessment of the ongoing stability of the institutions prospective financial condition. AA indicates very high credit quality and denotes a very low expectation of credit risk. A indicates high credit quality and low expectation of credit risk. The + or - suffixes are appended to a rating to denote the relative status within the long term rating category.

Individual - this is a measure of an institutions intrinsic safety and soundness on a stand alone basis and provides an assessment of the strength of the institutions financial structure, its performance and its credit (and therefore, risk) profile. B indicates a strong institution. There are no major concerns regarding the institution and characteristics may include strong profitability and Balance Sheet integrity, franchise management, operating environment or prospects. C indicates an adequate bank where there may be some concerns over its profitability and Balance Sheet integrity. B/C is mid way between B and C.

Support - this gives FITCH's judgement of a potential supporter's (government or parent's) propensity to support a failing institution. 1 denotes the highest possible credit rating for support and indicates the institution's extremely high probability of external support.

Sovereign - this relates to the sovereign risk of each country that deposits are placed with. They are a forward looking assessment of the sovereign's (country's) capacity and ability to honour its existing and future obligations in full and on time. AAA is the highest possible rating in this category.

Moody's Credit Rating

If the Moody's credit rating (below) is not met then the credit rating colour assigned by reference to Fitch Credit Ratings (previous page) is moved down a level, i.e. green » orange » red » yellow.

| Moody's Credit Ratings | |
|------------------------|-----|
| Short Term | P-1 |
| Long Term | AA3 |
| Individual | C |

Short term rating - covers obligations which have a maturity of less than 13 months. It provides an opinion of the ability of issuers to honour short term financial obligations. Rating P-1 (prime 1) is the highest credit quality rating. It indicates a superior ability to repay short term debt obligations.

Long term rating - covers maturities of one year or more. It addresses the possibility that a financial obligation will not be honoured as promised. AA indicates high credit quality, subject to very low credit risk. Numerical indicators (1,2 or 3) are added to each rating with 1 indicating the obligation ranks in the higher end of the category and 3 the lower end.

Financial Strength Rating (FSR) - this is a measure of an institutions intrinsic safety and soundness on a stand alone basis and provides an assessment of the strength of the institutions financial structure, the performance of the economy and the quality of banking regulation and supervision. It is a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group or official institutions. FSRs do not take into account the probability that the bank will receive such external support. C indicates adequate financial strength. These will be institutions with more limited but still valuable business franchises.

They will display either acceptable financial fundamentals within a predictable and stable operating environment or good financial fundamentals within a less predictable and stable operating environment.

Credit Default Swaps (CDS) Spreads

Credit Default Swaps (CDS) spreads provide perceived market sentiment regarding the credit quality of an institution. Since they are traded instruments, they carry in them market perception related to that entity's credit quality.

CDS are the most widely traded credit derivative instrument in the credit market. They are essentially a contract between two counterparties that gives protection or 'insurance' to the buyer of the CDS against a 'credit event' occurring to the third party on whom the contract is based. The payments made under the contract by the buyer are based on the spread currently traded in the market. The higher the spread, the more likely the market considers a credit event will occur and the higher the cost of protecting against that event. An increase in CDS spread indicates a deteriorating market perception of credit quality of an institution.

Sector, the Authority's Treasury Management Advisors, have employed a benchmark system which allows Local Authorities to compare the CDS spread of an institution against a pre-determined benchmark rate. This data is used to assess whether the market is indicating that the credit quality of an institution is a cause for concern and hence its credit rating colour in the matrix should be reduced.

Credit Default Swaps

Based on the benchmark for the week:

| | |
|------------------------------|---------------------|
| If below benchmark | no change in colour |
| If within 50 above benchmark | moves down a colour |
| If over 50 above benchmark | do not lend to |
| If no CDS data | no change in colour |

Credit Rating Agency Comments

Rating Watch Negative (or on review for possible downgrade)

Where the credit rating agencies have designated counter-parties as 'rating watch negative' or 'on review for possible downgrade', there is a reasonable probability of a rating change in a relatively short period (a few weeks). If the counter-party is on negative rating watch, then its credit rating colour in the matrix will move down a colour until the negative rating watch is removed.

Negative Outlook

This indicates the direction a rating is likely to move over a one to two year period. As the maximum investment period is 6 months, this has no impact on the credit rating colour.

Fully and Partly Nationalised Banking Institutions

Since the credit crunch, a number of institutions have been either fully or partly nationalised. These institutions are treated separately, outside of the usual credit rating and CDS spread data applied to other financial institutions.

Partly nationalised banks have an individual rating of E, i.e. 'a bank that requires external support'. Sector advise investing with these institutions for a maximum period of 12 months. However a more cautious approach has been adopted and these institutions are awarded a green credit rating colour, equating to 'invest for 6 months maximum'.

The Authority's Corporate Bank

Under existing arrangements, excess surplus funds can be held overnight with the Authority's bank (currently Barclays). Unexpected credit rating downgrades to this bank could result in these short-term investments technically being placed with a counterparty that does not meet the approved credit criteria outlined above. For this reason, the Fitch credit rating criteria for the Authority's bank are slightly lower than those specified above, as follows:

| Fitch Credit Ratings | Maximum period of investment | |
|----------------------|------------------------------|-----------|
| | 1 Month | Overnight |
| Short Term | F1+ | F1 |
| Long Term | A+ | A |
| Individual | B/C | B/C |
| Support | 1 | 1 |
| Sovereign | AAA | AAA |

The short term rating criteria has been reduced from F1+ to F1: F1+ represents the highest credit quality rating, with F1 still representing a very high credit rating and a very strong capacity for timely payments of financial institutions.

The long term credit rating criteria has been reduced from A+ to A. As the investments are restricted to overnight, this reduction does not pose any additional risk to the Council.

Whilst this means that Barclay's Fitch credit ratings are slightly lower than those required for other institutions, investments with Barclays are restricted to the overnight (or over weekend) sweep facility (where surplus balances are "swept" into an interest bearing account) up to a maximum of £7 million with a contingency of £1 million to cover unforeseen circumstances.

Investment Limits

Country Limits

In order to reduce exposure to investments in any one country, investments should be limited to £3 million per country, with the exception of the UK.

Counter-Party Limits

For non-UK institutions, investments should be limited to £3 million per counter-party. For UK institutions, investments should be limited to £6 million per counter-party.

For the Authority's corporate bank, investments should be limited to £7 million plus a further contingency of £1 million to cover unforeseen circumstances.

For investments with other AAA rated Local Authorities, a limit of £6 million per authority in any one period applies.

Group Limits

The counter-party limit should not be exceeded in any one financial group.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last 5 financial years.

| Maximum Exposure to Credit Risk | Amount as at 31 March 2012 £000 | Historical experience of default % | Historical experience adjusted for market conditions at | | Estimated maximum exposure to default and uncollectability £000 |
|--|---------------------------------------|--|---|----------|--|
| | | | 31 March 2012 | % | |
| Deposits with banks & financial institutions | 6,000 | 0 | 0 | 0 | |
| Bonds & Other | 4 | 0 | 0 | 0 | |
| Total: | 6,004 | 0 | 0 | 0 | |

No credit limits were exceeded during the reporting period.

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loan 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 Authority's Treasury Management Prudential Indicators, as approved by Council as part of the annual Revenue Budget setting process and within the Treasury Management Strategy, contain the following recommended limits for the maturity structure of its long term fixed rate borrowings.

| Liquidity Risk | Upper Limit | Lower Limit |
|------------------------------|-------------|-------------|
| | % | % |
| Under 12 months | 20 | 0 |
| 12 months & within 24 months | 20 | 0 |
| 24 months & within 5 years | 50 | 0 |
| 5 years & within 10 years | 75 | 0 |
| 10 years & above | 95 | 25 |

The source analysis of long term financial liabilities, at their nominal amounts:

| Financial Instruments | 31 March 2012 | | 31 March 2011 | |
|--|-----------------|------------|-----------------|------------|
| | £000 | % | £000 | % |
| Source of Loan | | | | |
| Public Works Loan Board | (70,134) | 94.49 | (78,167) | 94.94 |
| Newport CC Managed Debt | (86) | 0.12 | (166) | 0.20 |
| Lenders Option Borrowers Option (LOBO) | (4,000) | 5.39 | (4,000) | 4.86 |
| Total: | (74,220) | 100 | (82,333) | 100 |

The maturity analysis of long term financial liabilities, at their nominal amounts:

| Maturity of Loan | 31 March 2012 | | 31 March 2011 | |
|--------------------------------|-----------------|---------------|-----------------|---------------|
| | £000 | % | £000 | % |
| Maturing in 1-2 years | (8,048) | 10.84 | (8,113) | 9.85 |
| Maturing in 2-5 years | (186) | 0.25 | (8,183) | 9.94 |
| Maturing in 5-10 years | (4,919) | 6.63 | (3,874) | 4.71 |
| Maturing in more than 10 years | (61,067) | 82.28 | (62,163) | 75.50 |
| Total: | (74,220) | 100.00 | (82,333) | 100.00 |

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

| Interest Rate Risk | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| Increase in interest payable on current variable rate borrowings | 1 | 0 |
| Increase in interest receivable on current variable rate investments | (1) | (1) |
| Increase in interest payable on non-current variable rate borrowings | 40 | 40 |
| Share of overall impact debited to the HRA | 0 | (4) |
| Net impact upon Comprehensive Income & Expenditure Statement: | 40 | 35 |

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

Price Risk

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

Foreign Exchange Risk

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

41. Post-Employment Benefits - Defined Contribution Plans (Teachers)

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

In 2011/2012, the Authority paid £3.106 million to Capita Teachers' Pensions in respect of teachers' pension costs, representing an average of 14.1% of teachers' pensionable pay (2010/2011: £3.144 million, representing 14.1%). At the year-end, £0.258 million remained payable to the Teachers' Pension Scheme relating to contributions arising in the March payroll.

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

A notional fund is used as the basis for calculating the employers' contribution rate paid by Local Education Authorities. However, it is not possible to attribute a share of the Scheme's liabilities to individual Authorities. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement that fall outside of the terms of the Teachers' Scheme. These costs are accounted for on a defined benefit basis and are detailed in note 42.

42. Post-Employment Benefits - Defined Benefit Plans (LGPS & TPS Discretionary Payments)

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

The Authority participates in two formal schemes, the Local Government Pension Scheme (the Greater Gwent (Torfaen) Pension Fund), which is administered by Torfaen CBC, and the Teachers' Pensions Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education. Although technically a defined benefit scheme, the Teachers' Pensions Scheme is accounted for as a defined contribution scheme (note 41).

The Local Government Scheme is a funded defined benefit final salary scheme, in which the Authority and employees make contributions calculated at a level intended to balance pension liabilities arising with investment assets. The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last review being 31 March 2010.

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

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

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

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

| | 2011/2012 | | | 2010/2011 | | |
|---|---|---|---------------|---|---|-----------------|
| | Local Government Pension Scheme £000 | Teachers' Unfunded Discretionary Pensions £000 | Total £000 | Local Government Pension Scheme £000 | Teachers' Unfunded Discretionary Pensions £000 | Total £000 |
| Pension Scheme Transactions | | | | | | |
| Comprehensive Income & Expenditure Statement: | | | | | | |
| Cost of Services: | | | | | | |
| Current Service Cost | 6,855 | 0 | 6,855 | 8,373 | 0 | 8,373 |
| Past Service Costs | 162 | 0 | 162 | (18,598) | (1,341) | (19,939) |
| Settlements and Curtailments | 890 | 751 | 1,641 | (1,145) | 0 | (1,145) |
| Financing and Investment Income and Expenditure: | | | | | | |
| Interest Cost | 18,261 | 1,197 | 19,458 | 21,082 | 1,227 | 22,309 |
| Expected Return on Scheme Assets | (14,429) | 0 | (14,429) | (13,744) | 0 | (13,744) |
| Net Charged to Provision of Services: | 11,739 | 1,948 | 13,687 | (4,032) | (114) | (4,146) |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Actuarial Gains and Losses | 26,258 | 779 | 27,037 | (39,185) | 1,603 | (37,582) |
| Total Charged to the Comprehensive Income and Expenditure Statement: | 37,997 | 2,727 | 40,724 | (43,217) | 1,489 | (41,728) |
| Movement in Reserves Statement: | | | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (11,739) | (1,948) | (13,687) | 4,032 | 114 | 4,146 |
| Actual Amount Charged Against Council Tax for Pensions in year: | | | | | | |
| Employers' Contributions Payable to Scheme | 10,884 | - | 10,884 | 14,553 | - | 14,553 |
| Retirement Benefits Payable to Pensioners | - | 1,679 | 1,679 | - | 1,581 | 1,581 |

Total actuarial losses of £27.037m have been included in the Comprehensive Income and Expenditure Statement (2010/2011: £37.582m gain). The cumulative amount of actuarial losses recognised to 31 March 2012 is £107.217m.

At 31 March 2012, £1.121m remained payable to the LGPS relating to contributions arising in the March payroll (31 March 2011: £1.071m). This amount has been excluded from the Pensions Asset in the Balance Sheet.

Assets and Liabilities in Relation to Post-Employment Benefits

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

| | 2011/2012 | | | 2010/2011 | | |
|------------------------------------|---|---|----------------|---|---|----------------|
| | Local Government Pension Scheme £000 | Teachers' Unfunded Discretionary Pensions £000 | Total £000 | Local Government Pension Scheme £000 | Teachers' Unfunded Discretionary Pensions £000 | Total £000 |
| Pension Scheme Assets | | | | | | |
| Balance at 1 April: | 217,622 | 0 | 217,622 | 217,177 | 0 | 217,177 |
| Expected Return on Assets | 14,429 | 0 | 14,429 | 13,744 | 0 | 13,744 |
| Actuarial Gains/(Losses) on Assets | (14,049) | 0 | (14,049) | 2,489 | 0 | 2,489 |
| Employer Contributions | 10,834 | 1,679 | 12,513 | 14,706 | 1,581 | 16,287 |
| Member Contributions | 2,721 | 0 | 2,721 | 2,848 | 0 | 2,848 |
| Benefits Paid | (14,313) | (1,679) | (15,992) | (14,042) | (1,581) | (15,623) |
| Settlements | 0 | 0 | 0 | (19,300) | 0 | (19,300) |
| Balance at 31 March: | 217,244 | 0 | 217,244 | 217,622 | 0 | 217,622 |

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class. (Rates quoted are gross of expenses, charged at 0.3% in 2011/2012 and 2010/2011).

| Return on Plan Assets | 1 April 2011 % | 1 April 2010 % |
|-----------------------|-------------------|-------------------|
| Asset Class: | | |
| Equities | 7.00 | 7.50 |
| Government Bonds | 3.10 | 4.40 |
| Other Bonds | 4.10 | 5.10 |
| Property | 6.00 | 6.50 |
| Cash/Current Assets | 0.50 | 0.50 |
| Other | 7.00 | 7.50 |

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield.

The assumed investment return on equities for 2011/2012 is the yield on 20-year fixed interest gilts plus an allowance of about 4.2% p.a. (2010/2011: 3.0%) for the “risk premium” associated with equity investment.

The actual return on scheme assets in 2011/2012 was £0.380m (2010/2011: £14.047m).

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

| | 2011/2012 | | | 2010/2011 | | |
|---|---|---|------------------|---|---|------------------|
| | Local Government Pension Scheme £000 | Teachers' Unfunded Discretionary Pensions £000 | Total £000 | Local Government Pension Scheme £000 | Teachers' Unfunded Discretionary Pensions £000 | Total £000 |
| Pension Scheme Liabilities | | | | | | |
| Balance at 1 April: | (334,388) | (23,001) | (357,389) | (391,866) | (23,093) | (414,959) |
| Current Service Cost | (6,855) | 0 | (6,855) | (8,373) | 0 | (8,373) |
| Past Service Cost | (162) | 0 | (162) | 18,598 | 1,341 | 19,939 |
| Interest Cost | (18,261) | (1,197) | (19,458) | (21,082) | (1,227) | (22,309) |
| Curtailments | (890) | (751) | (1,641) | (1,086) | 0 | (1,086) |
| Actuarial Gains/(Losses) on Liabilities | (12,209) | (779) | (12,988) | 36,696 | (1,603) | 35,093 |
| Member Contributions | (2,721) | 0 | (2,721) | (2,848) | 0 | (2,848) |
| Benefits Paid | 14,313 | 1,679 | 15,992 | 14,042 | 1,581 | 15,623 |
| Settlements | 0 | 0 | 0 | 21,531 | 0 | 21,531 |
| Balance at 31 March: | (361,173) | (24,049) | (385,222) | (334,388) | (23,001) | (357,389) |

Scheme History

The history of the Authority's pension fund deficit over the past 5 financial years can be analysed as follows:

| Pension Fund Scheme History | 2011/2012 | 2010/2011 | 2009/2010 | 2008/2009 | 2007/2008 |
|---|------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Present Value of Scheme Liabilities: | | | | | |
| Local Government Pension Scheme | (361,173) | (334,388) | (391,866) | (281,720) | (332,457) |
| Teachers' Unfunded Discretionary Pensions | (24,049) | (23,001) | (23,093) | (18,723) | (20,844) |
| Total Present Value of Scheme Liabilities: | (385,222) | (357,389) | (414,959) | (300,443) | (353,301) |
| Fair Value of Scheme Assets: | | | | | |
| Local Government Pension Scheme | 217,244 | 217,622 | 217,177 | 152,462 | 193,010 |
| Teachers' Unfunded Discretionary Pensions | 0 | 0 | 0 | 0 | 0 |
| Total Fair Value of Scheme Assets: | 217,244 | 217,622 | 217,177 | 152,462 | 193,010 |
| Scheme Surplus/(Deficit): | | | | | |
| Local Government Pension Scheme | (143,929) | (116,766) | (174,689) | (129,258) | (139,447) |
| Teachers' Unfunded Discretionary Pensions | (24,049) | (23,001) | (23,093) | (18,723) | (20,844) |
| Total Surplus/(Deficit): | (167,978) | (139,767) | (197,782) | (147,981) | (160,291) |

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

The Authority holds total usable reserves of £46.415m at 31 March 2012 (£47.969m at 31 March 2011). The effect of applying the net superannuation fund deficit of £167.978m to the Authority's usable reserves would be a deficit of £121.563m (2010/2011: the superannuation deficit of £139.767m exceeded usable reserves by £91.798m).

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

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2013 is estimated at £9.824m.

Basis for Estimating Assets and Liabilities

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

| Principal Assumptions | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|
| | Local Government Pension Scheme | Teachers' Unfunded Discretionary Pensions | Local Government Pension Scheme | Teachers' Unfunded Discretionary Pensions |
| Financial Assumptions: | | | | |
| Rate of RPI Inflation | - | - | 3.4% | 3.3% |
| Rate of CPI Inflation | 2.5% | 2.3% | 2.9% | 2.8% |
| Rate of Increase in Salaries | 4.0% | - | 4.4% | - |
| Rate of Increase in Pensions | 2.5% | 2.3% | 2.9% | 2.8% |
| Discount Rate | 4.9% | 4.6% | 5.5% | 5.4% |
| Mortality Assumptions: | | | | |
| Current Pensioners: | | | | |
| Males | 108% SPA02_CMI_2009_1% | 108% SPA02_CMI_2009_1% | PA92mc YOB Tables + 1 year | PA92mc YOB Tables + 1 year |
| Females | 107% SPA02_CMI_2009_1% | 107% SPA02_CMI_2009_1% | PA92mc YOB Tables + 1 year | PA92mc YOB Tables + 1 year |
| Future Pensioners: | | | | |
| Males | 112% SPA02_CMI_2009_1% | - | PA92mc YOB Tables + 1 year | - |
| Females | 98% SPA02_CMI_2009_1% | - | PA92mc YOB Tables + 1 year | - |
| Life Expectancy: | | | | |
| Longevity of current pensioners aged 65: | | | | |
| Males | 21.3 | 21.3 | 21.2 | 21.2 |
| Females | 23.4 | 23.4 | 23.4 | 23.4 |
| Longevity of future pensioners aged 65 in 20 years' time: | | | | |
| Males | 22.4 | - | 22.3 | - |
| Females | 25.7 | - | 25.6 | - |
| Commutation | | | | |
| Commutation of pension for lump sum at retirement | 50% take maximum cash, 50% take 3/80ths cash | - | 50% take maximum cash, 50% take 3/80ths cash | - |

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

The date of the last full actuarial valuation was 31 March 2010.

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

| Investment Categories | 31 March 2012 | | 31 March 2011 | |
|---|---------------------------------|---|---------------------------------|---|
| | Local Government Pension Scheme | Teachers' Unfunded Discretionary Pensions | Local Government Pension Scheme | Teachers' Unfunded Discretionary Pensions |
| Split of Assets Between Investment Categories: | | | | |
| Equities | 75.1% | n/a | 81.1% | n/a |
| Bonds: Government | 9.2% | n/a | 7.6% | n/a |
| Other | 8.2% | n/a | 7.3% | n/a |
| Property | 2.3% | n/a | 2.1% | n/a |
| Cash/Liquidity | 1.6% | n/a | 1.8% | n/a |
| Other | 3.6% | n/a | 0.1% | n/a |

History of Experience Gains and Losses

The attributable actuarial gains or losses for the Local Government Pension Fund (Greater Gwent (Torfaen) Scheme) identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities:

| LGPS Actuarial Gains or Losses | 2011/2012 | | 2010/2011 | | 2009/2010 | | 2008/2009 | | 2007/2008 | |
|--|-----------|-------------------------|-----------|-----|-----------|------|-----------|------|-----------|------|
| | £000 | % | £000 | % | £000 | % | £000 | % | £000 | % |
| Differences between the expected and actual return on assets | (14,049) | 6.5 (of Assets) | 2,489 | 1.1 | 52,070 | 23.8 | (57,963) | 37.8 | (19,987) | 10.3 |
| Experience gains on liabilities | 0 | 0.0 (of Liabilities) | 23,906 | 7.2 | 0 | 0.0 | 0 | 0.0 | (2,606) | 0.8 |

Similarly, attributable actuarial gains or losses in respect of Teachers Unfunded Discretionary Benefits are as follows:

| uTPS Actuarial Gains or Losses | 2011/2012 | | 2010/2011 | | 2009/2010 | | 2008/2009 | | 2007/2008 | |
|--|-----------|-------------------------|-----------|------|-----------|-----|-----------|-----|-----------|------|
| | £000 | % | £000 | % | £000 | % | £000 | % | £000 | % |
| Differences between the expected and actual return on assets | 0 | 0.0 (of Assets) | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Experience gains on liabilities | 0 | 0.0 (of Liabilities) | (2,303) | 10.0 | 0 | 0.0 | 0 | 0.0 | (2,108) | 10.1 |

43. Reserves

43.1 Usable Reserves

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

Fund Balances:

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

Usable Earmarked Revenue Reserves:

| | |
|--|--|
| Abertillery Blues Festival | To fund the costs of the blues festival held in the summer of 2011 and subsequent years. |
| Additional Learning Needs (ALN) Review | To fund the legal fees and consultation costs associated with implementing the findings of the ALN review. |
| Anvil Court | To meet future premises-related expenditure. |

Usable Earmarked Revenue Reserves (Continued):

| | |
|--|---|
| Budget Contingency Fund | To provide initial assistance in meeting new and emerging budget pressures. |
| Building Control Fees | To hold surpluses generated for future re-investment to improve the quality and performance of the Building Control Service. |
| Contact Centre | To fund future expenditure on the development of the Authority's Contact Centre (C2BG). |
| Corporate Improvement Fund | To fund specific projects and service efficiency/improvement measures. |
| Cultural Olympiad | To provide funding towards the Cultural Olympiad Projects. |
| Deposits & Bonds | To hold deposits and bonds (e.g. Highways s38, s278) prior to satisfactory completion of schemes. |
| Downsizing | To help meet costs associated with organisational downsizing. |
| Downsizing - New | To fund redundancy, one years pension strain and costs arising from the termination of grant funded schemes associated with organisational downsizing. |
| Ebbw Vale Multi Storey Car Park | To meet anticipated rent increases for previous years, subject to rent review. |
| E-Government | To bring the ICT service in line with other organisations as well as addressing new, emerging and future technologies that will provide long term efficiencies for the Authority in line with the recommendations of the WAO ICT Governance review. |
| Election Costs | To meet additional future costs of elections. |
| Electronic Committee Management System | To fund the initial purchase costs and running costs of the new electronic committee management system. |
| Enterprise and Development | To provide for future costs in relation to economic development initiatives, industrial units and enterprise facilitation projects. |

Usable Earmarked Revenue Reserves (Continued):

| | |
|---|---|
| ERDF | To hold ERDF grants unapplied to schemes. |
| General/Voluntary Sector Grants | To provide financial assistance to voluntary sector bodies. |
| Homelessness Prevention Fund | To meet the costs of implementing measures to prevent homelessness. |
| I.C.T. | To meet the anticipated increase in capacity required for ICT in relation to staffing resources, licenses, equipment and training required to future proof the service. |
| I.C.T. for Elected Members | To enable elected members to access information & communication technology. |
| Implementation of IFRS | To meet costs associated with the implementation, embedding and ongoing requirements of International Financial Reporting Standards (IFRS). |
| Insurance Liabilities | To protect against liabilities incurred but not settled. Such liabilities include insurance claims where an excess remains to be borne by the Authority and claims where no insurance cover exists. |
| Invest to Save Fund | To provide funding to budget holders for specific projects, leading to long term savings and greater efficiency. |
| Job Evaluation / Pay Remodelling - Non Schools Staff | The estimated negotiated settlement figure for implementing the Authority's proposed Job Evaluation/Pay Remodelling scheme including a contingency for negotiated transitional or detriment payments. |
| Job Evaluation / Pay Remodelling - Schools Staff | The estimated negotiated settlement figure, in relation to Individual Schools Budgets, for implementing the Authority's proposed Job Evaluation/Pay Remodelling scheme including a contingency for negotiated transitional or detriment payments. |
| Land & Property Charges | To mitigate against the impact of establishing Land & Property charge debtors for Social Services, the actual income for which will not be received until indeterminate points in the future. |
| LMS Balances | The aggregate amount of balances held by individual schools. |
| Members Local Grants | To hold unallocated grant monies prior to distribution by Members. |

Usable Earmarked Revenue Reserves (Continued):

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

Usable Reserves Earmarked for Capital Purposes:

| | |
|-------------------------|---|
| Accommodation Review | To fund future capital expenditure arising from the Accommodation Review. |
| Bryn Bach Park | To meet any future liabilities that may arise in respect of problems with the lake at Bryn Bach Park. |
| Bryn Serth | To meet future capital expenditure on the Bryn Serth culvert together with any clawback of grant. |
| Deminimus Capital Works | Receipts from minor land-related transactions to be utilised to fund associated land disposal fees that cannot be capitalised or off-set by regulation. |
| Energy Efficiency | To provide ring-fenced funding for proven energy saving projects with a payback of less than five years. |
| Landfill Directive | To meet future expenditure in respect of the Landfill Directive targets. |
| Victoria End Use | To fund future capital expenditure together with any future liabilities that may arise in respect of claims from developers. |

Capital Accounting Reserves:

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

Movements on fund balances and reserves were as follows:

| Fund Balances | 1 April 2010 | Net transfers (to) or from Fund Balances | 31 March 2011 | Net transfers (to) or from Fund Balances | 31 March 2012 |
|-----------------------------|-----------------|--|----------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Council Fund* | (5,715) | 2,206 | (3,509) | 1,250 | (2,259) |
| Housing Revenue Account | (5,301) | 415 | (4,886) | 677 | (4,209) |
| Total: Fund Balances | (11,016) | 2,621 | (8,395) | 1,927 | (6,468) |

*: The Council Fund General Reserve has been reduced by an appropriation of £1.029m to a specific provision for early termination, the budget for which is included within 2012/2013 estimates. The costs of these redundancies will be incurred in 2012/2013 and for statutory accounting purposes will be charged to the provision, rather than the General Reserve. Effectively, £3.288m remains available to fund services, being the aggregate of the General Reserve and the Early Termination Provision.

| Usable Earmarked Revenue Reserves | 1 April 2010 | Net transfers (to) or from Reserves | 31 March 2011 | Net transfers (to) or from Reserves | 31 March 2012 |
|--|--------------|---|---------------|---|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Abertillery Blues Festival | 0 | (30) | (30) | 27 | (3) |
| Additional Learning Needs Review | 0 | 0 | 0 | (20) | (20) |
| Anvil Court | (179) | 0 | (179) | 0 | (179) |
| Budget Contingency Fund | (293) | (1,224) | (1,517) | 714 | (803) |
| Building Control Fees | (424) | (19) | (443) | (12) | (455) |
| Contact Centre | (40) | 0 | (40) | 40 | 0 |
| Corporate Improvement Fund | (239) | 167 | (72) | 31 | (41) |
| Cultural Olympiad | 0 | 0 | 0 | (10) | (10) |
| Deposits & Bonds | (293) | 52 | (241) | (3) | (244) |
| Downsizing | (279) | 263 | (16) | 16 | 0 |
| Downsizing - New | 0 | 0 | 0 | (303) | (303) |
| Ebbw Vale Multi Storey Car Park | (76) | 0 | (76) | 0 | (76) |
| E-Government | (466) | (91) | (557) | 2 | (555) |
| Election Costs | 0 | 0 | 0 | (80) | (80) |
| Electronic Committee Management System | 0 | 0 | 0 | (11) | (11) |
| Enterprise & Development | (67) | 10 | (57) | 0 | (57) |
| ERDF | (61) | 0 | (61) | 61 | 0 |
| General/Voluntary Sector Grants | (26) | (3) | (29) | 0 | (29) |

| Usable Earmarked Revenue Reserves (Continued) | Net transfers (to) or from | | | Net transfers (to) or from | |
|--|-------------------------------|------------------|-----------------------|-------------------------------|-----------------------|
| | 1 April 2010 £000 | Reserves £000 | 31 March 2011 £000 | Reserves £000 | 31 March 2012 £000 |
| Homelessness Prevention Fund | (20) | 0 | (20) | 20 | 0 |
| I.C.T | (352) | 12 | (340) | (102) | (442) |
| I.C.T for Elected Members | 0 | 0 | 0 | (32) | (32) |
| Implementation of IFRS | (40) | (50) | (90) | 24 | (66) |
| Insurance Liabilities | (2,460) | 17 | (2,443) | (405) | (2,848) |
| Invest to Save Fund | 0 | (921) | (921) | 179 | (742) |
| Job Evaluation / Pay Remodelling (Non Schools Staff) | (4,775) | (2,087) | (6,862) | 989 | (5,873) |
| Job Evaluation / Pay Remodelling (Schools Staff) | (1,056) | (288) | (1,344) | 296 | (1,048) |
| Land & Property Charges | 0 | 0 | 0 | (422) | (422) |
| LMS Balances | (784) | (723) | (1,507) | 280 | (1,227) |
| Members Local Grants | (26) | (9) | (35) | 8 | (27) |
| Occupational Health | (50) | 0 | (50) | 0 | (50) |
| Payroll Project Management | 0 | 0 | 0 | (50) | (50) |
| Portfolio Reserves | 0 | (573) | (573) | (275) | (848) |
| Prudential Borrowing | 0 | (200) | (200) | 0 | (200) |
| Purchasing Oncost | (129) | 127 | (2) | 2 | 0 |
| Rassau Ind. Est. Drainage | (30) | 0 | (30) | 0 | (30) |
| Retaining Walls | (58) | 0 | (58) | 0 | (58) |
| Revenue Grants & Contributions Unapplied | (137) | (618) | (755) | 1 | (754) |
| Stock Condition Surveys | 0 | 0 | 0 | (12) | (12) |
| Stores Oncost | (252) | 61 | (191) | (23) | (214) |
| Superannuation | (1,719) | 100 | (1,619) | (75) | (1,694) |
| SW Fire Authority Levy | (22) | (11) | (33) | (45) | (78) |
| Taxation | (386) | 0 | (386) | 0 | (386) |
| Transport Oncost | (152) | 60 | (92) | (9) | (101) |
| Wayleaves | (66) | (10) | (76) | 49 | (27) |
| Total: Usable Earmarked Revenue Reserves | (14,957) | (5,988) | (20,945) | 850 | (20,095) |

| Usable Revenue Reserves Earmarked for Capital Purposes | 1 April 2010 | Net transfers (to) or from Reserves | 31 March 2011 | Net transfers (to) or from Reserves | 31 March 2012 |
|--|----------------|---|----------------|---|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Accommodation Review | (150) | 0 | (150) | 100 | (50) |
| Bryn Bach Park | (140) | 0 | (140) | 0 | (140) |
| Bryn Serth | (37) | 0 | (37) | 0 | (37) |
| Deminimus Capital Works | (132) | (26) | (158) | (4) | (162) |
| Energy Efficiency | (167) | (10) | (177) | 122 | (55) |
| Landfill Directive | (537) | (155) | (692) | 0 | (692) |
| Victoria End Use | (236) | 30 | (206) | 0 | (206) |
| Total: Usable Revenue Reserves Earmarked for Capital Purposes | (1,399) | (161) | (1,560) | 218 | (1,342) |

| Usable Capital Reserves | 1 April 2010 | Net transfers (to) or from Reserves | 31 March 2011 | Net transfers (to) or from Reserves | 31 March 2012 |
|---------------------------------------|-----------------|---|-----------------|---|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Capital Grants Unapplied | (2,379) | (1,099) | (3,478) | (3,886) | (7,364) |
| Usable Capital Receipts | (12,283) | (1,308) | (13,591) | 2,445 | (11,146) |
| Total: Usable Capital Reserves | (14,662) | (2,407) | (17,069) | (1,441) | (18,510) |

| Summary: Usable Reserves | 1 April 2010 | Net Transfers 2010/2011 | 31 March 2011 | Net Transfers 2011/2012 | 31 March 2012 |
|---|-----------------|----------------------------|-----------------|----------------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fund Balances | (11,016) | 2,621 | (8,395) | 1,927 | (6,468) |
| Earmarked Revenue Reserves | (14,957) | (5,988) | (20,945) | 850 | (20,095) |
| Revenue Reserves Earmarked for Capital Purposes | (1,399) | (161) | (1,560) | 218 | (1,342) |
| Capital Reserves | (14,662) | (2,407) | (17,069) | (1,441) | (18,510) |
| Total: Usable Reserves | (42,034) | (5,935) | (47,969) | 1,554 | (46,415) |

43.2 Unusable Reserves

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

| Unusable Reserves (Restated) | Restated | Net transfers | Restated | Net transfers | |
|--|-----------------|---------------|---------------|---------------|---------------|
| | 1 April 2010 | (to) or from | 31 March 2011 | (to) or from | 31 March 2012 |
| | £000 | Reserves | £000 | Reserves | £000 |
| Revaluation Reserve | (41,160) | 23,116 | (18,044) | (235) | (18,279) |
| Capital Adjustment Account | (192,814) | 97,390 | (95,424) | (18,802) | (114,226) |
| Financial Instruments Adjustment Account | 4,971 | (781) | 4,190 | (46) | 4,144 |
| Deferred Capital Receipts Reserve | (245) | 8 | (237) | (3,840) | (4,077) |
| Pensions Reserve | 196,558 | (57,862) | 138,696 | 28,161 | 166,857 |
| Unequal Pay Back Pay Account | 1,000 | 0 | 1,000 | 1,295 | 2,295 |
| Accumulated Absences Account | 2,177 | 48 | 2,225 | 64 | 2,289 |
| Total Unusable Reserves: | (29,513) | 61,919 | 32,406 | 6,597 | 39,003 |

Note: Deferred Capital Receipts Balances at 1 April 2010 and 31 March 2011 have been restated to correct the cumulative effect of rounding adjustments in previous years.

43.2.1 Revaluation Reserve

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

| Revaluation Reserve | 2011/2012 | | 2010/2011 | |
|---|-----------|----------|-----------|----------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | (18,044) | | (41,160) |
| Upward revaluation of assets | (573) | | (8,770) | |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 83 | | 9,438 | |
| Depreciation - write back revaluation reserve | (48) | | (6,938) | |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (538) | | (6,270) |
| Difference between fair value depreciation and historical cost depreciation | 393 | | 590 | |
| Accumulated gains on assets sold or scrapped | (90) | | 28,796 | |
| Amount written off to the Capital Adjustment Account | | 303 | | 29,386 |
| Balance at 31 March | | (18,279) | | (18,044) |

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

43.2.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

Note 7 (pages 53 & 56) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| Capital Adjustment Account (Restated) | 2011/2012 | | 2010/2011 Restated | |
|--|-----------|----------|--------------------|-----------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | (95,424) | | (192,814) |
| Reversal of items relating to capital expenditure debited or credited to the CompLES: | | | | |
| Charges for depreciation & impairment of non-current assets | 18,833 | | 27,532 | |
| Revaluation losses on Property, Plant & Equipment | 14,076 | | 33,974 | |
| Amortisation of intangible assets | 20 | | 36 | |
| Revenue expenditure funded from capital under statute | 6,023 | | 10,201 | |
| Non-current assets written off on disposal or sale as part of the gain/loss on disposal | 31 | | 150,386 | |
| Capital grants and contributions applied to capital financing | (46,350) | | (82,183) | |
| | | (7,367) | | 139,946 |

| Capital Adjustment Account (Restated) (Continued) | 2011/2012 | | 2010/2011 Restated | |
|---|-----------|-----------|--------------------|----------|
| | £000 | £000 | £000 | £000 |
| Items not debited or credited to the ComPLES: | | | | |
| Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances | (4,420) | | (4,654) | |
| Capital expenditure charged against the Council Fund & HRA balances | (333) | | (498) | |
| | | (4,753) | | (5,152) |
| Capital financing applied in the year: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (2,600) | | (264) | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | | (1,303) | |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (3,779) | | (6,451) | |
| | | (6,379) | | (8,018) |
| Sub-Total: Capital Adjustment Transactions included in the Movement in Reserves Statement: | | (18,499) | | 126,776 |
| Adjusting Amounts written out of the Revaluation Reserve: | | | | |
| Charges for depreciation & impairment of non-current assets | (393) | | (590) | |
| Non-current assets written off on disposal or sale as part of the gain/loss on disposal | 90 | | (28,796) | |
| | | (303) | | (29,386) |
| Balance at 31 March | | (114,226) | | (95,424) |

Note: Restated to disclose impairment figures as part of 'Charges for depreciation & impairment of non-current assets'; previously included within 'Revaluation losses on Property, Plant & Equipment'.

43.2.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The £3.3m premia incurred during 2010/2011 was as a result of the HRA proportion of PWLB debt being repaid on stock transfer.

| Financial Instruments Adjustment Account | 2011/2012 | | 2010/2011 | |
|---|-----------|--------------|-----------|--------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | 4,190 | | 4,971 |
| Premiums incurred in the year and charged to the Comprehensive Income & Expenditure Statement | 0 | | 3,352 | |
| Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements | (46) | | (4,133) | |
| Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | (46) | | (781) |
| Balance at 31 March | | 4,144 | | 4,190 |

43.2.4 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| Deferred Capital Receipts Reserve (Restated) | 2011/2012 | 2010/2011 |
|--|----------------|--------------|
| | £000 | £000 |
| Balance at 1 April | (237) | (245) |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal | (3,925) | 0 |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 85 | 8 |
| Balance at 31 March | (4,077) | (237) |

43.2.5 Pensions Reserve

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

| Pensions Reserve | 2011/2012 | | 2010/2011 | |
|--|----------------|--|----------------|--|
| | £000 | | £000 | |
| Balance at 1 April | 138,696 | | 196,558 | |
| Actuarial gains or losses on pensions assets & liabilities | 27,037 | | (37,582) | |
| Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income & Expenditure Statement | 13,687 | | (4,146) | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (12,563) | | (16,134) | |
| Balance at 31 March | 166,857 | | 138,696 | |

43.2.6 Unequal Pay Back Pay Account

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

| Unequal Pay Back Pay Account | 2011/2012 | | 2010/2011 | |
|--|-----------|--------------|-----------|--------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | 1,000 | | 1,000 |
| Increase in provision for back pay in relation to Equal Pay cases | 1,366 | | 0 | |
| Cash settlements paid in the year | (71) | | 0 | |
| Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements | | 1,295 | | 0 |
| Balance at 31 March | | 2,295 | | 1,000 |

43.2.7 Accumulated Absences Account

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

| Accumulated Absences Account | 2011/2012 | | 2010/2011 | |
|---|-----------|--------------|-----------|--------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | 2,225 | | 2,177 |
| Settlement or cancellation of accrual made at the end of the preceding year | (2,225) | | (2,177) | |
| Amounts accrued at the end of the current year | 2,289 | | 2,225 | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | 64 | | 48 |
| Balance at 31 March | | 2,289 | | 2,225 |

Cash Flow Notes

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

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

44.1 **Non-Cash Movements**

| Cash Flow - Adjustments for Non-Cash Movements | 2011/2012 | | 2010/2011 | |
|--|-----------|---------------|-----------|---------------|
| | £000 | £000 | £000 | £000 |
| Depreciation & Impairment | 32,909 | | 61,505 | |
| REFCUS (deferred charges) | 6,023 | | 10,201 | |
| Intangible fixed asset write downs | 20 | | 36 | |
| Effective interest adjustment | (35) | | (33) | |
| HRA Item 8 Credit | 0 | | (230) | |
| Net IAS 19 charges made for Retirement Benefits | (12,918) | | (4,415) | |
| IAS19 Employers Contributions Paid to Pension Fund | 11,831 | | (14,792) | |
| | | 37,830 | | 52,272 |
| Increase/(Decrease) in Provisions | | 3,702 | | (472) |
| (Increase)/Decrease in Inventories | | (118) | | 239 |
| (Increase)/Decrease in Revenue Debtors | | (159) | | (2,671) |
| Increase/(Decrease) in Revenue Creditors | | (4,096) | | (3,463) |
| Total | | 37,159 | | 45,905 |

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

| Cash Flow - Adjustments for Investing & Financing Activities | 2011/2012 | 2010/2011 |
|--|-----------------|----------------|
| | £000 | £000 |
| Gain/(Loss) on Disposal of fixed assets | (119) | 148,805 |
| Capital Grants credited to CompIES | (54,015) | (52,062) |
| HRA stock transfer premium paid | 0 | 3,352 |
| Total | (54,134) | 100,095 |

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

45.1 Operating Activities

The cash flows for operating activities were as follows:

| Cash Flow - Operating Activities | 2011/2012 | | | 2010/2011 | | |
|--|-----------|-----------|---------|-----------|------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash Outflows | | | | | | |
| Employee Costs | (100,038) | | | (108,778) | | |
| Other Operating Costs | (94,078) | | | (84,126) | | |
| Precepts Paid | (4,052) | | | (3,914) | | |
| Housing Benefit Paid Out | (25,511) | | | (19,883) | | |
| | | (223,679) | | (216,701) | | |
| Cash Inflows | | | | | | |
| Rents (after Rebates) | 4 | | | 2,440 | | |
| Council Tax Income | 20,733 | | | 20,041 | | |
| Receipts from NNDR Pool | 16,122 | | | 19,299 | | |
| Revenue Support Grant | 92,365 | | | 90,403 | | |
| DWP Grants for Rebates | 26,531 | | | 24,405 | | |
| Other Government Grants | 60,659 | | | 107,024 | | |
| Cash Received for Goods & Services | 9,330 | | | 2,925 | | |
| Other Operating Cash Receipts | 2,709 | | | 849 | | |
| | | 228,453 | | 267,386 | | |
| Net Cash inflow from Revenue Activities | | | 4,774 | | | 50,685 |
| Dividends from Subsidiaries | | | | | | |
| Dividends Received | | | 50 | | | 125 |
| Returns on Investments & Servicing of Finance | | | | | | |
| Interest Paid | | (3,607) | | (4,719) | | |
| Interest Element of Finance Lease Rental Payments | | (95) | | (109) | | |
| Interest Received | | 251 | | 180 | | |
| | | | (3,451) | | | (4,648) |
| Net Cash Inflow from Operating Activities | | | 1,373 | | | 46,162 |

45.2 Investing Activities

The cash flows for investing activities consist of the following:

| Cash Flow - Investing Activities | 2011/2012 | | | 2010/2011 | | |
|----------------------------------|-----------|----------|----------|-----------|------|-------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash Outflows | | | | | | |
| Purchase of Non-Current Assets | (63,969) | | | (55,454) | | |
| Other Capital Cash Payments | 0 | | | 0 | | |
| | | (63,969) | | (55,454) | | |
| Cash Inflows | | | | | | |
| Sale of Non-Current Assets | 155 | | | 1,591 | | |
| Capital Grants Received | 38,224 | | | 57,792 | | |
| Other Capital Cash Income | 0 | | | 0 | | |
| | | 38,379 | | 59,383 | | |
| Total | | | (25,590) | | | 3,929 |

45.3 Financing Activities

The cash flows for financing activities consist of the following:

| Cash Flow - Financing Activities | 2011/2012 | | | 2010/2011 | | |
|--|-----------|-----------|--------|-----------|------|----------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash Outflows | | | | | | |
| Repayments of Amounts Borrowed | (234,547) | | | (288,118) | | |
| Capital Element of Finance Lease Rental Payments | (411) | | | (479) | | |
| | | (234,958) | | (288,597) | | |
| Cash Inflows | | | | | | |
| New Loans Raised | 0 | | | 0 | | |
| New Short Term Loans | 260,010 | | | 238,080 | | |
| Long Term Investments Repaid | 26 | | | 26 | | |
| | | 260,036 | | 238,106 | | |
| Total | | | 25,078 | | | (50,491) |

46. Cash and Cash Equivalents

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

| Cash and Cash Equivalents | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| Cash Held by the Authority | 37 | 38 |
| Bank Accounts | 311 | (12,551) |
| Short-term investments | 6,000 | 18,000 |
| Total Cash & Cash Equivalents | 6,348 | 5,487 |

Other Notes

47. Jointly Controlled Operations

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

| Joint Arrangements (Restated) | 2011/2012 | | | 2010/2011 | | |
|---|-------------------|--------------|-----------------|-------------------|--------------|-----------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Greater Gwent Cremation Joint Committee | 0 | (79) | (79) | 0 | (26) | (26) |
| Gwent Joint Records Committee | 135 | 0 | 135 | 166 | 0 | 166 |
| Gwent Transport Unit | 1,550 | 0 | 1,550 | 1,384 | 0 | 1,384 |
| South East Wales Transport Alliance | 0 | 0 | 0 | 0 | 0 | 0 |
| Welsh Purchasing Consortium | 15 | 0 | 15 | 15 | 0 | 15 |
| Total | 1,700 | (79) | 1,621 | 1,565 | (26) | 1,539 |

Note: Prior year figures for the Gwent Joint Records Committee have been restated further to receipt of final accounts for 2010/2011.

47.1 Gwent Transport Unit (GTU)

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

The share of balances apportioned to BGC for the GTU is 49.54%. Transactions associated with bus subsidies, local transport services grant and 'section 106' are allocated based on direct spend relative to the use of each service within the area. Concessionary fares transactions are apportioned at a rate of 45.52% and all other transactions are apportioned at 49.54%.

Summarised accounting statements for the Gwent Transport Unit, highlighting this Authority's apportioned share, are as follows:

Summary GTU Comprehensive Income & Expenditure Statement:

| Gwent Transport Unit Comprehensive Income and Expenditure Statement | GTU Total 2010/2011 | | | Blaenau Gwent CBC: Apportioned Share 2010/2011 | | |
|--|-------------------------------|-------------------------|----------------------------|---|-------------------------|----------------------------|
| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| | Highways & Transport Services | 4,729 | (4,767) | (38) | 1,365 | (1,384) |
| Cost of Services | 4,729 | (4,767) | (38) | 1,365 | (1,384) | (19) |
| (Surplus) on Provision of Services | | | (38) | | | (19) |
| Other Comprehensive Income & Expenditure | | | 0 | | | 0 |
| Total Comprehensive Income & Expenditure | | | (38) | | | (19) |

| Gwent Transport Unit Comprehensive Income and Expenditure Statement | GTU Total 2011/2012 | | | Blaenau Gwent CBC: Apportioned Share 2011/2012 | | |
|--|-------------------------------|-------------------------|----------------------------|---|-------------------------|----------------------------|
| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| | Highways & Transport Services | 5,210 | (5,248) | (38) | 1,529 | (1,548) |
| Cost of Services | 5,210 | (5,248) | (38) | 1,529 | (1,548) | (19) |
| (Surplus) on Provision of Services | | | (38) | | | (19) |
| Other Comprehensive Income & Expenditure | | | 0 | | | 0 |
| Total Comprehensive Income & Expenditure | | | (38) | | | (19) |

Summary GTU Movement in Reserves Statement:

| Gwent Transport Unit Movement in Reserves Statement | Gwent Transport Unit: Total | | | Blaenau Gwent CBC: Apportioned Share | | |
|--|-----------------------------|------------------|------------------|--------------------------------------|------------------|------------------|
| | GTU Fund | Unusable | Total GTU | GTU Fund | Unusable | Total GTU |
| | Reserve £000 | Reserves £000 | Reserves £000 | Reserve £000 | Reserves £000 | Reserves £000 |
| Balance at 31 March 2010 | 0 | (20) | (20) | 0 | (10) | (10) |
| Movement in Reserves 2010/2011 | | | | | | |
| Surplus on the Provision of Services | (38) | 0 | (38) | (19) | 0 | (19) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Income and Expenditure | (38) | 0 | (38) | (19) | 0 | (19) |
| Adjustments between Accounting basis & Funding basis under regulations | 38 | (38) | 0 | 19 | (19) | 0 |
| (Increase)/Decrease in 2010/2011 | 0 | (38) | (38) | 0 | (19) | (19) |
| Balance at 31 March 2011 | 0 | (58) | (58) | 0 | (29) | (29) |
| Movement in Reserves 2011/2012 | | | | | | |
| Surplus on the Provision of Services | (38) | 0 | (38) | (19) | 0 | (19) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Income and Expenditure | (38) | 0 | (38) | (19) | 0 | (19) |
| Adjustments between Accounting basis & Funding basis under regulations | 38 | (38) | 0 | 19 | (19) | 0 |
| (Increase)/Decrease in 2011/2012 | 0 | (38) | (38) | 0 | (19) | (19) |
| Balance at 31 March 2012 | 0 | (96) | (96) | 0 | (48) | (48) |

Summary GTU Balance Sheet:

| Gwent Transport Unit Balance Sheet | 2011/2012 | | 2010/2011 | |
|---------------------------------------|------------------------|---------------|------------------------|---------------|
| | Gwent | Apportioned | Gwent | Apportioned |
| | Transport Unit £000 | Share £000 | Transport Unit £000 | Share £000 |
| Non-Current Assets | 308 | 153 | 308 | 153 |
| Current Assets | 574 | 284 | 588 | 291 |
| Current Liabilities | (574) | (284) | (588) | (291) |
| Non-Current Liabilities | (212) | (105) | (250) | (124) |
| Total Net Assets | 96 | 48 | 58 | 29 |
| Usable Reserve | 0 | 0 | 0 | 0 |
| Unusable Reserve | (96) | (48) | (58) | (29) |
| Total Reserves | (96) | (48) | (58) | (29) |

47.2 Greater Gwent Cremation Joint Committee (GGCJC)

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

47.3 Gwent Joint Records Committee (GJRC)

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

47.4 South East Wales Transport Alliance (SEWTA)

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

The main functions of SEWTA are to:

- Prepare regional transportation strategies, plans and programmes;

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

47.5 Welsh Purchasing Consortium (WPC)

The Welsh Purchasing Consortium was created in 1974 to support its member authorities in providing joint, collaborative contracts and framework agreements for the procurement of goods and services which would deliver best value for money at all times and maximise efficiency savings. In 2008, the sixteen members of the consortium agreed to provide funding for three years to support the establishment and operation of a central management team, based in Cardiff City Council. This funding arrangement was extended in 2009 for a further two years, to 31 March 2013.



The Housing Revenue Account Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with accepted accounting practices, rather than the amount to be funded from rents and government grants. The Authority charges rents to cover expenditure in accordance with regulations; this differs from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The Authority's housing stock was transferred to Tai Calon in July 2010; entries recorded in the Housing Revenue Account for 2011/2012 represent residual transactions post-transfer. The most significant entries are an Item 10 Direction (£0.800m) allowing transfer of HRA funds to the Council Fund and payment from Tai Calon for rent arrears (£0.120m).

| Housing Revenue Account | 2011/2012 | | 2010/2011 | | Note: | Page: |
|--|-----------|--------------|----------------|------|-------|-------|
| | £000 | £000 | £000 | £000 | | |
| Expenditure | | | | | | |
| Supervision and management | 3 | | 1,444 | | | |
| Repairs and maintenance | 7 | | 2,798 | | | |
| Rents,rates,taxes and other charges | (5) | | 16 | | | |
| Housing Revenue Account Subsidy payable | 0 | | 459 | | H6 | 150 |
| Depreciation and impairment of fixed assets | 0 | | 4,432 | | | |
| Impairment of Debtors | 1 | | 296 | | | |
| Debt management costs | 0 | | 5 | | | |
| Sums directed by the Welsh Government | 800 | | 3,000 | | H5 | 150 |
| Total Service Expenditure | | 806 | 12,450 | | | |
| Income | | | | | | |
| Dwellings rents | (124) | | (5,689) | | | |
| Non-dwelling rents | (2) | | (23) | | | |
| Charges for services and facilities | 0 | | (138) | | | |
| Contributions towards expenditure | (1) | | (67) | | | |
| Housing Revenue Account Subsidy Receivable | 0 | | 0 | | | |
| Sums directed by the Welsh Government that are income in accordance with proper practice | 0 | | 0 | | | |
| Total Service Income | | (127) | (5,917) | | | |
| Net Cost of HRA Services as Included in the whole Authority | | 679 | 6,533 | | | |
| Comprehensive Income & Expenditure Statement | | | | | | |

| Housing Revenue Account (Continued) | 2011/2012 | | 2010/2011 | | Note: | Page: |
|--|-----------|------------|-----------|----------------|-------|-------|
| | £000 | £000 | £000 | £000 | | |
| Net Cost of HRA Services as Included in the whole Authority | | 679 | | 6,533 | | |
| Comprehensive Income & Expenditure Statement | | | | | | |
| HRA services share of Corporate and Democratic Core | | 0 | | 17 | | |
| HRA share of other amounts included in the whole Authority Net Cost of Services | | 0 | | (2,262) | | |
| Net Cost of HRA Services | | 679 | | 4,288 | | |
| HRA Share of the Operating Income & Expenditure included in the whole Authority Comprehensive Income & Expenditure Statement | | | | | | |
| Other Operating Expenditure | | (23) | | 148,757 | H1 | 149 |
| Financing and Investment Income and Expenditure | | (2) | | 3,606 | H2 | 149 |
| Taxation and Non-Specific Grant Income | | 0 | | (44,575) | H3 | 149 |
| Deficit on Provision of HRA Services | | 654 | | 112,076 | | |
| Other Comprehensive Income and Expenditure | | 0 | | 0 | | |
| Total Comprehensive HRA Income and Expenditure | | 654 | | 112,076 | | |

The Movement on HRA Statement

| Movement on HRA Statement 2010/2011 | Housing Revenue Account £000 | Major Repairs Reserve £000 | HRA Capital Receipts Reserve £000 | Total Usable HRA Reserves £000 | HRA Unusable Reserves £000 | Total HRA Reserves £000 | Note | Page |
|--|---------------------------------------|-------------------------------------|--|---|-------------------------------------|----------------------------------|------|---------|
| Balance at 31 March 2010 | (5,301) | 0 | (5,495) | (10,796) | (112,276) | (123,072) | | |
| (Surplus) or Deficit on the Provision of Services | 112,076 | 0 | 0 | 112,076 | 0 | 112,076 | | 146 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Total HRA Comprehensive Income and Expenditure | 112,076 | 0 | 0 | 112,076 | 0 | 112,076 | | |
| Adjustments between Accounting basis & Funding basis under regulations | (111,678) | 0 | 1,564 | (110,114) | 111,945 | 1,831 | H7 | 151-154 |
| Net (Increase)/Decrease before transfers to Earmarked Reserves | 398 | 0 | 1,564 | 1,962 | 111,945 | 113,907 | | |
| Transfers to/from Earmarked Reserves | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Transfers to/from the Council Fund | 17 | 0 | 0 | 17 | 0 | 17 | H8 | 154 |
| (Increase)/Decrease in 2010/2011 | 415 | 0 | 1,564 | 1,979 | 111,945 | 113,924 | H9 | 155 |
| Balance on the HRA as at the end of the current reporting period | (4,886) | 0 | (3,931) | (8,817) | (331) | (9,148) | | |

| Movement on HRA Statement 2011/2012 | Housing Revenue Account £000 | Major Repairs Reserve £000 | HRA Capital Receipts Reserve £000 | Total Usable HRA Reserves £000 | HRA Unusable Reserves £000 | Total HRA Reserves £000 | Note | Page |
|--|---------------------------------------|-------------------------------------|--|---|-------------------------------------|----------------------------------|------|---------|
| Balance at 31 March 2011 | (4,886) | 0 | (3,931) | (8,817) | (331) | (9,148) | | |
| (Surplus) or Deficit on the Provision of Services | 654 | 0 | 0 | 654 | 0 | 654 | | 146 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Total HRA Comprehensive Income and Expenditure | 654 | 0 | 0 | 654 | 0 | 654 | | |
| Adjustments between Accounting basis & Funding basis under regulations | 23 | 0 | 1,493 | 1,516 | 5 | 1,521 | H7 | 151-154 |
| Net (Increase)/Decrease before transfers to Earmarked Reserves | 677 | 0 | 1,493 | 2,170 | 5 | 2,175 | | |
| Transfers to/from Earmarked Reserves | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Transfers to/from the Council Fund | 0 | 0 | 0 | 0 | 0 | 0 | H8 | 154 |
| (Increase)/Decrease in 2011/2012 | 677 | 0 | 1,493 | 2,170 | 5 | 2,175 | H9 | 155 |
| Balance on the HRA as at the end of the current reporting period | (4,209) | 0 | (2,438) | (6,647) | (326) | (6,973) | | |

Note: A residual balance of £1.521 million pre-2004 capital receipts was transferred from the HRA to the Council Fund during 2011/2012. As a result, the adjustments between accounting basis and funding basis under regulations line in the Movement on HRA Statement does not balance to zero.



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Housing Revenue Account Income and Expenditure Statement Notes

H1. Other HRA Operating Expenditure

Other HRA operating expenditure consists of gains on the sale of non-current assets, as disclosed:

| Other HRA Operating Expenditure | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| (Gain) or Loss on Sale of HRA Non-current Assets | (23) | 148,757 |
| Total | (23) | 148,757 |

H2. HRA Financing and Investment Income and Expenditure

HRA financing and investment income includes the following:

| HRA Financing and Investment Income and Expenditure | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| Interest payable and similar charges | 0 | 3,838 |
| HRA Interest and Investment Income | (2) | (232) |
| Pensions Interest Cost and Expected Return on Pensions Assets | 0 | 0 |
| Total | (2) | 3,606 |

H3. HRA Taxation and Non-Specific Grant Income

The HRA received non-specific grant income as follows:

| HRA Taxation and Non-Specific Grant Income | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| Major Repairs Allowance | 0 | (1,303) |
| WG Dowry on Transfer of Housing Stock | 0 | (43,272) |
| Total | 0 | (44,575) |

H4. Trading Operation Surplus

The Authority's Housing D.L.O. was effectively transferred to Tai Calon in July 2010 and consequently there are no transactions in the 2011/2012 year. In 2010/2011, the trading operation generated a deficit, largely in respect of repairs and maintenance works undertaken to council dwellings. Of the deficit arising, £0.730m was repatriated from the management and maintenance line of the HRA I&E Statement. In addition, the sum of £0.054m was transferred from the HRA to the Council Fund in order to charge the HRA with pension costs attributable to the repatriation.

H5. Sums Directed by the Welsh Government to be Debited or Credited to the HRA.

The Authority received an Item 10 Direction during 2011/2012 allowing the transfer of £0.8 million from the HRA to the Council Fund to cover residual costs arising from the housing stock transfer in July 2010. This transfer is shown as a credit to the Housing Services line in the Comprehensive Income & Expenditure Statement. (2010/2011: An Item 10 Direction of £3 million was actioned, comprising £2million capital receipts and £1million of the HRA Fund Reserve).

H6. Rebates and Housing Subsidy

No clawback of housing subsidy was charged to the HRA Income & Expenditure Statement during 2011/2012 (2010/2011: £0.459m).

Movement on HRA Statement Notes

H7. Adjustments Between Accounting Basis and Funding Basis Under Regulations (HRA).

This entry in the Movement on HRA Statement contains those items arising from statutory provisions or guidance that allow the Authority to adjust for the impact of specific accounting entries when calculating the balance on the HRA. These include transactions relating to depreciation and impairment, pensions provision, employee accruals, unequal pay and capital grants. The following adjusting transactions were made in the HRA in 2011/2012:

| HRA Adjustments between Accounting Basis and Funding Basis under Regulations 2011/2012 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Movement in Unusable Reserves £000 |
|--|---------------------------------------|-------------------------------------|--|---|
| Transactions between Funds & Usable Reserves: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement | 23 | 0 | (23) | 0 |
| Transfer of pre-2004 Capital Receipts to Council Fund Capital Receipts | 0 | 0 | 1,521 | 0 |
| Transactions Involving Unusable Reserves: | | | | |
| Adjustments to/from the Deferred Capital Receipts Reserve: | | | | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | (5) | 5 |
| Total Adjustments between Accounting Basis and Funding Basis under Regulations | 23 | 0 | 1,493 | 5 |

* Note: A residual balance of £1.521 million was transferred from the HRA Pre-2004 Capital Receipts Account to the Council Fund Pre-2004 Capital Receipts Account, as this balance is not restricted for use in the Housing Revenue Account. As a result, the adjustments between accounting basis and funding basis under regulations line in the HRA Movement in Reserves Statement does not balance to zero.

The following transactions adjusting between accounting basis and funding basis were made in the HRA in 2010/2011:

| HRA Adjustments between Accounting Basis and Funding Basis under Regulations 2010/2011 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Movement in Unusable Reserves £000 |
|---|---------------------------------|-------------------------------|----------------------------------|---------------------------------------|
| Transactions between Funds & Usable Reserves: | | | | |
| Transfer of cash sale proceeds credited as part of the gain on disposal to the HRA Income & Expenditure Statement | 710 | 0 | (710) | 0 |
| Transfer of Capital Receipts from HRA using Item 10 Direction | (2,000) | 0 | 2,000 | 0 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals | (17) | 0 | 17 | 0 |
| Reversal of Major Repairs Allowance credited to the HRA | 1,303 | (1,303) | 0 | 0 |

| HRA Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2010/2011 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Movement in Unusable Reserves £000 |
|--|---------------------------------------|-------------------------------------|--|---|
| Transactions Involving Unusable Reserves: | | | | |
| Adjustments to/from the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the HRA Income & Expenditure Statement: | | | | |
| Charges for depreciation & impairment of non-current assets (Note 1) | (4,433) | 0 | 0 | 4,433 |
| Revaluation losses on Property Plant & Equipment (Note 1) | 0 | 0 | 0 | 0 |
| Capital grants & contributions applied | 38,843 | 0 | 0 | (38,843) |
| Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the HRA Income & Expenditure Statement | (149,467) | 0 | 0 | 149,467 |
| Items not debited or credited to the HRA Income & Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | 252 | 0 | 0 | (252) |
| Transfer of Residual Capital Adjustment Account Balance from HRA to Council Fund (Note 2) | 0 | 0 | 0 | 1,713 |
| Items involving Usable Capital Reserves: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 265 | (265) |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 1,303 | 0 | (1,303) |

Note 1: Restated to disclose impairment figures as part of 'Charges for depreciation & impairment of non-current assets'; previously included within 'Revaluation losses on Property, Plant & Equipment'.

Note 2: A residual balance of £1.713 million was transferred from the HRA Capital Adjustment Account to the Council Fund Capital Adjustment Account, representing balances remaining on the account after stock transfer. As a result, the adjustments between accounting basis and funding basis under regulations line in the HRA Movement in Reserves Statement does not balance to zero.

| HRA Adjustments between Accounting Basis and Funding Basis under Regulations (Continued) 2010/2011 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Movement in Unusable Reserves £000 |
|---|---------------------------------------|-------------------------------------|--|---|
| Adjustments to/from the Deferred Capital Receipts Reserve: | | | | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | (8) | 8 |
| Adjustment to/from the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the HRA Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 736 | 0 | 0 | (736) |
| Adjustments to/from the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement | 2,120 | 0 | 0 | (2,120) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 140 | 0 | 0 | (140) |
| Transfer of Residual Pensions Balance from HRA to Council Fund | 31 | 0 | 0 | (31) |
| Adjustment to/from the Accumulated Absences Account: | | | | |
| Amount by which officer remuneration charged to the HRA Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 104 | 0 | 0 | (104) |
| Total Adjustments between Accounting Basis and Funding Basis under Regulations | (111,678) | 0 | 1,564 | 111,827 |

H8. Transfers to Council Fund

In 2011/2012, £0.000m (2010/2011: £0.017m) of capital receipts received on the sale of council houses was transferred to the Council Fund to fund the cost of the valuations involved in these sales.

H9. Transfers to/from Reserves (HRA).

This note sets out the amounts set aside in HRA fund balances to provide financing for future expenditure plans and the amounts posted back to meet HRA expenditure in 2011/2012.

| | Balance at 1 April 2010 £000 | Transfers Out 2010/2011 £000 | Transfers In 2010/2011 £000 | Balance at 31 March 2011 £000 | Transfers Out 2011/2012 £000 | Transfers In 2011/2012 £000 | Balance at 31 March 2012 £000 |
|----------------------------------|------------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|
| HRA Transfers (to)/from Reserves | | | | | | | |
| Fund Balances | | | | | | | |
| Housing Revenue Account | (5,301) | 415 | 0 | (4,886) | 677 | 0 | (4,209) |
| Total: | (5,301) | 415 | 0 | (4,886) | 677 | 0 | (4,209) |

HRA Balance Sheet Notes

H10. Rent Arrears

Rent Arrears totalling £0.590m were written off on the transfer of the housing stock to Tai Calon, partly charged to the HRA bad debts reserve of £0.362m. Recovery of these sums is continuing and any amounts received from former tenants will be credited to the relevant fund. In 2011/2012, £0.004m of former tenant rent arrears were recovered and credited to the HRA. The Authority also received a payment of £0.120m from Tai Calon for rent arrears as part of the stock transfer agreement.

H11. HRA Capital Expenditure

Capital expenditure on land, housing and other property within the Housing Revenue Account was as follows:

| HRA Capital Expenditure | 2011/2012 £000 | 2010/2011 £000 |
|-------------------------------|-------------------|-------------------|
| Total HRA capital expenditure | 0 | 1,439 |
| Funded by | | |
| Usable capital receipts | 0 | (136) |
| Major repairs reserve | 0 | (1,303) |
| Total: | 0 | (1,439) |

H12. HRA Capital Receipts

Capital Receipts from disposals of land, houses and other property within the HRA were as follows:

| HRA Capital Receipts | 2011/2012 | 2010/2011 |
|-------------------------------------|-------------|--------------|
| | £000 | £000 |
| Capital Receipts: | | |
| Council dwellings | (23) | (400) |
| Sale of land & principal repayments | (5) | (8) |
| Total: | (28) | (408) |

H13. Depreciation and Impairment of Non-Current Assets

The total charge to the HRA for Depreciation and Impairment is as follows:

| HRA Depreciation and Impairment | 2011/2012 | 2010/2011 |
|---------------------------------|-----------|----------------|
| | £000 | £000 |
| Depreciation | 0 | (3,076) |
| Impairment Charges | 0 | (1,357) |
| Total: | 0 | (4,433) |

The total depreciation charge can be further analysed as follows:

| HRA Depreciation | 2011/2012 | 2010/2011 |
|-------------------------------|-----------|--------------|
| | £000 | £000 |
| Operational Assets | | |
| Dwellings | 0 | 2,993 |
| Other Land & Buildings | 0 | 83 |
| | 0 | 3,076 |
| Non-Operational Assets | 0 | 0 |
| Total Depreciation: | 0 | 3,076 |

During 2011/2012, no impairment costs were incurred in relation to the HRA, as outlined below:

| HRA Impairment | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| Impairment due to consumption | 0 | 0 |
| Impairment due to economic conditions | 0 | 0 |
| Capital Expenditure not resulting in enhancement | 0 | 1,357 |
| Total Impairment Costs: | 0 | 1,357 |

H14. Major Repairs Allowance

The following transactions occurred in respect of Major Repairs Allowance in 2011/2012:

| Major Repairs Allowance | 2011/2012 £000 | 2010/2011 £000 |
|--|-------------------|-------------------|
| Balance Brought Forward at 1 April | 0 | 0 |
| MRA Received | 0 | (1,303) |
| MRA Utilised to fund expenditure | 0 | 1,303 |
| Balance Carried Forward at 31 March | 0 | 0 |

H15. Contributions to or from the Pensions Reserve

Retirement benefits were accrued by employees who worked in and for the Housing Revenue Account which, although not payable until retirement, represent a commitment by the Authority that needs to be included in the Accounts in the financial period in which the benefit arose.

HRA staff were members of the Local Government Pension Scheme, a defined benefit scheme administered by Torfaen CBC. Employer and employee contributions were based on rates determined by the Fund Actuary. Further details of the scheme can be found in note 42 to the Core Financial Statements, page 116.

The cost of retirement benefits earned has been recognised in the 'Net Cost of Services' section of the HRA I&E Statement when those benefits were earned by employees, rather than when the benefits are actually paid as pensions. However, in order that the charge that falls to rent-payers is equal to the amounts payable for the year of account, adjustments have been made in the Movement on HRA Statement that reverse the accrued cost of retirement benefits from the HRA and replace it with the cash cost.

The backfunded liability relating to transferred staff remained with the Authority and was assessed by the pension fund actuary to be £8.002m. In March 2011, an Item 10 Direction from the Welsh Government allowed the release of funds from the HRA which were used to make a payment of £2m to reduce this liability; the remaining sum will be written down by contributions over a 20 year recovery period.

The following transactions have been made in the HRA during 2011/2012:

| IAS 19 Transactions in the HRA | 2011/2012 £000 | 2010/2011 £000 |
|---|-------------------|-------------------|
| HRA Income & Expenditure Statement | | |
| Net Cost of HRA Services | | |
| Current Service Cost | 0 | 111 |
| Settlements | 0 | (2,231) |
| Financing & Investment Income and Expenditure | | |
| Interest Cost | 0 | 0 |
| Expected Return on Assets in the Scheme | 0 | 0 |
| Net Charge to the HRA Income & Expenditure Statement | 0 | (2,120) |
| Movement on HRA Statement | | |
| Reversal of net charges made for retirement benefits in accordance with IAS19 | 0 | 2,120 |
| Actual Amount Charged Against Rent for Pensions in year | | |
| Employers' Contributions Payable to Scheme | 0 | 140 |



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