

2016/2017

# Statement of Accounts

November 2020



Cyngor Bwrdeistref Sirol

**Blaenau Gwent**

County Borough Council



The Bandstand in Bedwellty Park, Tredegar, was constructed at the expense of the Bedwellty Park Athletic Club and presented to the Urban District Council on 3 June 1912.

The bandstand, along with Bedwellty House and the park in which it is situated, were presented to the people of Tredegar by the Morgan family, to be held in trust for recreational purposes.



Cover Photo: The Bandstand, Bedwellty Park, Tredegar.



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*Abbreviations and Terms Used*

*Byrfoddau a Thermau a Ddefnyddir*

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County Borough Council

*Abbreviations and Terms Used in the Statement of Accounts*

AEF	Aggregate External Finance	GJRC	Gwent Joint Records Committee
AW	Audit Wales	GMiRS	Group Movement in Reserves Statement
BCIS	Building Cost Information Service	GTU	Gwent Transport Unit
BS	Balance Sheet	GWICES	Gwent Wide Integrated Community Equipment Service
CARE	Care Average Revalued Earnings	HMRC	HM Revenue and Customs
CBC	County Borough Council	HNA	Highways Network Asset
CC	City or County Council	HRA	Housing Revenue Account
CCP	Collaborative Change Programme	IAS	International Accounting Standard
CCRCD	Cardiff City Region City Deal	ICT	Information and Communications Technology
CIES	Comprehensive Income and Expenditure Statement	IFRS	International Financial Reporting Standard
CIPFA	Chartered Institute of Public Finance and Accountancy	IPSAS	International Public Sector Accounting Standard
CPFA	Chartered Public Finance Accountant	IR	Inland Revenue
CPI	Consumer Price Index	ISB	Individual Schools Budget
DfE	Department for Education	Las	Local Authorities
DRC	Depreciated Replacement Cost	LASAAC	Local Authority (Scotland) Accounts Advisory Committee
EA	Environment Agency	LGPS	Local Government Pension Scheme
EAS	Education Achievement Service (for South-East Wales)	LLP	Limited Liability Partnership
EEA	European Economic Area	LMS	Local Management of Schools
EFA	Expenditure and Funding Analysis	LOBO	Lender's Option Borrower's Option
EFTA	European Free Trade Association	MiRS	Movement in Reserves Statement
EU	European Union	MMI	Municipal Mutual Insurance
EUV	Existing Use Value	MPC	Monetary Policy Committee
FRS	Financial Reporting Standard	MRICS	Member of the Royal Institution of Chartered Surveyors
FSS	Funding Strategy Statement	MRP	Minimum Revenue Provision
FTSE	Financial Times Stock Exchange	MTFS	Medium Term Financial Strategy
GBS	Group Balance Sheet	NHS	National Health Service
GCIES	Group Comprehensive Income and Expenditure Statement	NNDR	National Non-Domestic Rates
GGCJC	Greater Gwent Cremation Joint Committee	NPV	Net Present Value

## Abbreviations and Terms Used in the Statement of Accounts

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NRW	Natural Resources Wales
OAG	Outcome Agreement Grant
PPE	Property, Plant and Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RSG	Revenue Support Grant
SCR	Standard Contribution Rate
SeRCoP	Service Reporting Code of Practice
SEWSPG	South East Wales Planning Group
SRS	Shared Resource Services
STCA	Short-Term (Accumulating) Compensated Absences
SVWS Ltd.	Silent Valley Waste Services Ltd
TPS	Teachers Pension Scheme ( <i>also</i> : uTPS)
UK GAAP	United Kingdom Generally Accepted Accounting Principles (and/or Practices)
UKGN	United Kingdom Guidance Notes (RICS)
UKVS	United Kingdom Valuation Standards (RICS)
uTPS	Unfunded Teachers Pension Scheme ( <i>also</i> : TPS)
VAT	Value Added Tax
WAO	Wales Audit Office
WG	Welsh Government
WRAP	Waste & Resources Action Programme
WTO	World Trade Organisation



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## Narrative Report

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### 1. Introduction

The purpose of this Narrative Report 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 2016 to 31 March 2017 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 (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 economic situation remains a major concern to the public sector both in Wales and the UK. The overall Welsh Government (WG) Revenue Settlement for 2017/2018 saw the first increase for local government since 2013/2014 with figures across Wales ranging from 1.1% to -0.5%. The reduction for Blaenau Gwent CBC was -0.4% resulting in a real cash decrease compared to 2016/2017 of £0.273m. There are no financial forecasts from Welsh Government to work on for 2018/2019 onwards at this stage, which makes financial planning, even in the short term, more challenging, however the recent trend of reducing settlements is expected to continue.

Low interest rates continue to result in a lower return on any investments held by the Authority. On a positive note, correspondingly low levels of inflation have proved beneficial.

The settlement posed a continuing challenge (following the unprecedented level of savings required in the previous year) for the Authority, both in terms of developing a robust and balanced revenue budget (where savings of £4.76m and a planned use of reserves of up to £1.476m were required) and managing its financial affairs during the year with the aim of achieving a relatively sustainable financial position.

Despite the considerable challenges the Authority faced in terms of the WG Financial Settlement, the Council was able to set its budget for 2017/2018.

### 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 Wales Audit Office (WAO) Statutory Recommendations

The Wales Audit Office continues to monitor the Council's progress through its Annual Improvement Report and Improvement Assessment Letters. In its Annual Audit Letter issued in October 2013, WAO made a statutory recommendation to the Authority under S.25(2) of the Public Audit (Wales) Act 2004. This required the Authority to deliver a legal and balanced budget for 2014/2015 and to agree a sustainable Medium Term Financial Strategy (MTFS) to live within its means.

The Wales Audit Office has monitored progress through a three phase review and in the Annual Improvement Report issued in August 2015 stated that, based on the work of the Wales Audit Office and relevant regulators, the Auditor General considers that as long as current momentum is maintained the Council is likely to comply with the requirements of the Local Government Measure during 2016/2017.

During the course of the year, the Auditor General did not need to issue any further formal recommendations. However, lower priority issues, known as proposals for improvement, were issued throughout the year.

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### 3.2 Qualified Audit Opinion on the 2016/2017 Statutory Accounts

In his opinion on these accounting statements the Auditor General outlines his reasons for issuing a qualified audit opinion (*page 20a*) as he considers that employer pension payments made to officers appointed as directors of Silent Valley Waste Services Ltd. were contrary to law.

The Council has received independent legal advice on this matter and is of the view that there has been no breach of the LGPS Regulations in relation to the 'additional' pensionable pay, as the definition of 'pensionable pay' within the regulations is considered wide enough to allow the payments made.

However the Council agrees that it may appear not to have followed correct internal practices when making the decisions on the remuneration aspect of the nomination to the Silent Valley Board of Directors for the individuals identified.

In addition, the Council agrees that it did not maintain separate pension accounts for the two employments (with the Local Authority & Silent Valley Waste Services). This was based upon the treatment of previous appointments to these directorships, where the Council agreed that the additional element would be incorporated within the salary of the appointed individual.

### 3.3 Annual Governance Statement

In the Annual Governance Statement presented to Audit Committee alongside this document, the Head of Internal Audit has concluded that there has been a notable improvement in the internal control environment and has judged that Blaenau Gwent County Borough Council's system of internal control during the financial year 2016/2017 operated to a level which gives Reasonable Assurance on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion has been given with a caveat that the Environment Directorate will require additional audit coverage during 2017/2018 to provide further assurance in this area. However, the general direction of travel for the Authority as a whole is positive.

A copy of the Annual Governance Statement for 2016/2017 can be found at the following address:

<http://www.blaenau-gwent.gov.uk/council/budgets-spending/statement-of-accounts/>

### 3.4 Monwel Ltd.

Monwel Ltd., a social enterprise established in September 2013, was placed into liquidation at the end of July 2015. On establishment, Blaenau Gwent CBC agreed to act as guarantor of last resort in respect of pension liabilities, which allowed Monwel Ltd. to gain admittance into the Greater Gwent (Torfaen) Pension Scheme. During 2016/2017, having failed to obtain reimbursement in full from any other source, the scheme administrators required the Council to discharge the £57,315 outstanding pension liabilities of Monwel Ltd.. This sum has been charged to the provision which had been retained for this purpose. The remaining £15,000 provision has been unwound and, as there are no further outstanding obligations, the £110,000 contingent liability has also been removed.

### 3.5 Revised waste collection and recycling service

Throughout 2016/2017 the Waste Services department has continued to work closely with Welsh Government and its advisors, WRAP (the Waste and Resources Action Programme) and Silent Valley Waste Services Ltd., to embed the revised kerbside recycling and refuse services. The Council recognises the challenges it faces in meeting the statutory targets and continues to seek Welsh Government support through the Collaborative Change Programme (CCP). The Council is committed to improving its waste and recycling performance, but a long term business plan and engagement with users are needed to deliver the service effectively, improve performance and avoid financial penalties.

Provisional figures demonstrate that the final outturn recycling performance has significantly improved from 48.7% in 2015/2016 to 56.77% in 2016/2017. This figure is still below the Welsh Government target of 58%. Consequently, it is possible that a financial penalty will be levied against the Authority, with a decision expected not later than March 2018. A reserve has been maintained in the accounting statements to reflect the possibility of fines in 2016/2017 and future years.

### 3.6 Transfer of ICT services

The Authority is actively seeking collaborative and other solutions to deliver its services within the limited resources it has available. To this end, on 1 June 2016, the Authority transferred the provision of its ICT services to Shared Resource Services - the SRS. This is a joint venture established by Torfaen CBC, Monmouthshire CC and Gwent Police which provides ICT services at arms-length to those authorities, in addition to other clients. Most of the Authority's existing ICT staff were transferred to the SRS, in addition to other related budgets. This arrangement should result in financial savings relating to the provision of an ICT service, whilst also providing additional service capacity and resilience. Newport City Council transferred their ICT service into the SRS with effect from the 1 April 2017 and Caerphilly CBC are actively considering a transfer, both of which will further increase the resilience and sustainability of the ICT service.

### 3.7 European Union Membership

On 23 June 2016, the United Kingdom voted to leave the European Union (EU). Given that there is currently limited data for the post-referendum period and consequently inadequate verifiable evidence of permanent changes to the environment in which the Authority operates, there has consequently been no impact on the transactions and balances reported for the 2016/2017 financial year. Further consideration of the future impact of the vote to leave the EU is included in note 17.4 to this Narrative Report (pages 16-17).

### 3.8 Material Events After the Reporting Date

There were no material adjusting or non-adjusting post-balance sheet events.

## 4. Summary of Outturn

In setting the 2016/2017 budget, the Authority set a Council Tax increase of 3.6% and identified savings of £4.76m. This included a proposed use of reserves up to £1.476m, £1.3m of which was to fund the increased costs within the care sector as a result of the introduction of the minimum living wage. Overall, the management accounts have reported an underspend against budget of £71,000, after application of earmarked and general reserves totalling £3.3m. A number of budget pressures were identified during the year, the most significant relating to looked after children and the need for residential placements. This cost pressure was forecast early on in the financial year and a number of actions were put in place across the Council to assist in mitigating the forecast overspend, including:

- Freezing or delaying non-essential expenditure;
- Requiring budget holders to maintain forecast underspends and to review expenditure & income commitments to identify further savings of £1.1m; and
- Reviewing specific reserves to release funding of £1m.

These ongoing cost implications have been built into the budget for 2017/2018, which has increased pressure on other service areas to deliver savings by reducing expenditure and/or increasing income. In addition, further use of general and earmarked reserves has been agreed as a short-term measure to assist with cost pressures.

## 5. Revenue Expenditure Outturn and Funding

### 5.1 2016/2017 Outturn

The following table reconciles the net service expenditure reported on a statutory basis in the Comprehensive Income & Expenditure Statement (page 21) with net outturn as reported to Management during the year. The Expenditure and Funding Analysis on page 49, together with the accompanying notes, provide details of the adjustments that have been made in reconciling between the statutory and management accounts. The table also indicates the Authority's net service expenditure, as reported to management, compared with the budget for the year.

Service Expenditure Compared to Budget	2016/2017					
	CIES Net Expenditure £000	Accounting Code Adjustments £000	Funding and Accounting Basis Adjustments £000	Net Outturn - Management Accounts £000	Revised Budget £000	Variance: Adverse/ (Favourable) £000
<b>Portfolio/Committee:</b>						
Financial Management & Strategy	12,545	(1,489)	(1,173)	9,883	10,604	(721)
Corporate Services	4,168	(274)	(300)	3,594	3,872	(278)
Social Services	42,640	(2,885)	(1,121)	38,634	37,957	677
Infrastructure	7,817	2,597	(2,004)	8,410	8,161	249
Active Living	5,192	695	(1,478)	4,409	4,404	5
Education *	17,882	44,498	(7,207)	55,173	55,357	(184)
Environment	14,490	3,903	(3,363)	15,030	14,914	116
Economy	1,875	0	(656)	1,219	1,151	68
Planning	1,222	(168)	(10)	1,044	1,047	(3)
Licensing	51	(2)	2	51	51	0
<b>Sub-Total:</b>	<b>107,882</b>	<b>46,875</b>	<b>(17,310)</b>	<b>137,447</b>	<b>137,518</b>	<b>(71)</b>
Education - Schools **	42,329	(42,811)	(101)	(583)	0	(583)
<b>Total:</b>	<b>150,211</b>	<b>4,064</b>	<b>(17,411)</b>	<b>136,864</b>	<b>137,518</b>	<b>(654)</b>

\*: *Education* refers to centralised education functions and non-school transactions.

\*\* : *Education - Schools* refers to financial transactions related specifically to school entities.

## 5.2 Impact of Inflation on Revenue Expenditure

Consumer price inflation during 2016/2017 ranged between 0.3% and 2.3%, rising above the Bank of England target rate of 2% in February 2017. The Bank of England's May 2017 inflation report projected that CPI inflation would rise further above the 2% target in the coming months, peaking a little below 3% in the fourth quarter of 2017/2018 and is expected to remain above the Monetary Policy Committee (MPC) target throughout the forecast period to 2020.

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. Continued wage restraint and below-inflation settlements should reduce cost increases in the short-term. However, potential increases in employers contributions to the Local Government and Teachers' Pension Schemes, implementation of the Apprenticeship Levy and IR35 Intermediaries Legislation could all result in upward pressure on employee costs. A 1% increase in employee costs equates to £0.935m.

The impact of inflation in 2016/2017 on other significant areas of spend (as calculated by the Bank of England) was:

- Gas: -1.8%;
- Electricity: 0.8%;
- Fuels and lubricants: 17.1%;
- Postal Services: 1.5%; and
- Food and beverages: 1.2%.

Falls in the Sterling Exchange Rate since late 2015 have begun to impact on the price of imported goods and services, contributing to an increase in inflation above the 2% target. It is forecast that the devaluation of Sterling will be a factor in levels of inflation remaining above the MPC 2% target throughout the next three years. However, despite the decrease in the value of Sterling, the current Bank of England forecast is that market interest rates will only rise by 0.25% over the next three years. Inflationary increases in prices at which the Authority procures goods and services, in excess of related income from fees and charges or general government grants, will most likely have a detrimental impact on a wide range of service budgets including, schools, street lighting, catering and meals on wheels.

## 5.3 Funding Sources

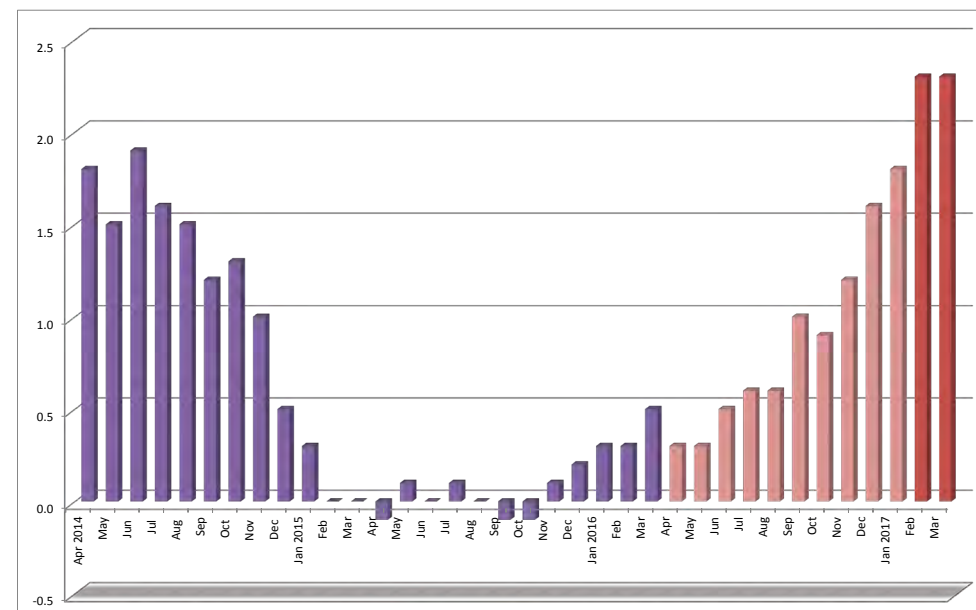
Central Government provides the majority of the Authority's funding, through Revenue Support Grant, Specific Grants and Non-Domestic Rates (67.2% of funding in 2016/2017). The spending review covering the period to 2019/2020 indicated increases to the Welsh Government budget of less than 0.8% per annum and consequently the level of funding to Welsh local authorities is likely to be similarly constrained.

A 1% reduction in RSG compared to 2015/2016 levels represents a reduction of £0.907m, which equates to 0.40% of the Authority's total funding. In real terms the impact of this reduction is increased by the impact of inflation.

Interest rates were reduced to the historically low level of 0.25% in August 2016, which has further curtailed the amount of investment income available to the Authority. In May 2017, the Bank of England indicated that projections of long-term and real interest rates suggest that rates will remain low for some time.

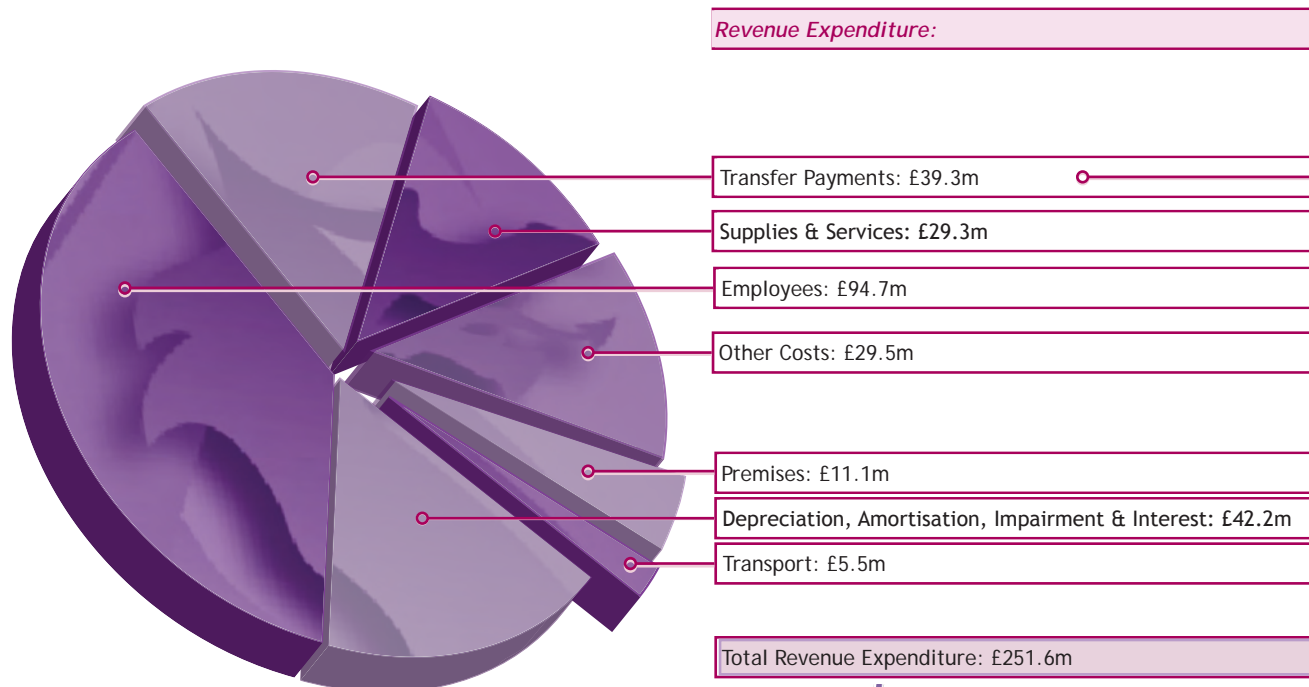
The combination of low interest rates and reduced grant funding create an environment in which there is continued pressure to control costs. For 2017/2018, Aggregate External Financing at Blaenau Gwent is reducing by 0.4%, which is lower than the average Welsh Unitary Authority increase of 0.2% (source: *Welsh Government Local Government Revenue and Capital Settlement: 2017-18*).

Consumer Price Index (CPI) Inflation: April 2014 - March 2017



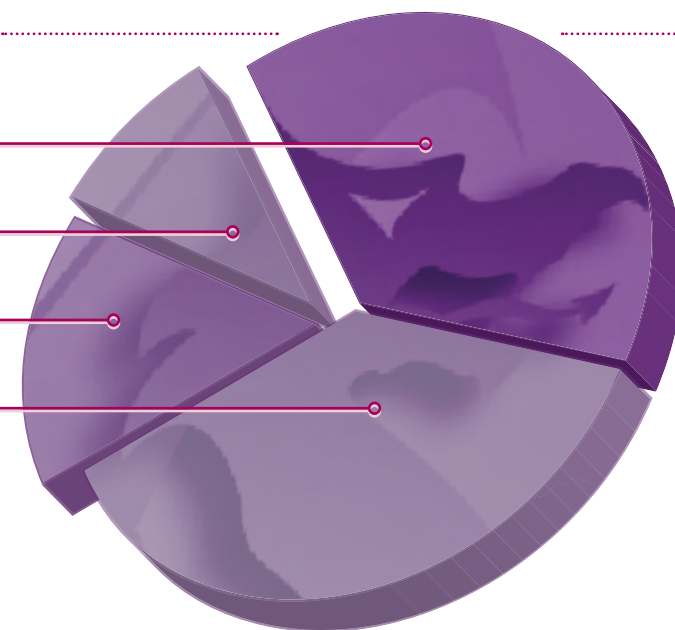


For 2016/2017, revenue expenditure and funding can be analysed as follows:



Transfer Payments are amounts paid for which no goods or services are received in return by the Authority, including Housing Benefits (Rent Allowances and Rebates); Voluntary Sector Grants; Direct payments to Social Services clients; and Mandatory and Discretionary Awards to schoolchildren and students.

Summary	2016/2017 £000
Total Revenue Expenditure	251,623
Total Revenue Funding	(230,771)
Net Revenue Expenditure	20,852
Adjustments between accounting basis and funding basis under statutory provisions	(15,777)
Net Decrease in Reserves	5,075
Transfers from Earmarked Reserves	(4,271)
Decrease in Council Fund General Reserve	804



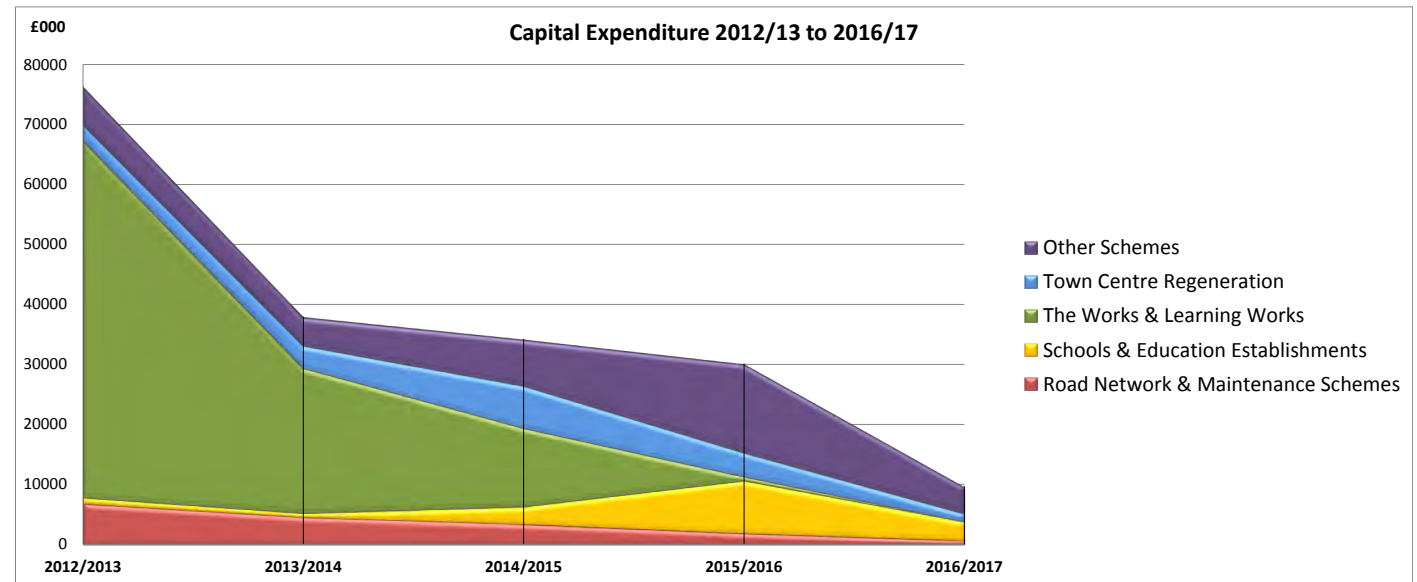
6. Capital Expenditure Outturn and Funding

Capital Expenditure

Total capital expenditure continued to decline in 2016/2017, in line with reductions in Welsh/Central Government funding and the completion of significant capital schemes.

In year, total capital expenditure amounted to £9.698m, a reduction of £20.458m compared to the previous year, largely due to the completion of the following:

- Energy Efficiency Project (approx. £3m);
- Town Centre Regeneration Schemes (approx. £4m);
- Waste Management Project (approx £6m); and
- 21st Century Schools Project (approx £5m).



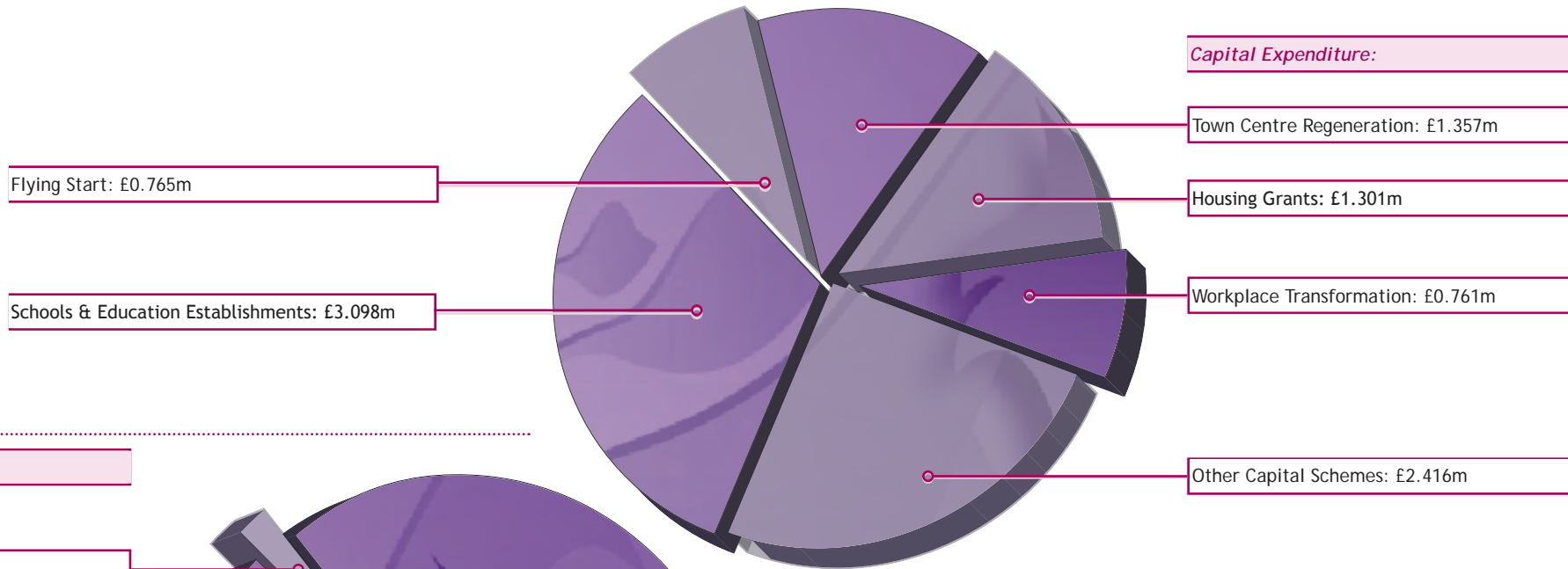
The major items of expenditure, categorised by scheme type, are identified in the table (right).

Further details of capital expenditure are contained in notes 29.4 (page 86) and 29.6 (page 88) to the Core Statements.

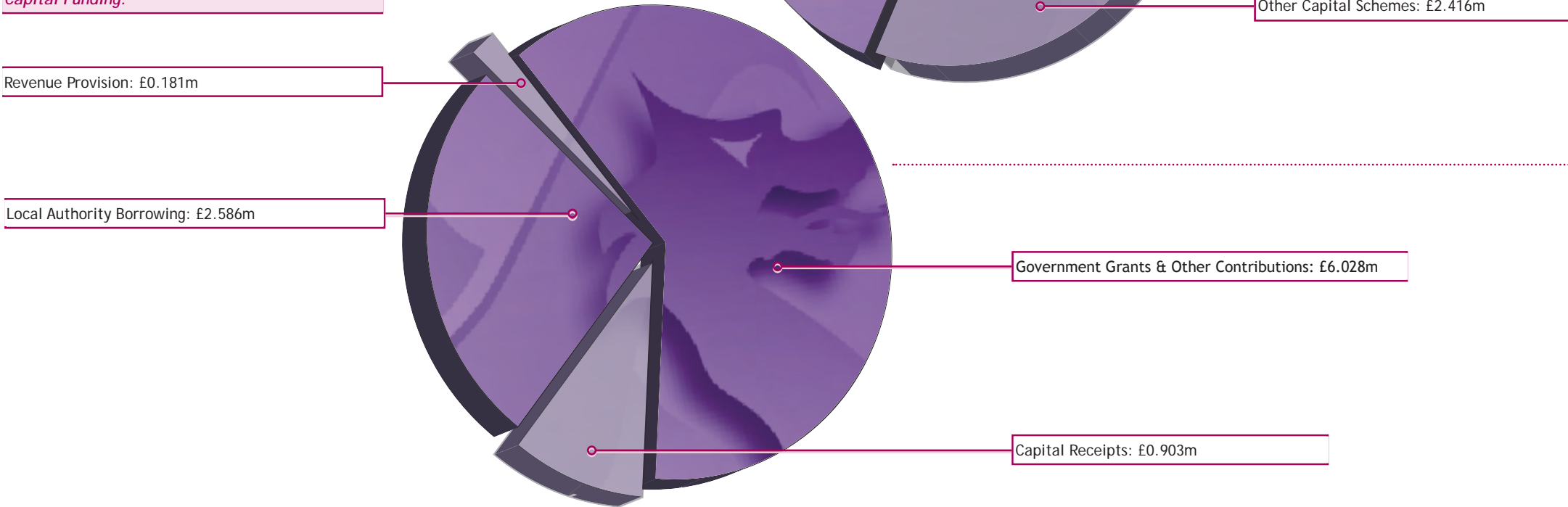
Capital Expenditure by Scheme	2016/2017 £000	2015/2016 £000
Schools & Education Establishments	3,098	8,695
Town Centre Regeneration	1,357	4,004
Housing General	1,301	4,764
Flying Start Schemes	765	1,049
Workplace Transformation	761	2,125
Road Network & Maintenance Schemes	743	1,933
Waste Management	591	5,668
Leisure Schemes	479	610
Social Services Adults	282	299
Housing Renewal Areas	170	75
The Works & Learning Works	60	769
Capitalisation Direction	0	15
Other	91	150
<b>Total:</b>	<b>9,698</b>	<b>30,156</b>

*Financing of Capital Expenditure*

Capital expenditure totalling £9.698m was financed by local authority borrowing (£2.586m), grants (£6.028m) and other sources (£1.084m). Capital expenditure and funding are summarised in the graphs below.



**Capital Funding:**



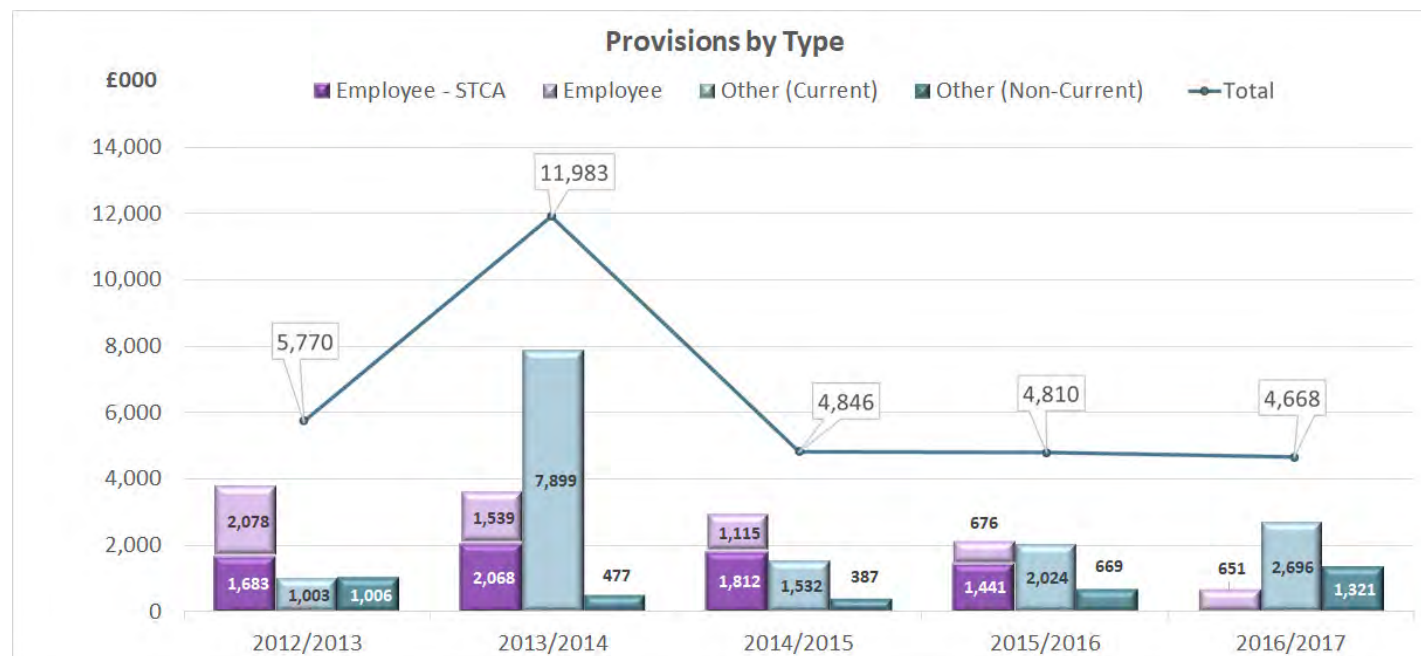
7. Provisions, Reserves, Contingencies and Write Offs

7.1 Provisions

The level of provisions held by the Authority varies each year in relation to the level of liabilities identified. Total provisions held by the Authority at the beginning of the year amounted to £4.810m, decreasing by £0.142m to £4.668m during 2016/2017. This was largely due to the identification of additional provisions for Lease Dilapidation and the establishment of a Contaminated Land provision, offset by a reduction in the provision for Ebbw Vale Sports Centre Flood Damage and the reclassification of the Short Term Accumulating Compensated Absences (STCA) provision as a creditor.

All provisions have been assessed to reflect payments made against them during the financial year and have been increased or decreased in line with anticipated outstanding liabilities.

Details of the movements of individual provisions are shown in note 40.2 to the Core Statements (see page 105).

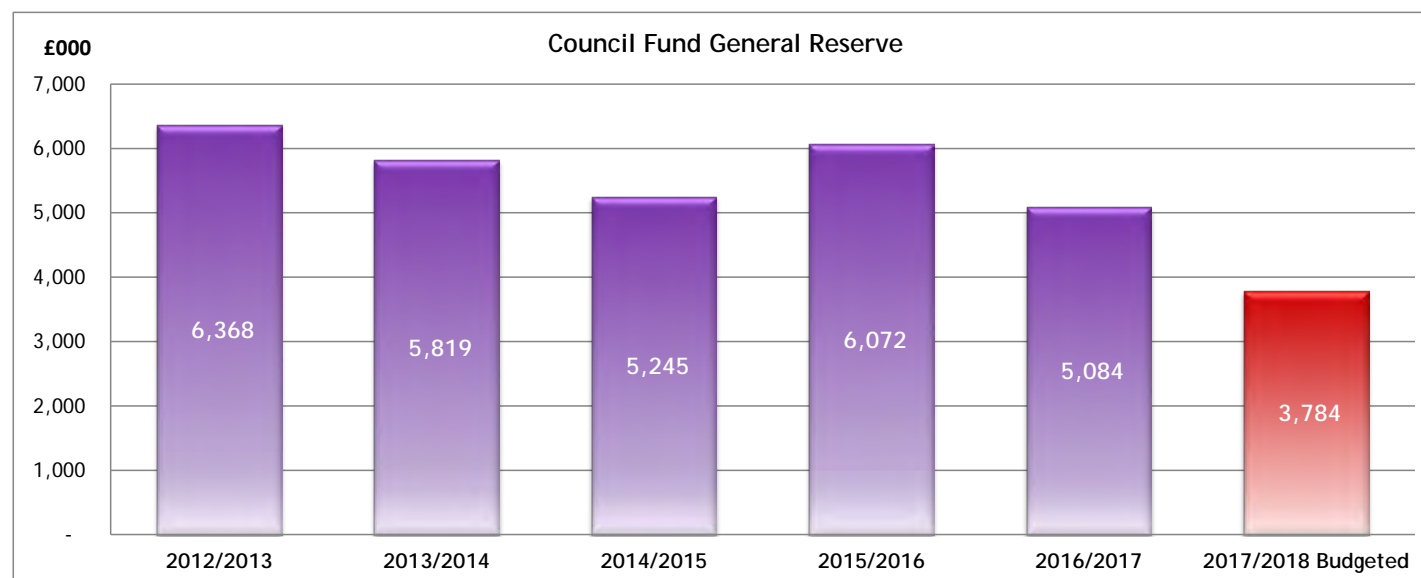


7.2 Reserves

Total General Reserves have reduced from £6.368m in 2012/2013 to £5.084m in 2016/2017. This represents 3.75% of Revenue Outturn Net Revenue Expenditure.

It is estimated that Council Fund reserves will reduce by a further £1.3m in 2017/2018 as a result of budgeted transfers to and from reserves.

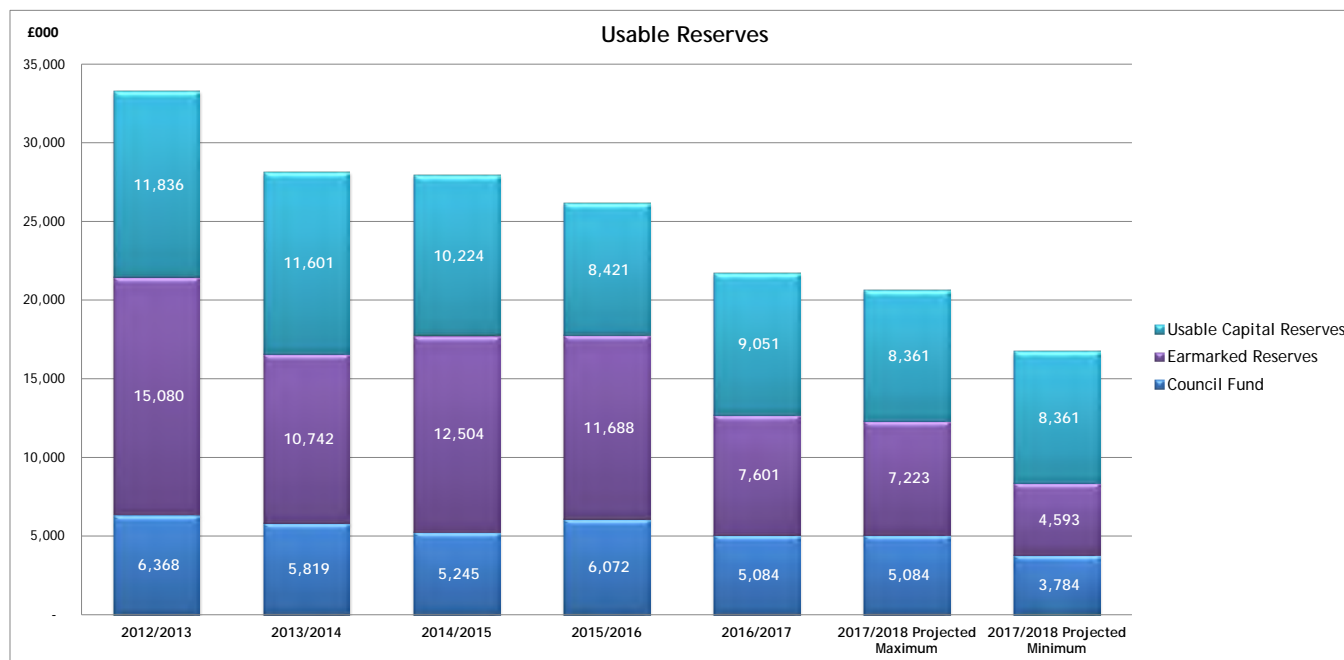
However, to understand the Authority's overall financial position, the level of general reserves needs to be viewed in the context of total usable reserves.



Aggregate Usable Reserves have reduced from £33.284m in 2012/2013 to £21.736m in 2016/2017. This represents 16.03% of Net Revenue Outturn Expenditure.

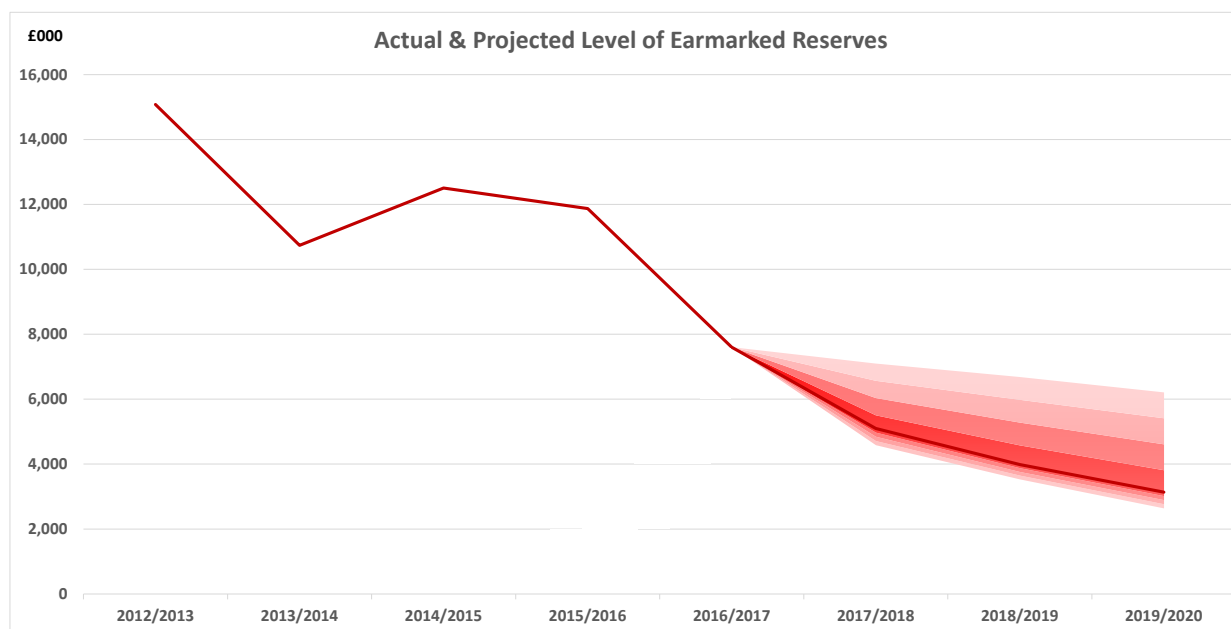
Within this aggregate figure, the level of General Reserves has reduced from £6.368m in 2012/2013 to £5.084m in 2016/2017. This relative stability is due to the management of the reserve in accordance with the Authority's policy of maintaining General Reserves at a target level of 4% of Revenue Outturn Expenditure.

In contrast, the level of other usable reserves has declined over that period from £26.916m to £16.652m (-£10.264m, -38.1%), highlighting the use of these reserves for their intended purposes and to some extent the impact of reduced levels of funding for the Authority as a consequence of austerity.



For 2017/2018, the net draw on earmarked reserves is projected to be in the range of £0.376m to £3.020m. As indicated in the fan chart (right), it is more probable that the draw from reserves will be towards the higher end of this projected range. The 'most likely' range of projections is a net reduction of between £1.973m and £2.634m. This would result in total earmarked reserves balances at 31 March 2018 in the range of £4.967m and £5.628m. (For 2016/2017, the 'most likely' projected range for aggregate earmarked reserve balances at year-end was between £7.594m and £8.685m, with actual earmarked reserves of £7.601m at 31 March 2017 falling just within the 'most likely' projection).

Use of earmarked reserves and balances to be held are subject to review during the year in accordance with the Authority's risk-assessment based Reserves Management Protocol.





Movements on reserves are detailed in note 46 to the Core Statements (pages 124-134). Total usable reserves at the commencement of the year amounted to £26.181m, decreasing by £4.445m to £21.736m at 31 March 2017. The most significant net contributions to/from usable reserves were:

Summary Reserves Movements	2016/2017		2015/2016	
	£000	£000	£000	£000
Balance at 1 April		(26,181)		(28,316)
Significant net contributions (to)/from earmarked reserves:				
Anvil Court	179			
Budget Contingency Fund	165		(52)	
Budget Implementation	1,246		425	
Downsizing, Redundancy & Transitional Costs	412		469	
Future Interest Rate Increase Protection	200			
ICT	401		(353)	
ICT Infrastructure (Capital)	350			
Insurance Liabilities	(302)			
LMS	88		385	
Revenue Grants & Contributions Unapplied	400			
Superannuation	164			
Waste Services	200			
		3,503		874
Significant net contributions (to)/from other usable reserves:				
Usable Capital Receipts	(611)		1,377	
Other net contributions (to)/from usable reserves	1,553		(116)	
		942		1,261
Balance at 31 March		(21,736)		(26,181)

#### Impact of Pension Deficit on Reserves

The Authority holds total usable reserves of £21.736m at 31 March 2017 (£26.181m at 31 March 2016). The effect of applying the net superannuation fund deficit of £275.527m to the Authority's usable reserves would be a deficit of £253.791m (2015/2016: the superannuation deficit of £243.578m exceeded usable reserves by £217.397m).

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 total liability would not arise 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 44-45, pages 113-123.

### 7.3 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 2016/2017, disclosures covered:

- The Municipal Mutual Insurance run-off claims and liability under the Scheme of Arrangement;
- Warranties and indemnities to Tai Calon arising from the transfer of housing stock;
- Potential costs relating to land transferred to Tai Calon;
- Part 1 compensation claims arising from the a range of public works projects; and
- Guarantees to the Greater Gwent (Torfaen) Pension Fund in the event that pension liabilities are not settled by Aneurin Leisure Trust;

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 can be found in note 40.3, page 106.

### 8. Treasury Management Activities

In March 2016, the Authority approved the Treasury Strategy Statement, Annual Investment Strategy and MRP Policy Statement for the 2016/2017 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:

	2016/2017			2015/2016		
	Temporary	Other	Total	Temporary	Other	Total
	Loans	Loans		Loans	Loans	
	£000	£000	£000	£000	£000	£000
Borrowing						
Balance at 1 April	(21,071)	(126,460)	(147,531)	(13,070)	(123,161)	(136,231)
Loans Raised	(74,500)	(7,585)	(82,085)	(61,991)	(11,683)	(73,674)
Loans Repaid	66,500	16,337	82,837	53,990	8,423	62,413
Effective Interest Adjustment	0	(39)	(39)	0	(39)	(39)
<b>Balance at 31 March</b>	<b>(29,071)</b>	<b>(117,747)</b>	<b>(146,818)</b>	<b>(21,071)</b>	<b>(126,460)</b>	<b>(147,531)</b>

Total external loan debt at 31 March 2017 amounted to £146.818m (31 March 2016: £147.531m). Long Term Loans of £7.585m were raised during the year in order to fund capital expenditure and replace internal borrowing, hence reducing the reliance on temporary borrowing.

### Investing Activities

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

Investments	2016/2017	2015/2016
	£000	£000
Balance at 1 April	0	0
Investments Made	120,000	89,000
Investments Repaid	(118,000)	(89,000)
<b>Balance at 31 March</b>	<b>2,000</b>	<b>0</b>

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 2016/2017 the sum of £3.903m (2015/2016: £3.623m) has been set by the Authority based on statutory guidance, as disclosed in note 1.22 (pages 40-41).

Interest on external loan debt of £4.296m has been charged to the Comprehensive Income & Expenditure Statement in 2016/2017 (2015/2016: £4.345m).

## 9. Pension Assets and Liabilities

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

Pension Assets and Liabilities	31 March 2017			31 March 2016		
	LGPS	uTPS	Total	LGPS	uTPS	Total
	£000	£000	£000	£000	£000	£000
Assets	347,737	0	347,737	279,818	0	279,818
Liabilities	(584,529)	(38,735)	(623,264)	(488,055)	(35,341)	(523,396)
<b>Net Liabilities</b>	<b>(236,792)</b>	<b>(38,735)</b>	<b>(275,527)</b>	<b>(208,237)</b>	<b>(35,341)</b>	<b>(243,578)</b>

## 10. Movement in Valuation of Non-Current Assets

During 2016/2017, the net cost or valuation of non-current assets (Property, Plant & Equipment) recorded on the Authority's Balance Sheet showed a net decrease of £6.773m, from £279.825m to £273.052m. This movement was the result of additions, disposals, appropriations, depreciation and revaluations, of which the most significant changes related to the following:

- The value of Abertillery Primary School included on the balance sheet during construction was based on the cost of works undertaken. On completion, Abertillery Primary School was revalued at replacement cost, resulting in a reduction from £10.136m (cost) to £5.625m (replacement cost). This downwards valuation is due to a number of factors, including reductions in land values due to economic conditions; the adoption of Building Cost Information Service (BCIS) build costs opposed to actual build costs, which generally has resulted in overall lower construction cost valuations; and the use of pupil numbers forecast up to 2020 by birth/trend to arrive at a recommended minimum area and site area for the school.
- From 2016/2017, Depreciated Replacement Cost (DRC) has been adopted as the valuation method for car parks. This change in policy has resulted in an increase in the valuation of car parks of £3.816m.

Note 29.1 (page 81) provides further detail of the additions, disposals, appropriations, depreciation and revaluation that comprise the overall net decrease in value of £6.773m during 2016/2017.

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## Highways Network Asset

2016/2017 was to have seen the implementation of the requirements of the CIPFA Code of Practice on the Highways Network Asset (the HNA Code). This would have required the recognition of the highways network asset (HNA) as a separate category of Property, Plant and Equipment, valued at depreciated replacement cost. It was estimated that the value of the highways network asset at 31 March 2017 would increase from approximately £100m to £990m.

However, further to its meeting on March 8th 2017, the CIPFA/LASAAC Code Board issued a statement that it had “*decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.*”

As a result, the Accounting Code of Practice was amended to remove the requirement to revalue and separately identify the Highways Network Asset. It is not yet known when this requirement will be reinstated.

## 11. Adjustments to Prior Period Figures

In preparing the 2016/2017 Accounts, a revised approach to the preparation of the Cash Flow Statement and associated notes has been implemented. This identified a number of errors in relation to entries made in the 2015/2016 Cash Flow. The following material errors have therefore been included as prior period adjustments:

- Net IAS19 charges made for Retirement Benefits (+£35.576m);
- IAS19 Employers Contributions Paid to Pension Fund (-£25.260m); and
- Purchase of Non-Current Assets (increased by £11.682m).

In addition, the classification of EAS grants in the ‘Grants and Contributions’ note has been adjusted, increasing Welsh Government Grants by £5.390m (decreasing Other Grants & Contributions by the same amount).

Grants disclosed in the ‘Grants and Contributions Credited to Services’ note (page 70) have also been increased by £4.459m in respect of sums that were not previously identified as being grants.

None of these adjustments has had an impact on the overall bottom-line position of the Authority, or on the total level of assets and liabilities held. Further detail of these transactions can be found in Note 3 to the Accounts, page 45.

## 12. Significant Changes in Accounting Policies

### 12.1 CIPFA Code of Practice on Local Authority Accounting, 2016/2017

Where applicable, amendments or clarifications to IAS19 *Employee Benefits*, IAS16 *Property, Plant and Equipment*, IAS38 *Intangible Assets* and IAS1 *Presentation of Financial Statements* have been included in the 2016/2017 Accounts. In addition, amendments required by the IFRS improvement cycle have also been adopted if necessary.

The most significant changes resulting from the adoption of the 2016/2017 Accounting Code of Practice stem from the CIPFA ‘Telling the Story’ review, resulting in changes to the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the Expenditure and Funding Analysis. Where required, prior period figures in these statements or disclosures have been restated or reclassified.

## 13. Main Financial Statements

The Code interprets the requirements of IAS1 *Presentation of Financial Statements* for the local government context and requires the following main financial statements to be included:

### 13.1 The Comprehensive Income and Expenditure Statement (CIES) (Pages 21-22)

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.

**13.2 The Movement in Reserves Statement (MIRS) (Pages 23-24)**

Equivalent to the IAS1 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.

**13.3 The Balance Sheet (Pages 25-26)**

Derived from the IAS1 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.

**13.4 The Cash Flow Statement (Page 27)**

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.

**14. Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The following table summarises the transactions recorded in the EFA for 2016/2017 - more detail is included in the full EFA on page 49.

Expenditure & Funding Analysis - Summary	2016/2017				
	Management Account Net Expenditure	Accounting Code Adjustments	Net Expenditure Chargeable to the Council Fund	Funding and Accounting Basis Adjustments	CIES Net Expenditure
	£000	£000	£000	£000	£000
(Surplus)/Deficit on the Provision of Services	136,864	(131,789)	5,075	15,777	20,852
Transfers to/(from) earmarked reserves			(4,271)		
(Increase)/Decrease in year			804		
Opening Council Fund Balance as at 1 April			(5,888)		
Closing Council Fund Balance as at 31 March			(5,084)		

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## 15. Group Accounts

In May 2012, the Authority amended the structure and membership of the Board of Directors of Silent Valley Waste Services Limited, a wholly-owned subsidiary, in order to control the activities of the company. As a result of a change in these governance arrangements, the Authority is required to prepare Group Accounting Statements, consolidating the Accounts of the parent (Blaenau Gwent County Borough Council) and the subsidiary (Silent Valley Waste Services Ltd.).

The Authority's interest in the Education Achievement Service for South-East Wales has not been consolidated in the Group Accounts. Whilst the Authority holds a 20% interest in the company, which would normally trigger the requirements for inclusion as an associate company within group accounts, there are a number of factors that counter-indicate the Authority having significant influence over the EAS, including the level of control exercised by Welsh Government, and therefore the presumption for inclusion has been rebutted.

Group Accounts have been prepared in compliance with the Accounting Policies set out on pages 28-43 and 148-150 and are included in the Statement of Accounts on pages 141-168.

## 16. Future Developments

### 16.1 Budget-Setting Process

The Authority, through its design principles, agreed a number of service re-design projects in order to instigate £4.8m of revenue savings for the 2017/2018 financial year. Some of these projects will generate savings over a number of years, but will require substantial resources (both time and money) for implementation. Welsh Government has indicated that future settlements will be less favourable and therefore the Authority is making savings plans based on assumptions of 3-4% funding reductions.

### 16.2 Welfare Reform

Welsh Government successfully introduced a Council Tax Reduction Scheme for 2013/2014, mitigating the impact on benefit claimants. However, there is a financial risk for all Authorities and at present it is likely that Welsh Government will not be able to sustain this level of mitigation beyond 2017/2018. Other areas of Welfare reform are providing financial challenges to benefit claimants, notably the "bedroom cap". The phased introduction of universal credit from October 2015 has started to impact benefit claimants in Blaenau Gwent and will continue to do so until the full live implementation in April 2018.

### 16.3 Cardiff City Region City Deal (CCRCD)

On 1 March 2017, the Cardiff City Region City Deal between the UK Government, the Welsh Government and the 10 constituent Councils in South East Wales, including Blaenau Gwent, was formally ratified. The City Deal offers the opportunity to deliver an investment package of £1.2 billion into the City Region economy between now and 2036. Whilst much of this is already earmarked for certain activities, particularly investment in the South East Wales Metro, there are funds available as part of the £1.2 billion to leverage wider economic benefits. The City Deal has a small number of key targets. Notably, these include the creation of 25,000 new jobs by 2036, leveraging £4 billion of private sector investment and securing economic growth.

The CCRCD Investment Fund comprises two distinct elements:-

- The METRO scheme of £734 million. This will comprise £503m Welsh Government funding provided over the first seven years of the Investment Fund, from 2016/2017 to 2022/2023; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125m from UK Government. This element will be the direct responsibility of Welsh Government.
- The Investment Fund of £495m - comprising the ten Local Authorities' commitment to borrow £120 million over the 20 year period of the Fund, together with £375m from UK Government, for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRCD Regional Cabinet. Based on the agreed proportion of total population for the City Deal area, Blaenau Gwent's share of the financial contributions is 4.6%.

### 16.4 Impact of the Referendum to Leave the European Union

On 23 June 2016, the United Kingdom voted to leave the European Union (EU). Whilst the outcome of the referendum has no impact on the transactions and balances reported for the 2016/2017 financial year, the decision has the potential to have a significant impact on the Authority across a wide range of areas in future years, including:

#### *European Structural and Other Transnational European Funding Streams;*

Blaenau Gwent has received, and continues to receive, funding from various EU structural and other transnational European funding schemes. Following the referendum result, there are uncertainties regarding when these funding streams will terminate, whether UK organisations will be able to participate in specific schemes after formally leaving the EU, and whether this funding will be replaced by sums from Central Government and for what period of time. The Authority will need to consider these issues when determining its future Revenue and Capital budgets.

#### *Pension Scheme Asset and Liability Valuations and Employer Contributions;*

The reduction in the value of sterling will have reduced the value of equities, bonds, gilts and other assets held by pension funds that are denominated in foreign currencies. However, UK equities (as represented by the FTSE All-Share Index) have seen a rise in value of around 15% since 23 June 2016, due in part to the improved trading position for exports resulting from the depreciation in sterling, combined with a slight upturn in global economic activity. To some extent, the short-term impact of the vote to leave the European Union will therefore depend on the portfolio and geographic dispersal of assets held by the pension fund. The long-term impact remains uncertain, but will be dependent on the interaction of the currency and equity markets and other factors, such as the level of domestic and international growth.

#### *Changes to costs and prices;*

The Bank of England's most recent forecast for inflation is an increase to 2.8% during 2017/2018 Quarter 4, above the 2% target, before falling back to a level above the target rate over the medium-term. This is in part due to the fall in the sterling exchange rate index by 10% since June 2016, with subsequent increases in costs of imported goods and services. These higher costs will have a detrimental impact on the Authority's service and capital budgets.

#### *The policy and legal framework affecting various activities, including Energy Efficiency, Waste Collection and Disposal, Trading Standards, Employees, Data Protection, Debt Recovery, State Aid and Public Procurement.*

The legal framework regarding these areas is unlikely to change significantly in the short term, as much EU law is implemented by specific national law which will not lapse on leaving the EU. However, at that point in time, it may be possible to amend or repeal this body of legislation. In some cases, for example in respect of State Aid and Public Procurement, this will be limited by the requirements for similar regulations by other bodies to which the UK has or may have membership (e.g. the European Free Trade Association (EFTA), European Economic Area (EEA) or World Trade Organisation (WTO)).

The impact of these issues will need to be considered by the Authority when planning its financial activities, including the preparation of budgets, the medium term financial strategy and statutory accounts.

## 17. Conclusion

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

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.

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R. Hayden, CPFA

Chief Officer - Resources





Cyngor Bwrdeistref Sirol

**Blaenau Gwent**

County Borough Council



Cyngor Bwrdeistref Siro

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County Borough Council

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## Statement of Responsibilities

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### 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 Officer - Resources.
- 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 Officer - Resources

The Chief Officer - Resources 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 Officer - Resources 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 Officer - Resources 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 and the Blaenau Gwent County Borough Council Group as at 31 March 2017, and of their expenditure and income for the year then ended.

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**Chief Officer - Resources**

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**Date**

I confirm that these Accounts were approved at the Audit Committee Meeting on 17 November 2020. Signed on behalf of Blaenau Gwent County Borough Council:

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**Chair of Meeting**

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**Date**



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County Borough Council

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County Borough Council

## Auditor's Report

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### Auditor General for Wales' 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; and
- Blaenau Gwent County Borough Council Group

for the year ended 31 March 2017 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, and the Cash Flow Statement.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 based on International Financial Reporting Standards (IFRSs).

### Respective Responsibilities of the Responsible Financial Officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts (set out on page 18 of the Statement of Accounts), the responsible financial officer is responsible for the preparation of the Statement of Accounts, and Group accounting statements, which give 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). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### Scope of the Audit of the Accounting Statements

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

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

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

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### Opinion on the accounting statements of Blaenau Gwent County Borough Council

In my opinion, except for the effect on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraph, 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 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-2017.

### Opinion on the accounting statements of Blaenau Gwent County Borough Council Group

In my opinion, except for the effect on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraph, the accounting statements and related notes:

- give a true and fair view of the financial position of Blaenau Gwent County Borough Council Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-2017.

### Basis for Qualified Opinion

In Note 16.3 *Senior Officer Remuneration*, the Council includes pension payments totalling £4,975 that in my opinion appear to be contrary to law. The Council should have disclosed the nature and impact of these additional pension contributions for the financial statements to give a true and fair view, but it has failed to do so.

These payments relate to employer pension contributions paid into the Greater Gwent Pension Fund on behalf of the Chief Finance Officer and the Corporate Director of Environment & Regeneration for their roles as directors of a wholly-owned subsidiary of the Council, Silent Valley Waste Services Ltd (SVWS).

The Council paid remuneration to these officers for undertaking SVWS director roles. The Council treated these payments as pensionable within the scope of the Local Government Pension Scheme (LGPS) and made employer pension contributions into the Greater Gwent Pension Fund as though the SVWS payments were part of the officers' core Council employments. The cost of these pension contributions was met by the Council.

I consider that those employer pension contributions appear to be contrary to law on the basis that:

- the SVWS directorships of the officers concerned appear to have been SVWS engagements. The Council could not lawfully incur pension costs relating to SVWS engagement;
- the Council did not approve the amount of remuneration to be paid to the officers concerned for undertaking their SVWS roles, or that any remuneration they received for performance of these roles be treated as pensionable pay. The amount to be paid to these officers for the SVWS roles was determined by SVWS and not the Council;
- the payments appear to be in breach of Regulation 22 (2) of the Local Government Pension Scheme Regulations 2013 which required separate pension accounts to be opened for each Scheme employment. It appears that the SVWS engagements were separate employments to the officers' core Council employments, but separate pensions accounts were not opened.

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Blaenau Gwent County Borough Council and its Group. In accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Opinion on other matters

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



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**Matters on which I report by exception**

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

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

**Certificate of completion of audit**

I am unable to certify that I have completed the audit of the accounts of Blaenau Gwent County Borough Council, as I have ongoing work in relation to concerns raised in correspondence in respect of Silent Valley Waste Services Ltd.

---

Adrian Crompton

Auditor General for Wales

24 Cathedral Road

Cardiff

CF11 9LJ

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Date

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



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**Blaenau Gwent**

County Borough Council



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**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	2016/2017			2015/2016 (Reclassified*)			Note:	Page:
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
	£000	£000	£000	£000	£000	£000		
<b>Continuing Operations</b>								
Financial Management & Strategy	42,148	(29,603)	12,545	40,142	(28,116)	12,026	3, 20	45, 65
Corporate Services	4,972	(804)	4,168	6,215	(846)	5,369		
Social Services	58,995	(16,355)	42,640	54,436	(15,255)	39,181	14	58-59
Infrastructure	9,652	(1,835)	7,817	12,993	(1,781)	11,212		
Active Living	6,514	(1,322)	5,192	8,485	(1,823)	6,662		
Education	24,611	(6,729)	17,882	53,480	(6,270)	47,210		
Education - Schools	45,933	(3,604)	42,329	44,481	(2,908)	41,573	34	97-98
Environment	21,063	(6,573)	14,490	21,879	(10,086)	11,793		
Economy	4,694	(2,819)	1,875	5,693	(1,807)	3,886		
Planning	1,489	(267)	1,222	1,601	(506)	1,095		
Licensing	193	(142)	51	228	(164)	64		
<b>Total Deficit on Continuing Services</b>	<b>220,264</b>	<b>(70,053)</b>	<b>150,211</b>	<b>249,633</b>	<b>(69,562)</b>	<b>180,071</b>	<b>2, 8, 17, 18, 19, 24</b>	<b>44, 49, 63, 64, 65, 69-70</b>

Comprehensive Income & Expenditure Statement (Continued)	2016/2017			2015/2016			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	220,264	(70,053)	150,211	249,633	(69,562)	180,071		
Other Operating Expenditure	8,782	(1,515)	7,267	8,123	(379)	7,744	9, 23	56, 68-69
Financing and Investment Income & Expenditure	22,577	(10,113)	12,464	21,203	(9,831)	11,372	10	57
Taxation & Non-Specific Grant Income	0	(149,090)	(149,090)	0	(154,707)	(154,707)	11, 21, 22, 24	57, 66, 67, 69
(Surplus)/Deficit on Provision of Services	251,623	(230,771)	20,852	278,959	(234,479)	44,480	MiRS, 8	23-24, 49
(Surplus)/Deficit Arising on the Revaluation of Non-Current Assets			(2,303)			3,670		
Remeasurement of the net defined benefit pension liability			24,243			15,196	45	114-123
Other Comprehensive Income & Expenditure			21,940			18,866	MiRS, 26	23-24, 73
Total Comprehensive Income & Expenditure			42,792			63,346	MiRS	23-24

\* Reclassified: 2015/2016 Expenditure and Income for continuing operations have been reclassified in line with the Authority's internal reporting arrangements.

**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 for Council Tax setting purposes. The *Net (Increase)/Decrease before Transfers to Earmarked Reserves* line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. Earmarked Reserves have been disclosed separately in the MiRS to provide users with information regarding the use of these balances in comparison to the use of the Council Fund.

Movement in Reserves Statement	Council Fund	Earmarked Council Fund Reserves	Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note	Page
			Capital Receipts Reserve	Capital Grants Unapplied					
2015/2016	£000	£000	£000	£000	£000	£000	£000		
Revised Balance at 1 April 2015	(5,374)	(12,718)	(9,132)	(1,092)	(28,316)	61,162	32,846		
Total Comprehensive Income and Expenditure	44,480	0	0	0	44,480	18,866	63,346	CIES	22
Adjustments between accounting basis & funding basis under statutory provisions	(44,148)	0	1,377	426	(42,345)	42,345	0	27	76-78
Net (Increase)/Decrease before transfers to Earmarked Reserves	332	0	1,377	426	2,135	61,211	63,346		
Transfers (to) Council Fund from Earmarked Reserves	(1,030)	1,030	0	0	0	0	0	28	79
(Increase)/Decrease in 2015/2016	(698)	1,030	1,377	426	2,135	61,211	63,346		
Balance at 31 March 2016	(6,072)	(11,688)	(7,755)	(666)	(26,181)	122,373	96,192	BS	26



Movement in Reserves Statement 2016/2017	Council Fund £000	Earmarked Council Fund Reserves £000	Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note	Page
			Capital Receipts Reserve £000	Capital Grants Unapplied £000					
Balance at 31 March 2016	(6,072)	(11,688)	(7,755)	(666)	(26,181)	122,373	96,192	BS	26
Adjustments to brought forward balances	184 *	(184) *	0	0	0	(638)**	(638)		
Revised Balance at 1 April 2016	(5,888)	(11,872)	(7,755)	(666)	(26,181)	121,735	95,554		
Total Comprehensive Income and Expenditure	20,852	0	0	0	20,852	21,940	42,792	CIES	22
Adjustments between accounting basis & funding basis under statutory provisions	(15,777)	0	(611)	(19)	(16,407)	16,407	0	27	73-75
Net (Increase)/Decrease before transfers to Earmarked Reserves	5,075	0	(611)	(19)	4,445	38,347	42,792		
Transfers (to) Council Fund from Earmarked Reserves	(4,271)	4,271	0	0	0	0	0	28	79
(Increase)/Decrease in 2016/2017	804	4,271	(611)	(19)	4,445	38,347	42,792		
Balance at 31 March 2017	(5,084)	(7,601)	(8,366)	(685)	(21,736)	160,082	138,346	BS	26

Brought Forward Balances were adjusted (\*) to correct a misposting of costs to Schools Balances, resulting in an increase in LMS Balances and a decrease in the Council Fund of £0.184m; and (\*\*) to adjust Unusable Reserves (reducing the Capital Adjustment Account by £0.282m and Revaluation Reserve by £1.083m) for a revaluation increase related to previous years, and also for a cumulative adjustment increasing the Capital Adjustment Account by £0.727m in respect of an understatement of depreciation relating to specific assets.

**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 statutory provisions' (e.g. the Capital Adjustment Account, Pensions Reserve and Accumulated Absences Account).

Balance Sheet	31 March 2017		31 March 2016		Note:	Page:
	£000	£000	£000	£000		
Property, Plant & Equipment	273,052		279,187		29, 31, 34	80-88, 91, 97
Heritage Assets	413		413		30	89-90
Non-Current Investments	250		250		32	95
Non-Current Debtors	5,221		5,313		33	96
<b>Sub Total: Long-Term Assets</b>		<b>278,936</b>		<b>285,163</b>		
Assets Held for Sale	510		1,056		35	99
Current Investments	4		4		42	107-109
Inventories	857		1,119		36	100
Current Debtors	17,393		21,491		37	101
Cash and Cash Equivalents	5,375		4,209		49	137
<b>Sub Total: Current Assets</b>		<b>24,139</b>		<b>27,879</b>		

Balance Sheet (Continued)	31 March 2017		31 March 2016		Note:	Page:
	£000	£000	£000	£000		
Current Borrowing	(47,899)		(37,407)		42,43	107-112
Current Creditors	(12,220)		(12,721)		38	102
Current Grants Receipts in Advance	(1,744)		0		39	102
Current Provisions	(3,347)		(4,141)		40	103-105
<b>Sub Total: Current Liabilities</b>		<b>(65,210)</b>		<b>(54,269)</b>		
Non-Current Borrowing	(98,919)		(110,124)		42,43	107-112
Non-Current Provisions	(1,321)		(669)		40	103-105
Other Long-Term Liabilities	(275,971)		(244,172)		41, 45	106, 114-123
<b>Sub Total: Long-Term Liabilities</b>		<b>(376,211)</b>		<b>(354,965)</b>		
<b>Total Net Assets/(Liabilities)</b>		<b>(138,346)</b>		<b>(96,192)</b>		
Usable Reserves	(21,736)		(26,181)		46.1	124-128
Unusable Reserves	160,082		122,373		46.2	129-134
<b>Total Reserves</b>		<b>138,346</b>		<b>96,192</b>		

**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	2016/2017		2015/2016 (Restated)		Note:	Page:
	£000	£000	£000	£000		
Net surplus/(deficit) on the provision of services	(20,852)		(44,480)		CIES	22
Adjustments to the provision of services for non-cash movements	28,324		64,857		47.1	135
Adjustments for items included in the provision of services that are investing and financing activities	(6,818)		(15,000)		47.2	135
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>		<b>654</b>		<b>5,377</b>		
Investing activities		1,493		(14,358)	48.1	136
Financing activities		(981)		11,044	48.2	136
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>1,166</b>		<b>2,063</b>		
Cash and cash equivalents at the beginning of the reporting period		4,209		2,146	BS, 49	25, 137
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>5,375</b>		<b>4,209</b>	BS, 49	25, 137

\* Restated: Improvements have been made to the process of preparing the Cash Flow Statement, resulting in adjustments to prior-year figures for 'Non-Cash Movements' and 'Investing Activities'. Other cashflows and overall balances have not been affected.



Cyngor Bwrdeistref Sirol

**Blaenau Gwent**

County Borough Council

## Notes to the Accounts

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### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/2017 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (Wales) Regulations 2014.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 and the Service Reporting Code of Practice 2016/2017, 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 (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 impaired and a charge made to revenue for the income that might not be collected. Debtors are classified as current where the Authority expects to realise the asset within 12 months of the end of the reporting period - all other debtors are classified as non-current. Creditors are classified as current where the liability is either due to be settled or expected to be realised within 12 months of the end of the reporting period - all other creditors are classified as non-current.

#### 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.

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#### 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 prior to the implementation of the Authority's equal pay strategy.

Provisions made in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended in 2014, 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 2018 and have effect until 31 March 2023. 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 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 40.3, page 106 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 'Education - Schools' 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 earnings for current employees.
- The assets of Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.

- Liabilities are discounted to their value at current prices, with the default accounting assumptions used by Hymans Robertson being:

Duration Category	31 March 2017			31 March 2016		
	Discount			Discount		
	Rate	RPI	CPI	Rate	RPI	CPI
	%	%	%	%	%	%
Short (less than 17 years)	2.5	3.4	2.4	3.4	3.1	2.1
Medium (between 17 and 23 years)	2.6	3.4	2.4	3.5	3.2	2.2
Long (over 23 years)	2.7	3.4	2.4	3.6	3.2	2.2

Discount rates have been derived for each duration profile at which payments may be due, based on a 'Hymans Robertson' corporate bond yield curve, constructed on the basis of the constituents of the iBoxx AA-rated corporate bond index.

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

#### Service Costs

- Current service cost - the increase in the present value of defined benefit obligations (liabilities) as a result of employee service in the current period. This also includes any interest attributable to current service costs - allocated in the CIES to the services for which the employees worked.
- Past service cost - the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs (included within the Financial Management & Strategy Portfolio).
- Curtailements - the increase or decrease in liabilities arising from decisions made in the current year that significantly reduce the number of employees covered by the Scheme - debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs (included within the Financial Management & Strategy Portfolio).
- Gains or losses on settlements - 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 CIES as part of Non-Distributed Costs (included within the Financial Management & Strategy Portfolio).
- Net Interest on the net defined benefit liability - the net income or expenditure arising from the expected increase in the present value of liabilities during the year as they move one year closer to being paid, less interest income on Scheme assets - debited or credited to the Financing and Investment Income & Expenditure line in the CIES.
- Administration Costs - the costs of administering the portfolio of scheme assets - charged to Corporate Management (Corporate & Democratic Core) in the CIES, included within the Financial Management & Strategy Portfolio.

#### Remeasurements of the net defined benefit liability

- Actuarial gains and losses - changes in the present value of the defined obligation resulting from changes in actuarial assumptions or the effects of differences between actuarial assumptions and actual events - debited or credited to the Remeasurement of the net defined benefit liability line in the CIES.
- Return on plan assets, excluding amounts included in Net Interest on the net defined benefit liability - the sum of any interest, dividends and other income derived from plan assets, together with realised and unrealised gains or losses, less any costs of managing plan assets and tax payable by the plan. Interest on plan assets is determined by multiplying the fair value of plan assets by the rate used to discount liabilities - credited to the Remeasurement of the net defined benefit liability line in the CIES.

### Other Items

- Employer Contributions - 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 Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the date of the Balance Sheet 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 - where material, 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 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.

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## 1.11 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 2017) for an instrument with the same duration, i.e. equal to the outstanding period from valuation date to maturity. For Public Works Loan Board (PWLB) 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 financial assets including receivables (debtors), or short term financial liabilities including payables (creditors), since the carrying amounts represent 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.
- Market loans - on a nominal basis.
- Newport City Council Debt & Investment - on a nominal basis.
- Temporary Loans & Investments - on a nominal basis

## 1.12 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 CIES. 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.

## 1.13 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 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.

## 1.14 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.

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## 1.15 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 2010, 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.

## 1.16 Fair Value Measurement

The Authority measures some of its non-financial assets such as Surplus Assets and Assets Held for Sale at fair value at each reporting date in accordance with the measurement requirements of IFRS13 *Fair Value Measurement*.

Surplus assets are defined as Property, Plant & Equipment (PPE) assets that do not provide service potential for the Authority and are therefore not measured for their service potential but for the economic benefits inherent in the assets. They are revalued at fair value at the point of being declared surplus and then in accordance with the usual 5 year rolling programme of revaluations.

Assets Held for Sale are assets where it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use. They are held at the lower of their carrying amount before reclassification and their Fair Value (in accordance with accounting policy 1.17).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

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

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In considering alternative higher and best uses for the asset being valued, consideration has been given to value for the asset that may not necessarily be reflected in the existing configuration or use of the asset. In the consideration of alternatives the physical, legal and financial feasibility of that alternative has been taken into account.

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

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

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

All valuations for surplus assets and assets held for sale fall into the level 3 category, due to the nature of the valuation technique. The valuation technique maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Information about the valuation techniques and inputs used in determining the fair value of the Authority's surplus assets are disclosed in the note 29 to the Balance Sheet.

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to surplus assets under PPE and valued at fair value in accordance with the fair value measurement requirements of IFRS13 (*see Accounting Policy 1.16*).

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale, but are treated as surplus assets within Property, Plant & Equipment.

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.

All Assets Held for Sale are included in the Balance Sheet as Current Assets.

### 1.18 Surplus Non-Current 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 highest and best use in accordance with the fair value measurement requirements of IFRS13 (*see Accounting Policy 1.16*).

### 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 2016/2017 (SeRCoP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCoP and accounted within the Financial Management and Strategy and Corporate Services Portfolios 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.

Only expenditure in excess of £50,000 has been capitalised, with amounts below this threshold being charged directly to revenue. The exception to this are highways assets that individually fall below this de-minimis level but are capitalised because they are treated as one single item of expenditure in the year.

#### 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 assets - depreciated historical cost. Not all roads and infrastructure assets are included in the Balance Sheet as the asset valuation reflects historic expenditure incurred on such assets from a point in time. Any roads provided by private developers that are adopted by the Authority are not individually recognised on the Balance Sheet and are effectively recorded at nil value;
- Community assets and assets under construction - depreciated historical cost;
- All other operational PPE 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; and
- Surplus Assets under PPE - fair value in accordance with the definitions and measurement requirements in IFRS13.

From 2016/2017, Depreciated Replacement Cost (DRC) has been adopted as the valuation method for car parks. Previously, the market value income approach was based on a notional rental value as the Council has a nil charging policy for car parks. However, the only income-producing car park in Blaenau Gwent is in third party ownership and charges for this car park are used to regulate use, not generate income. In this respect the Council is unable to demonstrate that there is an active market for this type of asset and thus the DRC method of valuation is considered to be the more appropriate method to adopt. This change in policy has resulted in an increase in the valuation of car parks.

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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.

### 1.20.2 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.

### 1.20.3 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 - straight-line allocation over the useful life of the asset, 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.

#### 1.20.4 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.

#### 1.20.5 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.

#### 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, which have been valued on the basis of annually updated insurance replacement cost. Where significant physical deterioration or damage has occurred to the assets, this has been 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.

An Heritage Assets Register is maintained by the Authority which details qualifying assets within the boundaries of the County Borough, including those assets identified as heritage assets for the purposes of the Statement of Accounts.

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).

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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. Local Authorities are legally obliged to “have regard” to such guidance (i.e. set a prudent MRP). The legislation does not define what constitutes a “prudent provision”, however the MRP guidance issued by the Secretary of State interprets the term and provides some examples.

The MRP for 2016/2017 has been calculated in accordance with the amended MRP policy that was approved by full Council in December 2015, using the following method:

- Supported Borrowing - For all debt incurred prior to April 2008, and subsequent capital expenditure funded by supported borrowing, the MRP provision is calculated at 3% of the opening capital financing requirement (a measure of the Authority’s indebtedness).
- Unsupported Borrowing - For all debt not in receipt of revenue support from central government, MRP is made on an annuity basis over the life of the asset.
- Finance Leases - the MRP for finance leases is equal to the principal element of the rental payable each year.

### 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.

The Authority has a reserves management protocol in place that includes a risk assessment process to assist in determining the level of earmarked reserves that will be held at year end.

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 the domestic accounting standard FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 IPSAS23 *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 Joint Arrangements

Joint Arrangements involve the provision of services by two or more parties that have joint control over the activity, bound by contract. These arrangements can be classed as Joint Ventures or Joint Operations, depending on the status of the arrangement as an entity in its own right, the degree to which the owning parties have control over the entity and the governance arrangements in place.

In assessing the joint arrangements in which Blaenau Gwent participates, it has been concluded in each case that no separate legal entity exists and that the Authority does not have control (as defined by the Accounting Code and IFRS10). Consequently, the accounts of these arrangements have not been consolidated in the group accounting statements. In each case, the Comprehensive Income and Expenditure Account reflects the transactions occurring between the Authority and the joint arrangement.

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## 1.29 Accounting for Schools

The Accounting Code has introduced a prescribed treatment for the inclusion of schools in the Statement of Accounts. CIPFA/LASAAC is of the view that local authority maintained schools are capable of being treated as separate entities for control purposes, and that based on the indicators of control identified under the requirements of the Code's adoption of IFRS10 *Consolidated Financial Statements*, the balance of control lies with local authorities. Consequently, schools should be included in group accounts. However, the Code also includes an adaptation to the definition of single entity financial statements to include the income, expenditure, assets, liabilities, reserves and cash flows of local authority maintained schools.

All maintained schools in the County Borough are now therefore considered to be entities controlled by the Authority, with the income, expenditure, assets, liabilities, reserves and cash flows of each school recognised in the single entity accounts on the basis outlined below. The Authority has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

Schools Non-Current Assets are recognised on the Balance Sheet where the Authority directly owns the assets, holds the balance of control of the assets or where the school or the school Governing Body own the assets or have had rights to use the assets transferred to them. Land and buildings used by schools are recognised in accordance with the recognition tests relevant to the arrangements that prevail for the property.

Community schools are owned by the Authority and are, therefore, recognised on the Balance Sheet.

The four Voluntary Aided and Controlled schools within the County Borough are owned by the respective Diocese with no formal rights to use the assets through licence arrangements passed to the school or Governing Bodies. The assets are used under "mere" licences that pass no interest to the school and which are terminable by the trustees at any time without causal action. As a result these schools are not recognised on the Balance Sheet.

Ownership and control of the Foundation school lies with the school or the school's Governing Body and therefore the assets have been recognised on the Balance Sheet with effect from 1 April 2013.

For those maintained schools not controlled by the Authority, any transactions made on their behalf have been included in the Comprehensive Income & Expenditure Statement and related notes under the appropriate Service Code of Practice standard subjective grouping, or exceptionally as third party payments.

## 1.30 Group Accounts

In addition to the preparation of single entity financial statements, the Authority is required to prepare Group Accounts where it has interests in subsidiaries, associates and joint ventures, unless those interests are considered not material. The 2014/2015 Code included revisions resulting from the introduction or amendment in May 2011 of five accounting standards (IFRS10 *Consolidated Financial Statements*, IFRS11 *Joint Ventures*, IFRS12 *Disclosure of Interests in Other Entities*, IAS27 *Separate Financial Statements* and IAS28 *Investments in Associates*) relating to the preparation of group or consolidated accounts. These standards included amendments to the definition of the group boundary that potentially could have impacted on the entities to be consolidated with the Authority in preparing group accounts.

The relevant standards and the CIPFA publication *Accounting for Collaboration in Local Government* have been used to determine the correct treatment of collaborative working arrangements in which the Authority is involved. As a result, the group boundary has been determined as including the Authority and Silent Valley Waste Services Ltd., a wholly owned subsidiary over which it has control through the appointment of the majority of the company's board of directors.

The Authority's interest in the Education Achievement Service for South-East Wales has not been consolidated in the Group Accounts. Whilst the Authority holds a 20% interest in the company, which would normally trigger the requirements for inclusion as an associate company within group accounts, there are a number of factors that counter-indicate the Authority having significant influence over the EAS, including the level of control exercised by Welsh Government, and therefore the presumption for inclusion has been rebutted.

## 2. Impact of changes in Accounting Policies

The following amendments or clarifications to accounting policies have been considered in preparing the 2016/2017 Accounts:

Source	Requirement
IAS19 <i>Employee Benefits</i>	Amendments to simplify the accounting for employee/third party contributions.
Annual Improvements to IFRSs 2010-2012 Cycle	Various amendments to standards, including IFRS8 <i>Operating Segments</i> , IFRS13 <i>Fair Value Measurement</i> , IAS16 <i>Property, Plant and Equipment</i> , IAS24 <i>Related Party Disclosures</i> and IAS38 <i>Intangible Assets</i> .
IFRS11 <i>Joint Arrangements</i>	Amendments to the accounting treatment of acquisitions of interests in joint operations.
IAS16 <i>Property, Plant and Equipment</i> and IAS38 <i>Intangible Assets</i>	Clarification that revenue-based methods of calculating the depreciation and amortisation of assets are not appropriate.
Annual Improvements to IFRSs 2012-2014 Cycle	Various amendments to standards, including IFRS5 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> , IFRS7 <i>Financial Instruments: Disclosures</i> and IAS19 <i>Employee Benefits</i> .
IAS1 <i>Presentation of Financial Statements</i>	Amendments designed to encourage the application of professional judgement in determining information to be disclosed.
CIPFA 'Telling the Story' Review	Changes to the format of the CIES, the MiRS and the introduction of the EFA.

No significant changes have resulted from the implementation of the above, with the exception of the changes to the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the Expenditure and Funding Analysis. Where required, prior period figures for these statements/disclosures have been reclassified. The following reclassification has been made to net service expenditure in the CIES, which was based on SeRCOP mandatory service headings in 2015/2016, but is reported according to organisational structure with effect from 2016/2017:

Reclassification of 2015/2016 Net Service Expenditure	Financial Management & Strategy	Corporate Services	Social Services	Infrastructure	Active Living	Education	Education: Schools	Environment	Economy	Planning	Licensing	Net Service Cost (2015/2016 CIES)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Central Services	9,534	1,811	(31)	(79)	0	(43)	0	2,012	130	72	0	13,406
Cultural & Related Services	26	241	0	6	6,668	0	0	1,057	72	0	0	8,070
Environmental & Regulatory Services	60	341	0	122	0	0	0	7,953	107	0	64	8,647
Planning Services	6	94	0	259	0	0	0	0	3,480	1,023	0	4,862
Children's & Education Services	0	0	12,436	0	(6)	47,253	41,573	389	(2)	0	0	101,643
Highways & Transport Services	0	0	0	10,904	0	0	0	0	0	0	0	10,904
Housing Services	419	0	0	0	0	0	0	304	97	0	0	820
Adult Social Care	6	0	26,776	0	0	0	0	78	2	0	0	26,862
Corporate & Democratic Core	1,143	2,882	0	0	0	0	0	0	0	0	0	4,025
Non-Distributed Costs	832	0	0	0	0	0	0	0	0	0	0	832
<b>Net Service Cost (Reclassified)</b>	<b>12,026</b>	<b>5,369</b>	<b>39,181</b>	<b>11,212</b>	<b>6,662</b>	<b>47,210</b>	<b>41,573</b>	<b>11,793</b>	<b>3,886</b>	<b>1,095</b>	<b>64</b>	<b>180,071</b>

### 3. Correction of Prior Period Errors

In preparing the 2016/2017 Accounts, the following material errors have been identified and included as prior period adjustments for 2015/2016:

Prior Period Adjustments	2015/2016 Original Disclosure £000	Restated 2015/2016 Disclosure £000	Variance £000
<b>Cash Flow: Adjustment for Non-Cash Movements (page 135)</b>			
<i>Correction of arithmetic error - positive figures entered as negative and vice versa.</i>			
Net IAS19 charges made for Retirement Benefits	(17,788)	17,788	35,576
IAS19 Employers Contributions Paid to Pension Fund	12,630	(12,630)	(25,260)
<b>Net Adjustment:</b>	<b>(5,158)</b>	<b>5,158</b>	<b>10,316</b>
<b>Cash Flow: Investing Activities (page 136)</b>			
<i>Correction of error - compensating understatement of asset purchase figures arising from arithmetic error (above).</i>			
Purchase of Non-Current Assets	(18,115)	(29,797)	(11,682)
<b>Net Adjustment:</b>	<b>(18,115)</b>	<b>(29,797)</b>	<b>(11,682)</b>
<b>Grants &amp; Contributions - Revenue Grants Credited to Services (page 70)</b>			
<i>Correction of classification error - EAS grants recorded as 'Other', reclassified as 'Welsh Government'.</i>			
Welsh Government	(11,180)	(16,570)	(5,390)
Other Grants & Contributions	(5,475)	(85)	5,390
<b>Net Adjustment:</b>	<b>(16,655)</b>	<b>(16,655)</b>	<b>0</b>
<i>Correction of classification error - Additional receipts not previously identified as grants.</i>			
Welsh Government	(16,570) *	(18,375)	(1,805)
Other Central Government	0	(653)	(653)
Local Authorities	(122)	(1,497)	(1,375)
NHS	0	(598)	(598)
Other Grants & Contributions	(85) *	(113)	(28)
<b>Net Adjustment:</b>	<b>(16,777)</b>	<b>(21,236)</b>	<b>(4,459)</b>
*: Adjusted disclosure further to reclassification of EAS Grants (above).			

These adjustments had no impact on the Council Fund General Reserve and no amendments have been required to the Comprehensive Income & Expenditure Statement, the Movement in Reserves Statement or the Balance Sheet.



In addition, a Prior Period Adjustment was made to the Senior Officers' Remuneration disclosure:

Prior Period Adjustments	2015/2016 Original Disclosure £	Restated 2015/2016 Disclosure £	Variance £
Senior Officers' Remuneration (page 61)			
Correction of Employer Pension Contributions to include additional pension scheme liabilities arising on early retirement.			
Chief Executive	22,798	234,421	211,623

This correction was specific to the Senior Officers' disclosure note, had no impact on the Council Fund General Reserve and no amendments were required to the Comprehensive Income & Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet or Cash Flow.

#### 4. Accounting Standards Issued but not yet Adopted

The 2017/2018 Accounting Code of Practice includes the following new or revised accounting standards that have effect from 1 April 2017.

Source	Requirement and Potential Impact
IFRS10 Consolidated Financial Statements	These amendments address issues arising in relation to the exemption from consolidation (in certain circumstances) for investment entities. As Local Authorities are not investment entities, these amendments do not apply.
IFRS12 Disclosure of Interests in Other Entities	
IAS28 Investments in Associates and Joint Ventures: Investment Entities	

None of the above amendments will be applicable to the Accounts prepared by the Authority for 2017/2018.

#### 5. 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, although there will be significant financial challenges to be met (see also note 17 to the Narrative Report, pages 16-17).
- ii. Aggregate External Finance (AEF) figures have not been provided by Welsh Government for financial years after 2016/2017, increasing the difficulties in forward planning.
- iii. 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.
- iv. 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.
- v. 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.

- vi. 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.
- vii. 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.
- viii. Further to the decision for the United Kingdom to leave the European Union, there is a high degree of uncertainty regarding the continuation of existing funding streams and future levels of funding for local government. However, a judgement has been taken that there is currently insufficient indication that this funding uncertainty will result in reduction of service provision with a consequent impairment of assets held by the Authority.

## 6. 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Local Government Scheme 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. The firm of consulting actuaries engaged to provide the Authority with expert advice about the assumptions to be applied was changed with effect from 1 April 2015. Relatively minor variations in the assumptions used by the two firms could have a significant impact on reported results.	The effects on the net pensions liability of changes in individual assumptions can be measured. The fund actuary has advised that a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £59.730m ( <i>see page 122 for further sensitivity analysis</i> ). However, the assumptions interact in complex ways. During 2016/2017, the Authority's actuaries advised that the net pensions liability had increased by £20.174m as a result of remeasurements of pension assets and liabilities. This increase comprised a £60.147m gain on assets (representing the difference between actual and expected asset return for the year) and net increases in liabilities of £80.321m (arising from changes in demographic/financial assumptions and other experience gains ( <i>see pages 116-119</i> )).
Revaluation of Property, Plant and Equipment	Property, Plant and Equipment assets are revalued on a sufficiently regular basis to ensure their carrying amount is not materially different from their fair value. As a minimum, all assets are revalued every five years. In addition, all assets are assessed annually for impairment. The value of the asset portfolio is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance.	The appointed valuers have applied professional judgement and assumptions in determining the value of assets and the extent of any impairment. A 1% variation arising from these judgements and assumptions would result in the over or understatement of the Gross Book Value of Property, Plant and Equipment of £3.158m. These variances could result in the Statement of Accounts being materially mis-stated and, subject to proper capital accounting practice, their adjustment could have an impact on the Balance Sheet, Comprehensive Income & Expenditure Statement and the level of the Authority's Reserves.
Depreciation of Property, Plant and Equipment	Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to maintain the required level of expenditure on repairs and maintenance, resulting in uncertainty regarding the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation charged to the CIES increases and the carrying amount of assets on the Balance Sheet falls.

*Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Continued)*

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Estimations	<p>When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ul style="list-style-type: none"> <li>• For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</li> <li>• For level 3 inputs, valuations based on a combination of available market data derived from a mixture of transactions on both Council and 3rd party assets which are then analysed to take into account yields, rates per sq. m, build costs etc..</li> </ul> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Authority's assets and liabilities.</p>	<p>The Authority uses a combination of available market data derived from a mixture of transactions on both Council and 3<sup>rd</sup> party assets which are then analysed to take into account yields, rates per sq. m, build costs etc. to measure the fair value of its Surplus Assets and Assets Held for Sale under IFRS13, depending on which technique it considers most appropriate.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>

**7. Events After the Reporting Period**

The Statement of Accounts was authorised for issue by Ms R. Hayden, CPFA, Chief Officer - Resources, on 6 November 2020.

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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

*Comprehensive Income and Expenditure Statement Notes*

**8. Expenditure and Funding Analysis**

The Expenditure & Funding Analysis shows how annual expenditure is used and funded from resources (i.e. government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure & Funding Analysis	2016/2017					2015/2016				
	Management Account Net Expenditure	Accounting Code Adjustments (Note 8.1)	Net Expenditure Chargeable to the Council Fund (Note 8.3)	Funding and Accounting Basis Adjustments (Note 8.2)	CIES Net Expenditure	Management Account Net Expenditure	Accounting Code Adjustments (Note 8.1)	Net Expenditure Chargeable to the Council Fund (Note 8.3)	Funding and Accounting Basis Adjustments (Note 8.2)	CIES Net Expenditure
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Management & Strategy	9,883	1,489	11,372	1,173	12,545	9,508	3,035	12,543	(517)	12,026
Corporate Services	3,594	274	3,868	300	4,168	3,695	719	4,414	955	5,369
Social Services	38,634	2,885	41,519	1,121	42,640	37,607	386	37,993	1,188	39,181
Infrastructure	8,410	(2,597)	5,813	2,004	7,817	7,865	(2,751)	5,114	6,098	11,212
Active Living	4,409	(695)	3,714	1,478	5,192	4,678	(651)	4,027	2,635	6,662
Education	55,173	(44,498)	10,675	7,207	17,882	54,784	(43,807)	10,977	36,233	47,210
Education - Schools	(583)	42,811	42,228	101	42,329	(1,170)	43,293	42,123	(550)	41,573
Environment	15,030	(3,903)	11,127	3,363	14,490	14,316	(4,448)	9,868	1,925	11,793
Economy	1,219	0	1,219	656	1,875	1,315	194	1,509	2,377	3,886
Planning	1,044	168	1,212	10	1,222	1,007	65	1,072	23	1,095
Licensing	51	2	53	(2)	51	62	(1)	61	3	64
Capital Adjustments*	0	(43)	(43)	43	0	0	(265)	(265)	265	0
Pension Adjustments**	0	1,069	1,069	(1,069)	0	0	496	496	(496)	0
<b>Net Expenditure on Continuing Operations</b>	<b>136,864</b>	<b>(3,038)</b>	<b>133,826</b>	<b>16,385</b>	<b>150,211</b>	<b>133,667</b>	<b>(3,735)</b>	<b>129,932</b>	<b>50,139</b>	<b>180,071</b>
Other Operating Expenditure	0	8,038	8,038	(771)	7,267	0	7,744	7,744	0	7,744
Financing & Investment Income & Expenditure	0	7,907	7,907	4,557	12,464	0	7,776	7,776	3,596	11,372
Taxation & Non-Specific Grant Income	0	(144,696)	(144,696)	(4,394)	(149,090)	0	(145,120)	(145,120)	(9,587)	(154,707)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>136,864</b>	<b>(131,789)</b>	<b>5,075</b>	<b>15,777</b>	<b>20,852</b>	<b>133,667</b>	<b>(133,335)</b>	<b>332</b>	<b>44,148</b>	<b>44,480</b>
Transfers to/(from) earmarked reserves			(4,271)					(1,030)		
<b>(Increase)/Decrease in year</b>			<b>804</b>					<b>(698)</b>		
Opening Council Fund Balance as at 1 April			(5,888)†					(5,374)		
<b>Closing Council Fund Balance as at 31 March</b>			<b>(5,084)</b>					<b>(6,072)</b>		

\*: Capital Adjustments includes Deferred Charges and Minimum Revenue Provision.

\*\* : Pension Adjustments represents corporate amounts for Past Service Cost/Curtailment payments to the Local Government Pension Scheme.

†: The opening Council Fund Balance at 1 April 2016 has been reduced in respect of £0.184m costs incorrectly charged to Schools Reserves in previous years.

8.1 Code-Compliant Adjustments to Management Accounts

This table shows the adjustments made to the 2016/2017 management accounts to arrive at 'Net Expenditure Chargeable to the Council Fund' on an Accounting Code of Practice-compliant basis:

Expenditure and Funding Analysis: Accounting Code Adjustments to Management Accounts	2016/2017							
	Capital Charges (Note 8.1.1)	Elimination of Internal Recharges (Note 8.1.2)	Pension Liabilities (Note 8.1.3)	Precepts & Levies (Note 8.1.4)	Provisions (Note 8.1.5)	Reserves (Note 8.1.6)	Other (Note 8.1.7)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Financial Management & Strategy	(60)	(341)	109	0	3	237	1,541	1,489
Corporate Services	(56)	58	160	0	5	108	(1)	274
Social Services	(109)	361	341	0	56	2,042	194	2,885
Infrastructure	(3,330)	45	131	0	537	0	20	(2,597)
Active Living	(885)	4	0	0	0	181	5	(695)
Education	(3,393)	(40,816)	84	0	(121)	(110)	(142)	(44,498)
Education - Schools	(33)	41,052	277	0	24	1,486	5	42,811
Environment	(1,314)	(902)	145	(3,275)	1,444	29	(30)	(3,903)
Economy	(554)	509	29	0	(11)	27	0	0
Planning	0	30	23	0	(25)	138	2	168
Licensing	0	0	2	0	0	0	0	2
Capital Adjustments	0	0	0	0	0	0	(43)	(43)
Pension Adjustments	0	0	1,069	0	0	0	0	1,069
<b>Net Expenditure on Continuing Operations</b>	<b>(9,734)</b>	<b>0</b>	<b>2,370</b>	<b>(3,275)</b>	<b>1,912</b>	<b>4,138</b>	<b>1,551</b>	<b>(3,038)</b>
Other Operating Expenditure	0	0	0	3,275	0	0	4,763	8,038
Financing & Investment Income & Expenditure	3,903	0	(8,511)	0	0	0	12,515	7,907
Taxation & Non-Specific Grant Income	0	0	0	0	0	0	(144,696)	(144,696)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(5,831)</b>	<b>0</b>	<b>(6,141)</b>	<b>0</b>	<b>1,912</b>	<b>4,138</b>	<b>(125,867)</b>	<b>(131,789)</b>

This table shows the adjustments made to the 2015/2016 management accounts to arrive at 'Net Expenditure Chargeable to the Council Fund' on an Accounting Code of Practice-compliant basis:

Expenditure and Funding Analysis: Accounting Code Adjustments to Management Accounts	2015/2016							Total £000
	Capital Charges (Note 8.1.1)	Elimination of Internal Recharges (Note 8.1.2)	Pension Liabilities (Note 8.1.3)	Precepts & Levies (Note 8.1.4)	Provisions (Note 8.1.5)	Reserves (Note 8.1.6)	Other (Note 8.1.7)	
	£000	£000	£000	£000	£000	£000	£000	
Financial Management & Strategy	0	(327)	144	0	(3)	980	2,241	3,035
Corporate Services	(37)	51	165	0	(111)	652	(1)	719
Social Services	(133)	377	328	0	(132)	(43)	(11)	386
Infrastructure	(3,211)	38	83	0	216	(92)	215	(2,751)
Active Living	(896)	8	0	0	0	369	(132)	(651)
Education	(2,944)	(41,211)	53	0	423	(169)	41	(43,807)
Education - Schools	(1)	41,460	280	0	2	1,552	0	43,293
Environment	(873)	(985)	187	(3,265)	200	444	(156)	(4,448)
Economy	(443)	562	32	0	(299)	262	80	194
Planning	0	27	24	0	26	(52)	40	65
Licensing	0	0	2	0	0	0	(3)	(1)
Capital Adjustments	0	0	0	0	0	0	(265)	(265)
Pension Adjustments	0	0	496	0	0	0	0	496
<b>Net Expenditure on Continuing Operations</b>	<b>(8,538)</b>	<b>0</b>	<b>1,794</b>	<b>(3,265)</b>	<b>322</b>	<b>3,903</b>	<b>2,049</b>	<b>(3,735)</b>
Other Operating Expenditure	0	0	0	3,265	0	0	4,479	7,744
Financing & Investment Income & Expenditure	3,623	0	(7,319)	0	0	0	11,472	7,776
Taxation & Non-Specific Grant Income	0	0	0	0	0	0	(145,120)	(145,120)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(4,915)</b>	<b>0</b>	<b>(5,525)</b>	<b>0</b>	<b>322</b>	<b>3,903</b>	<b>(127,120)</b>	<b>(133,335)</b>

The following notes provide additional detail for each of the adjustments made to management accounts:

#### 8.1.1 Capital Charges

Capital charges reported to management are on the basis of estimates calculated prior to the commencement of the financial year during the budget-setting process. These are removed and replaced with actual capital charges for depreciation, impairment and leasing. The 'Capital Adjustments' line includes the calculated MRP for the year.

#### 8.1.2 Elimination of Internal Recharges

Management reports include expenses and revenues arising from recharges for a range of internally provided support services and services reported on a corporate basis (such as Centralised IT and Corporate Landlord functions). These entries are eliminated to avoid overstatement of income and expenditure. The most significant adjustment relates to the transfer of £40m of funding to schools.

#### 8.1.3 Pension Liabilities

Current Service Costs included in management reports are on the basis of an estimated level of liabilities, with adjustment to the equivalent cash cost for grant funded schemes. Past Service and Curtailment Costs are also included on an estimate basis. These amounts are adjusted to the actuarially-calculated amounts for inclusion in the statutory accounts.

Accruals for short-term accumulating compensated absences are not included in management accounts; these are added for code-compliance.

#### 8.1.4 Precepts & Levies

Precepts and levies are reported in the Environment Portfolio, but are reclassified as 'Other Operating Expenditure' in the CIES.

#### 8.1.5 Provisions

Amounts are included in management accounts for early termination provision costs, on a case-by-case basis. No other entries relating to provisions are included. Adjustment is made to match the statutory accounts that include provisions on the basis required by IAS37 *Provisions, Contingent Liabilities and Contingent Assets*.

#### 8.1.6 Reserves

Management accounts include transfers to or from earmarked reserves as income or expenditure against services. Amounts may also be included for revenue contributions to capital expenditure. These are adjusted to match the treatment in the statutory accounts, where transfers to/from reserves are recorded in the Movement in Reserves Statement and revenue contributions to capital expenditure are included as adjustments under statutory provisions.

#### 8.1.7 Other Adjustments

This includes:

- Reclassification of the Council Tax Surplus on Collection, which is included as a credit against services in the management accounts and within 'Taxation and Non-Specific Grant Income' in the CIES;
- Adjustment for Impairment Charges for Debtors, which are not reported to management but included in the statutory accounts on the basis of type and age of debt;
- Inclusion of unhypothecated funding sources, such as Revenue Support Grant, NNDR and Council Tax, which are not included in reports to management; and
- Correction of entries in relation to Housing Benefit Overpayments and associated impairment.

## 8.2 Adjustments Between Funding and Accounting Basis

This table shows the adjustments between the management accounts (restated to an Accounting Code of Practice-compliant basis) and the net expenditure reported in the Comprehensive Income and Expenditure Statement:

Expenditure & Funding Analysis: Adjustments between 'Code-Compliant' Management Accounts and the CIES	2016/2017				2015/2016			
	Adjustments for Capital Purposes (Note 8.2.1)	Net Change for Pensions Adjustments (Note 8.2.2)	Other Adjustments (Note 8.2.3)	Total Adjustments	Adjustments for Capital Purposes (Note 8.2.1)	Net Change for Pensions Adjustments (Note 8.2.2)	Other Adjustments (Note 8.2.3)	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000
Financial Management & Strategy	126	1,125	(78)	1,173	(102)	(421)	6	(517)
Corporate Services	172	126	2	300	1,012	(57)	0	955
Social Services	786	333	2	1,121	892	338	(42)	1,188
Infrastructure	1,901	103	0	2,004	6,190	(63)	(29)	6,098
Active Living	1,478	0	0	1,478	2,626	10	(1)	2,635
Education	8,468	(1,295)	34	7,207	37,563	(1,322)	(8)	36,233
Education - Schools	13	(278)	366	101	0	(281)	(269)	(550)
Environment	3,269	113	(19)	3,363	1,872	62	(9)	1,925
Economy	649	29	(22)	656	2,352	44	(19)	2,377
Planning	0	18	(8)	10	0	23	0	23
Licensing	0	2	(4)	(2)	0	3	0	3
Capital Adjustments	43	0	0	43	265	0	0	265
Pension Adjustments	0	(1,069)	0	(1,069)	0	(496)	0	(496)
<b>Net Expenditure on Continuing Operations</b>	<b>16,905</b>	<b>(793)</b>	<b>273</b>	<b>16,385</b>	<b>52,670</b>	<b>(2,160)</b>	<b>(371)</b>	<b>50,139</b>
Other Operating Expenditure	(771)	0	0	(771)	0	0	0	0
Financing & Investment Income & Expenditure	(3,903)	8,511	(51)	4,557	(3,677)	7,319	(46)	3,596
Taxation & Non-Specific Grant Income	(4,394)	0	0	(4,394)	(9,587)	0	0	(9,587)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>7,837</b>	<b>7,718</b>	<b>222</b>	<b>15,777</b>	<b>39,406</b>	<b>5,159</b>	<b>(417)</b>	<b>44,148</b>



### 8.2.1 Adjustments for Capital Purposes

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

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

### 8.2.2 Net Change for Pensions Adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure, the net interest on the defined benefit liability is charged to the CIES.

### 8.2.3 Other Adjustments

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

- For service lines, the adjustment for short-term accumulating compensated absences.
- For financing and investment income and expenditure the other differences column recognises adjustments to the Council Fund for the timing differences for premiums and discounts.

### 8.3 Subjective Analysis of Expenditure and Income Charged to the Council Fund

These tables provide a more detailed analysis of Portfolio/Committee expenditure and income charged to the Council Fund:

Expenditure & Income Charged to Council Fund 2016/2017	Education - Schools £000	Social Services £000	Environment £000	Financial Management & Strategy £000	Other Portfolios £000	Total £000
External Fees, Charges & Other Service Income	(3,603)	(5,968)	(3,991)	(3,331)	(2,384)	(19,277)
Government Grants	0	(10,387)	(1,945)	(26,714)	(10,570)	(49,616)
<b>Total Income</b>	<b>(3,603)</b>	<b>(16,355)</b>	<b>(5,936)</b>	<b>(30,045)</b>	<b>(12,954)</b>	<b>(68,893)</b>
Employee Expenses	36,537	19,439	9,619	5,083	24,688	95,366
Other Service Expenses	9,327	34,176	7,210	40,167	16,783	107,663
Support Service Recharges	0	4,259	113	(3,833)	(1,009)	(470)
Depreciation, amortisation & impairment	(33)	0	121	0	72	160
<b>Total Expenditure</b>	<b>45,831</b>	<b>57,874</b>	<b>17,063</b>	<b>41,417</b>	<b>40,534</b>	<b>202,719</b>
<b>Net Expenditure</b>	<b>42,228</b>	<b>41,519</b>	<b>11,127</b>	<b>11,372</b>	<b>27,580</b>	<b>133,826</b>

Expenditure & Income Charged to Council Fund 2015/2016	Education - Schools £000	Social Services £000	Environment £000	Financial Management & Strategy £000	Other Portfolios £000	Total £000
External Fees, Charges & Other Service Income	(2,668)	(5,397)	(8,318)	(978)	(3,098)	(20,459)
Government Grants	(240)	(9,585)	(1,768)	(27,138)	(9,597)	(48,328)
<b>Total Income</b>	<b>(2,908)</b>	<b>(14,982)</b>	<b>(10,086)</b>	<b>(28,116)</b>	<b>(12,695)</b>	<b>(68,787)</b>
Employee Expenses	36,356	18,540	8,989	7,365	23,659	94,909
Other Service Expenses	8,610	29,189	6,861	29,243	4,922	78,825
Support Service Recharges	0	5,246	4,235	4,051	12,072	25,604
Depreciation, amortisation & impairment	65	0	(131)	0	(553)	(619)
<b>Total Expenditure</b>	<b>45,031</b>	<b>52,975</b>	<b>19,954</b>	<b>40,659</b>	<b>40,100</b>	<b>198,719</b>
<b>Net Expenditure</b>	<b>42,123</b>	<b>37,993</b>	<b>9,868</b>	<b>12,543</b>	<b>27,405</b>	<b>129,932</b>

## 9. Other Operating Expenditure

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

	2016/2017			2015/2016		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure £000	Income £000	Expenditure £000	Expenditure £000	Income £000	Expenditure £000
(Gains)/losses on the Disposal of Non-Current Assets	744	(1,515)	(771)	325	(379)	(54)
Precepts & Levies:						
Gwent Police Authority Precept	4,409	0	4,409	4,193	0	4,193
South Wales Fire Authority Levy	3,171	0	3,171	3,162	0	3,162
Community Council Precepts	354	0	354	340	0	340
Coroners' Courts	75	0	75	72	0	72
National Park Levy	29	0	29	31	0	31
<b>Total</b>	<b>8,782</b>	<b>(1,515)</b>	<b>7,267</b>	<b>8,123</b>	<b>(379)</b>	<b>7,744</b>

In 2016/2017, the Comprehensive Income and Expenditure Statement net gain on disposal of assets included £0.744m of asset valuations written off on disposal together with associated capital receipts of £1.515m, giving a gain on disposal of assets held for sale of £0.771m. (In 2015/2016, the Comprehensive Income and Expenditure Statement net gain on disposal of assets included £0.325m of asset valuations written off on disposal together with associated capital receipts of £0.379m, giving a gain on disposal of assets held for sale of £0.054m).

## 10. 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	2016/2017			2015/2016		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Interest payable and similar charges - Financial Instruments	4,274	0	4,274	4,320	0	4,320
Interest payable and similar charges - Other *	22	0	22	26	0	26
Interest receivable and similar income - Financial Instruments	0	(32)	(32)	0	(26)	(26)
Interest receivable and similar income - Other **	0	(311)	(311)	0	(267)	(267)
Net Pensions Interest Cost	18,281	(9,770)	8,511	16,857	(9,538)	7,319
<b>Total</b>	<b>22,577</b>	<b>(10,113)</b>	<b>12,464</b>	<b>21,203</b>	<b>(9,831)</b>	<b>11,372</b>

\*: Interest on finance leases and school balances.

\*\* : Interest on (lessor) finance leases, car loans and contractor bonds.

## 11. 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.

Taxation & Non Specific Grant Income	2016/2017	2015/2016
	£000	£000
Taxation & Non-Specific Revenue Grants		
Council Tax Income	(35,444)	(34,184)
Non-Domestic Rates	(21,003)	(20,201)
Revenue Support Grant/OAG	(88,249)	(90,735)
<b>Total Taxation and Non-Specific Revenue Grants</b>	<b>(144,696)</b>	<b>(145,120)</b>
Capital grants and contributions	(4,394)	(9,587)
<b>Total</b>	<b>(149,090)</b>	<b>(154,707)</b>

**12. Material Items of Income or Expense**

There were no material items of income or expense in 2016/2017 or 2015/2016.

**13. Acquired or Discontinued Operations**

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

**14. Partnership Schemes Under Section 33 of the NHS (Wales) Act 2006****14.1 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 Social Services Portfolio line of the CIES. Income and expenditure for the pooled budget arrangements for the financial year ending 31 March 2017 is as follows.

Partnership Schemes: GWICES	2016/2017 £000	2015/2016 £000
<b>Expenditure</b>		
Staff	138	87
Non-Staff	3,078	2,594
<b>Total Expenditure</b>	<b>3,216</b>	<b>2,681</b>
<b>Funding</b>		
Blaenau Gwent County Borough Council	(246)	(276)
Caerphilly County Borough Council	(455)	(505)
Monmouthshire County Borough Council	(286)	(350)
Newport City Council	(324)	(439)
Torfaen County Borough Council	(813)	(467)
Aneurin Bevan Health Board	(702)	(496)
Other	(390)	(148)
<b>Total Funding</b>	<b>(3,216)</b>	<b>(2,681)</b>

## 14.2 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. The Authority’s transactions are included in the Social Services Portfolio line of the CIES. Income and expenditure for the pooled budget arrangements for the financial year ending 31 March 2017 is as follows.

Partnership Schemes Gwent Frailty	2016/2017 £000	2015/2016 £000
<b>Expenditure</b>		
Base Declarations	13,695	13,049
Invest to Save	830	890
Central Costs	456	539
<b>Total Expenditure</b>	<b>14,981</b>	<b>14,478</b>
<b>Funding</b>		
Blaenau Gwent County Borough Council	(553)	(536)
Caerphilly County Borough Council	(2,212)	(2,057)
Monmouthshire County Borough Council	(1,291)	(1,173)
Newport City Council	(1,639)	(1,511)
Torfaen County Borough Council	(780)	(755)
Aneurin Bevan Health Board	(8,963)	(8,236)
Welsh Government Invest to Save	0	0
<b>Total Funding</b>	<b>(15,438)</b>	<b>(14,268)</b>
<b>Net In-Year (Under) / Overspend</b>	<b>(457)</b>	<b>210</b>

## 15. Members’ Allowances

The total amount of allowances and expenses paid to Members during the year was £733,906 (2015/2016: £743,757), analysed as follows:

Members’ Allowances	2016/2017 £000	2015/2016 £000
Allowances	730	740
Expenses	4	4
<b>Total:</b>	<b>734</b>	<b>744</b>

## 16. Officers' Remuneration

### 16.1 Remuneration Ratio

The Accounts and Audit Regulations (Wales) 2014 require the disclosure of the ratio of the Chief Executive's remuneration in comparison to the median remuneration of all the Authority's employees. For 2016/2017 this was as follows:

	2016/2017	2015/2016
Ratio of Chief Executive pay to median pay of all staff	1:4.81	1:5.36

For 2016/2017 the salary paid to the Head of Paid Service was lower than the previous year (during 2015/2016, the Chief Executive's salary included an element relating to his Directorship of Silent Valley Waste Services Ltd.). This change has impacted upon the pay ratio between the median full time equivalent earnings of employees of the Council and that of the Chief Executive/Head of Paid Service.

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

Officers Emoluments Remuneration Band	2016/2017					2015/2016				
	Teaching	Other	Total	Left During Year	Total excluding leavers	Teaching	Other	Total	Left During Year	Total excluding leavers
£60,000 - £64,999	8	5	13	1	12	9	12	21	8	13
£65,000 - £69,999	2	1	3	0	3	2	0	2	0	2
£70,000 - £74,999	4	2	6	1	5	3	2	5	0	5
£75,000 - £79,999	0	0	0	0	0	2	0	2	0	2
£80,000 - £84,999	3	0	3	0	3	1	0	1	0	1
£85,000 - £89,999	0	0	0	0	0	0	0	0	0	0
£90,000 - £94,999	0	0	0	0	0	0	0	0	0	0
£95,000 - £99,999	0	0	0	0	0	0	0	0	0	0
£100,000 - £104,999	0	0	0	0	0	1	0	1	1	0
£105,000 - £109,999	0	0	0	0	0	1	0	1	1	0
<b>Total</b>	<b>17</b>	<b>8</b>	<b>25</b>	<b>2</b>	<b>23</b>	<b>19</b>	<b>14</b>	<b>33</b>	<b>10</b>	<b>23</b>

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

The 2016/2017 total of 25 includes 2 members of teaching staff who would not have been included in the note if it were not for one-off severance payments. (The 2015/2016 total of 33 includes 3 members in the 'Teaching' category and 2 in the 'Other' category who would not have been included in the note if it were not for one-off severance payments). Further details of termination benefits can be found in notes 18-19 (pages 64-65).

### 16.3 Senior Officers' Remuneration

The following table sets out the remuneration in 2016/2017 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 2016/2017	Pension Contributions	Remuneration including Pension Contributions 2016/2017
		£	£	£	£	£	£	£
Lead Corporate Director/Head of Paid Service		101,338	0	0	0	101,338	21,788	123,126
Corporate Director Social Services (to 30 September 2016)	Note 1	41,895	78	0	0	41,973	9,008	50,981
Corporate Director Social Services (from 1 October 2016)	Note 2	76,402	62	0	0	76,464	16,427	92,891
Corporate Director of Environment & Regeneration	Note 3	95,360	96	0	0	95,456	20,502	115,958
Chief Finance Officer	Note 3	86,942	37	0	0	86,979	18,598	105,577
Corporate Director of Education		97,457	0	0	0	97,457	20,953	118,410
Head of Organisational Development	Note 4	63,465	0	0	0	63,465	13,645	77,110
Head of Policy & Performance	Note 4	63,465	71	0	0	63,536	13,645	77,181
<b>Total</b>		<b>626,324</b>	<b>344</b>	<b>0</b>	<b>0</b>	<b>626,668</b>	<b>134,566</b>	<b>761,234</b>

Note 1: Corporate Director left post on 30 September 2016.

Note 2: Assumed Corporate Director duties on an interim basis from 1 October 2016; appointed on a permanent basis from April 2017. Disclosure includes sums paid by the Authority in relation to the postholders previous responsibilities as Head of Adult Services.

Note 3: For each officer (*Corporate Director of Environment & Regeneration, Chief Finance Officer*), salary includes £11,568.96 paid to the post-holder on behalf of Silent Valley Waste Services Ltd. (a company wholly owned by the Council) for acting in the capacity of a director of that Company. The amount paid was recharged to the Company. The Council also paid £2,487.33 of employer pension contributions into the Local Government Pension Scheme in respect of each of the Silent Valley Waste Services Ltd directorships.

The Auditor General for Wales considers that the employer pension contributions paid by the Council into the Local Government Pension Scheme were contrary to law on the basis that the Council did not have the power to make pension payments on behalf of Silent Valley Waste Services Ltd..

The Council accepts that there were procedural errors in the way in which employer pension contributions were administered, but it considers that these did not have the effect of rendering the payments contrary to law.

Note 4: The Head of Organisational Development and Head of Policy & Performance report to the Head of Paid Service and are included in this disclosure on that basis.



The following table sets out the remuneration in 2015/2016 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 (Including Fees & Allowances) £	Expense Allowances £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions 2015/2016 £	Employers Pension Contributions (Restated) £	Total Remuneration including Pension Contributions 2015/2016 (Restated) £
Chief Executive	Notes 1, 2 & 3	109,693	7	24,121	0	133,821	234,421	368,242
Lead Corporate Director/Head of Paid Service	Note 4	87,164	0	0	0	87,164	18,740	105,904
Corporate Director Social Services		82,961	264	0	0	83,225	17,837	101,062
Corporate Director of Environment & Regeneration	Note 5	83,925	13	0	0	83,938	17,837	101,775
Chief Finance Officer	Note 6	82,251	32	0	0	82,283	17,629	99,912
Corporate Director of Education		96,627	0	0	0	96,627	20,775	117,402
Head of Organisational Development	Note 7	61,380	0	0	0	61,380	13,197	74,577
Head of Policy & Performance	Note 7	61,380	7	0	0	61,387	13,197	74,584
<b>Total</b>		<b>665,381</b>	<b>323</b>	<b>24,121</b>	<b>0</b>	<b>689,825</b>	<b>353,633</b>	<b>1,043,458</b>

Note 1: Salary includes £10,604.88 remuneration relating to directorship of Silent Valley Waste Services Ltd., ending 29 February 2016.

Note 2: Salary includes payments of £3,458.00 in respect of the duties as Returning Officer.

Note 3: The Chief Executive retired on 29 February 2016. A review of the senior management structure during 2015/2016, agreed by Council, decided to permanently delete this post from the staffing structure. A new role of 'Lead Corporate Director and Head of Paid Service' was created to which the Corporate Director Strategy, Transformation & Culture was appointed on an interim basis for 12 months. A further review of this arrangement is to be undertaken after twelve months giving consideration to a range of internal and factors, including the potential for local government reorganisation or other forms of reconfigured service delivery.

Note 4: New role with effect from 4 January 2016. Prior to this, employed as Corporate Director Strategy/Transformation & Culture.

Note 5: Salary includes £964.08 remuneration relating to directorship of Silent Valley Waste Services Ltd., commencing 1 March 2016.

Note 6: Salary includes £11,568.96 paid to the post-holder on behalf of Silent Valley Waste Services Ltd. (a company wholly owned by the Council) for acting in the capacity of a director of that Company. The amount paid was recharged to the Company. The Council also paid £2,487.33 of employer pension contributions into the Local Government Pension Scheme in respect of the Silent Valley Waste Services Ltd directorship.

The Auditor General for Wales considers that the employer pension contributions paid by the Council into the Local Government Pension Scheme were contrary to law on the basis that the Council did not have the power to make pension payments on behalf of Silent Valley Waste Services Ltd..

The Council accepts that there were procedural errors in the way in which employer pension contributions were administered, but it considers that these did not have the effect of rendering the payments contrary to law.

Note 7: Further to the departure of the former Chief Executive at the end of February and the subsequent interim arrangements for this post (Note 3), the Head of Organisational Development and Head of Policy & Performance report to the Head of Paid Service with effect from 1 March 2016 and are included in this disclosure on that basis. Remuneration reported for these officers is for the full year of account.

## 17. 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 2016/2017 financial statements:

Short-term Accumulating Compensated Absences	2016/2017			2015/2016 (Reclassified)		
	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
Financial Management & Strategy	(151)	73	(78)	(145)	151	6
Corporate Services	(124)	126	2	(124)	124	0
Social Services	(357)	358	1	(399)	357	(42)
Infrastructure	(95)	96	1	(124)	95	(29)
Active Living	0	0	0	(1)	0	(1)
Education	(81)	115	34	(89)	81	(8)
Education - Schools	(428)	794	366	(698)	428	(270)
Environment	(119)	101	(18)	(128)	119	(9)
Economy	(49)	27	(22)	(68)	49	(19)
Planning	(33)	25	(8)	(32)	33	1
Licensing	(4)	0	(4)	(4)	4	0
<b>Total - Provision of Services:</b>	<b>(1,441)</b>	<b>1,715</b>	<b>274</b>	<b>(1,812)</b>	<b>1,441</b>	<b>(371)</b>

\* Reclassified: Short-term accumulating compensated absences for continuing operations have been reclassified in line with the Authority's internal reporting arrangements.

**18. Termination Benefits and Exit Packages - Costs to Authority**

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

Exit Package Cost Band	2016/2017				2015/2016			
	Compulsory Redundancies	Other Departures	Exit Packages	Total Cost of Exit Packages	Compulsory Redundancies	Other Departures	Exit Packages	Total Cost of Exit Packages
	Nº	Nº	Nº	£000	Nº	Nº	Nº	£000
£0 - £19,999	15	40	55	315	7	70	77	392
£20,000 - £39,999	0	8	8	224	0	9	9	221
£40,000 - £59,999	0	4	4	178	0	3	3	142
£60,000 - £99,999	0	3	3	227	0	4	4	302
£100,000 - £149,999	1	2	3	354	0	2	2	232
£150,000 - £249,999	0	0	0	0	0	2	2	407
<b>Total</b>	<b>16</b>	<b>57</b>	<b>73</b>	<b>1,298</b>	<b>7</b>	<b>90</b>	<b>97</b>	<b>1,696</b>

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

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 2016/2017, the contracts of 73 employees were terminated, incurring total liabilities of £1.298m (2015/2016: 97 employees, incurring liabilities of £1.696m). These payments can be disaggregated as follows:

Termination Benefits & Exit Packages	2016/2017	2015/2016
	£000	£000
Pay in Lieu of Notice	78	39
Pension Costs	565	928
Redundancy Costs	487	586
Other Payments	168	143
<b>Total</b>	<b>1,298</b>	<b>1,696</b>

Included in the Authority's Early Terminations Provision are sums totalling £0.412m payable to 33 staff that have not been included in the exit packages disclosure, but for which the Authority has a legal or constructive obligation at the balance sheet date. (2015/2016: Early Terminations provision included £0.389m payable to 12 staff). Details of the Early Terminations Provision can be found in notes 40.1-40.2, pages 103-105.

The Authority has also paid £0.124m in respect of exit packages for 12 staff at Aneurin Leisure Trust, in accordance with the agreement to transfer staff to the charity in 2014 (2015/2016: exit package payments of £0.370m were made in respect of 20 staff).

## 19. Termination Benefits and Exit Packages - Causes

The following were the significant causes of the termination benefits and exit packages:

Termination Benefits	2016/2017		2015/2016	
	No	£000	No	£000
Closure of Facilities/Cessation of Services	8	200	1	2
Early Retirements/Efficiency/Flexible Retirements	6	154	21	212
Financial Efficiency Project	11	403	41	1,136
School Downsizing Restructuring & Reorganisation - Crossmatching	12	312	7	130
Termination benefits arising for other reasons	36	229	27	216
<b>Total</b>	<b>73</b>	<b>1,298</b>	<b>97</b>	<b>1,696</b>

## 20. External Audit Fees

The Authority's appointed external auditors for the 2016/2017 financial year were the Wales Audit Office (WAO). The following fees, included in Financial Management & Strategy Portfolio expenditure in the CIES, were incurred in relation to external audit and inspection:

External Audit Fees	2016/2017	2015/2016	CIES Service Line
	£000	£000	
Fees payable in respect of:			
External audit services relating to audit of the accounts	191	191	<i>Financial Management &amp; Strategy Portfolio</i>
External audit services relating to Local Government Measures	105	109	<i>Corporate Services Portfolio</i>
Certification of grant claims and returns	70	70	<i>Portfolio responsible for the specific grant claim or return</i>
Other services	38	0	<i>Financial Management &amp; Strategy Portfolio</i>
<b>Total Audit Fees</b>	<b>404</b>	<b>370</b>	

Other Services consists of charges for the statutory audit of 3 years of charitable trust accounts required for Bedwellty House and Park, of which the Authority is the trustee.

**21. 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 is 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	2016/2017			2015/2016		
	Agency £000	Authority £000	Total £000	Agency £000	Authority £000	Total £000
Rate Debits including adjustments	16,711	0	16,711	16,918	0	16,918
Reliefs & Allowances	(4,137)	0	(4,137)	(4,367)	0	(4,367)
Refunds	464	0	464	167	0	167
Court Costs	0	6	6	0	2	2
Write Offs	(1)	0	(1)	0	0	0
	13,037	6	13,043	12,718	2	12,720
Cash Collected	(12,564)	0	(12,564)	(12,243)	0	(12,243)
Net In-Year NDR Transactions	473	6	479	475	2	477

- The total non-domestic rateable value at 31 March 2017 was £34,792,585 (31 March 2016: £34,889,459).
- The national non-domestic rate multiplier for the year 2016/2017 was 0.486 (2015/2016: 0.482).

## 22. 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.

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

Council Tax Transactions	2016/2017		2015/2016	
	£000	£000	£000	£000
Council Tax Collected	(35,650)		(34,315)	
Less: Impairment of bad & doubtful debts	206		131	
<b>Net Total Proceeds from Council Tax</b>		<b>(35,444)</b>		<b>(34,184)</b>
Less: Gwent Police Authority Precept	4,409		4,193	
Community Council Precepts	354		340	
		<b>4,763</b>		<b>4,533</b>
<b>Council Tax attributable to this Authority:</b>		<b>(30,681)</b>		<b>(29,651)</b>

## 22.2 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 2016/2017 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	59.00	18,459.00	7,763.00	2,467.00	1,547.00	822.00	296.00	51.00	15.00	7.00	31,486.00
Exemptions, Reliefs & Discounts	(5.75)	(2,398.50)	(687.50)	(189.50)	(92.25)	(39.00)	(13.50)	(2.50)	(6.00)	(1.50)	(3,436.00)
Effective Properties	53.25	16,060.50	7,075.50	2,277.50	1,454.75	783.00	282.50	48.50	9.00	5.50	28,050.00
Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	-
Band D Equivalents	29.58	10,707.01	5,503.17	2,024.44	1,454.75	957.00	408.06	80.83	18.00	12.83	21,195.67
Impairment											(1,161.32)
<b>Council Tax Base</b>											<b>20,034.35</b>

## 23. Precepts & Demands

### 23.1 Precepting Authorities

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

Precepting Authorities	2016/2017	2015/2016
	£000	£000
Gwent Constabulary	4,409	4,193
Abertillery & Llanhilleth Community Council	95	90
Brynmawr Town Council	43	43
Nantyglo & Blaina Town Council	78	68
Tredegar Town Council	138	139
<b>Total</b>	<b>4,763</b>	<b>4,533</b>

### 23.2 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	2016/2017 £000	2015/2016 £000
Brecon Beacons National Park Authority	29	31
Coroners' Courts	75	72
South Wales Fire Authority	3,171	3,162
<b>Total:</b>	<b>3,275</b>	<b>3,265</b>

### 24. 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	2016/2017 £000	2015/2016 £000
Newport City Council	(500)	0
Welsh European Funding Office	0	(512)
Welsh Government	(891)	(4,493)
Other Grants & Contributions	(286)	(354)
<b>Total:</b>	<b>(1,677)</b>	<b>(5,359)</b>

Capital Grants Credited to taxation and non-specific grant income	2016/2017 £000	2015/2016 £000
Newport City Council	(25)	0
Welsh European Funding Office	(4)	(1,223)
Welsh Government	(4,442)	(8,091)
Other Grants & Contributions	77	(273)
<b>Total:</b>	<b>(4,394)</b>	<b>(9,587)</b>



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	2016/2017	2015/2016
	£000	(Restated) £000
Welsh Government	(19,591)	(18,375)
Department for Work and Pensions	(26,696)	(27,092)
Other Central Government	(602)	(653)
Local Authorities	(1,970)	(1,497)
NHS	(694)	(598)
Other Grants & Contributions	(63)	(113)
<b>Total:</b>	<b>(49,616)</b>	<b>(48,328)</b>

\* Restated: £5.390m of revenue grants awarded by the Education Achievement Service for South East Wales have been reclassified from 'Other to 'Welsh Government', on the basis that the EAS act as agents for Welsh Government in distributing these amounts. In addition, £4.459m of receipts have been correctly reclassified as Grants.

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	2016/2017	2015/2016
	£000	£000
Welsh European Funding Office	(28)	(32)
Welsh Government	(703)	(450)
Other Grants & Contributions	(58)	(248)
<b>Total:</b>	<b>(789)</b>	<b>(730)</b>

Revenue Receipts in Advance	2016/2017	2015/2016
	£000	£000
Welsh European Funding Office	(139)	0
Welsh Government	(582)	(182)
Other Central Government	(35)	0
Local Authorities	(16)	(73)
NHS	(19)	0
Other Grants & Contributions	(164)	(219)
<b>Total:</b>	<b>(955)</b>	<b>(474)</b>

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## 25. Related Parties

### 25.1 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 2016/2017 can be found in note 24 (pages 69-70); details of the amounts owed to or from central government are included in notes 38 (page 102) and 37 (page 101) respectively.

### 25.2 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 2016/2017 financial year, the Authority's Director of Environment and Regeneration and the Authority's Chief Finance Officer were non-executive directors of the company. The Authority's former Chief Executive was appointed as a director on 6 July 2016. As at 31 March 2017, the Authority effectively holds 67% of the board membership. The following related party transactions took place with SVWS Ltd. during the year:

The Authority made payments to SVWS Ltd. totalling £855,621 in 2016/2017 (2015/2016: £615,670), comprising the following:

- Payments totalling £855,621 in relation to the collection of waste, management of the Authority's civic amenity sites and haulage charges (2015/2016: £597,015). Of this amount, £54,531 was in respect of services provided in 2015/2016, and at 31 March 2017 the Authority owed £66,811 (2015/2016: £45,090 was in respect of services provided in 2014/2015 and £54,862 was owed at 31 March 2016).
- In 2016/2017 no payments were made towards professional advice and reports at the Silent Valley site (2015/2016: £5,278).
- In 2016/2017 no NNDR refunds were made to the Silent Valley Site (2015/2016: £13,377)

The Authority received income from SVWS Ltd. totalling £155,038 in 2016/2017 (2015/2016: £173,138), including the following:

- No income was received in relation to services provided by the Authority's former Chief Executive in his role as a director of SVWS Ltd., which ended on 29 February 2016. (2015/2016: £11,569). At 31 March 2017 the Authority was owed £0 in relation to this income (2015/2016: £0);
- £11,569 was received in relation to services provided by the Authority's Chief Finance Officer in his role as a director of SVWS Ltd. (2015/2016: £11,569). At 31 March 2017 the Authority was owed £964 in relation to this income (2015/2016: £964);
- £11,569 was received in relation to services provided by the Authority's Corporate Director of Environment and Regeneration in his role as a director of SVWS Ltd. (2015/2016: £0). At 31 March 2017 the Authority was owed £964 in relation to this income (2015/2016: £0);
- £130,000 was received as a contribution towards leachate (2015/2016: £150,000);
- £1,650 was received in relation to vehicle servicing & repairs (2015/2016: £0);
- £250 was received for a Noise Assessment and Survey (2015/2016: £0);
- £11,000 was owed to the Authority for works carried out at the Silent Valley Transfer Station (2015/2016: £0); and
- At 31 March 2017 the Authority was owed £0 in relation to scrap metal (2015/2016: £814).

**25.3 Members**

Related Party Disclosures for Members relate to Councillors for the 2016/2017 financial year, prior to the Local Authority elections in May 2017.

The Authority made payments of £12,623 to Glenn Willis Plumbing Ltd. during 2016/2017 (2015/2016: £12,905). The Director of the company is the son of a Council Member.

The Authority made payments of £599,709 to Jim Davies Civil Engineering Limited during 2016/2017 mainly in relation to works at the Silent Valley Waste Transfer Station and Authority-wide capital works such as drainage and retaining wall maintenance (2015/2016: £2,266,636). A Member of the Council is the brother-in-law of one of the Directors of the company.

Payments of £100 were made to Deano's Sandwich Bar during 2016/2017 (2015/2016: £652), the proprietor being the daughter of a Council Member.

TJ Brown & Sons funeral directors carry out pauper and other burial services on behalf of the Authority. No payments were made in 2016/2017 (2015/2016: £1,119). A Member of the Council has an interest in this company.

No payments were made to Malcolm Cross Building Services during 2016/2017 (2015/2016: £500). A member of the Council is a Director of the organisation.

Payments of £7,943 for tenants' Rent Allowances were made to Highfield Properties (Tredegar) during 2016/2017 (2015/2016: £16,268). A member of the Council is a Director of the organisation.

Payments of £4,463 relating to maintenance of public toilets in Brynmawr and other supplies were made to Hodge Municipal Services during 2016/2017. Income of £85 was received from Hodge Municipal Services during 2016/2017. A Member of the Council is the proprietor of the organisation.

Income of £750 was received from Hodge Distributions during 2016/2017, relating to the rental of an industrial unit. A Member of the Council is the proprietor of the organisation.

Payments of £170,782 were made to Henley's Bus Services during 2016/2017 (2015/2016: £259,776). No income was received from Henley's Bus Services during 2016/2017 (2015/2016: £677). The son-in-law and grandson of a Council Member are directors of the company.

Payment of a Voluntary Sector Service Grant and contract sums in relation to Support for Independent Living and Safety at Home were made to Care & Repair Blaenau Gwent/Caerphilly. In 2016/2017 these amounted to £265,701 (2015/2016: £140,991). A Member of the Council is the Chair of the organisation. Blaenau Gwent Care and Repair merged with Caerphilly Care and Repair on 3 January 2017.

**25.4 Education Achievement Service for South East Wales**

The five local authorities of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen have formed an Education Achievement Service (EAS) which is designed to raise education standards in South East Wales. The EAS is a separate legal entity, established as a company limited by guarantee, which is wholly owned by the five local authorities and operates on a not for profit basis. There is no lead authority, each being represented equally with a 20% interest and possessing equal voting rights. Services are commissioned from the EAS on behalf of the five local authorities. The Collaboration Agreement commits the authority to participating in the EAS Company for a minimum period of four years, commencing September 2013.

The company board comprises the Director of the EAS and Elected Member representatives from the participating authorities.

In 2016/2017, net contributions of £0.395m were due to the EAS (2015/2016: £0.414m). The total summarised transactions of the Service were as follows:

Education Achievement Service	2016/2017 £000	2015/2016 £000
Expenditure	7,997	8,818
Income	(8,102)	(8,920)
<b>Net Expenditure</b>	<b>(105)</b>	<b>(102)</b>

*Movements in Reserves Notes*

**26. Other Comprehensive Income & Expenditure**

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

Other Comprehensive Income & Expenditure	2016/2017 £000	2015/2016 £000
(Surplus)/Deficit arising on the revaluation of non-current assets	(2,303)	3,670
Remeasurement of the net defined benefit pension liability	24,243	15,196
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>21,940</b>	<b>18,866</b>

**27. Adjustments Between Accounting Basis and Funding Basis Under Statutory Provisions**

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 2016/2017:

Adjustments between Accounting Basis and Funding Basis under Statutory Provisions 2016/2017	Council Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Transactions between Funds &amp; Usable Reserves:</b>				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,031	0	(2,031)	0
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income & Expenditure Statement	1,515	(1,515)	0	0
Contribution from the Capital Receipts Reserve towards funding of prudential borrowing schemes	(51)	51	0	0

Adjustments between Accounting Basis and Funding Basis under Statutory Provisions 2016/2017	Council Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Transactions involving Unusable Reserves:</b>				
<b>Adjustments to/from Capital Adjustment Account:</b>				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation & impairment of non-current assets	(10,695)	0	0	10,695
Revaluation losses on Property, Plant & Equipment	(5,057)	0	0	5,057
Capital grants & contributions applied	4,016	0	0	(4,016)
Revenue expenditure funded from capital under statute	(2,936)	0	0	2,936
Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the Comprehensive Income & Expenditure Statement	(744)	0	0	744
<b>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	3,903	0	0	(3,903)
Capital expenditure charged against the Council Fund	181	0	0	(181)
<b>Items involving Usable Capital Reserves:</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	2,012	(2,012)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	979	0	(979)

Note: Additional transactions occur between the Capital Adjustment Account and the Revaluation Reserve. These are detailed in note 46.2 on pages 129-131.

Adjustments between Accounting Basis and Funding Basis under Statutory Provisions 2016/2017	Council Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to/from the Deferred Capital Receipts Reserve:</b>				
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	(126)	0	126
<b>Adjustments to/from the Financial Instruments Adjustment Account:</b>				
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	51	0	0	(51)
<b>Adjustments to/from the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(19,949)	0	0	19,949
Employer's pensions contributions and direct payments to pensioners payable in the year	12,232	0	0	(12,232)
<b>Adjustment to/from the Unequal Pay Back Pay Adjustment Account:</b>				
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	0	0	0	0
<b>Adjustment to/from the Accumulated Absences Account:</b>				
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	(274)	0	0	274
<b>Total Adjustments between Accounting Basis and Funding Basis under Statutory Provisions</b>	<b>(15,777)</b>	<b>(611)</b>	<b>(19)</b>	<b>16,407</b>

The following transactions adjusting between accounting basis and funding basis were made in 2015/2016:

Adjustments between Accounting Basis and Funding Basis under Statutory Provisions 2015/2016	Council Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Transactions between Funds &amp; Usable Reserves:</b>				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	1,998	0	(1,998)	0
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income & Expenditure Statement	379	(379)	0	0
Contribution from the Capital Receipts Reserve towards funding of prudential borrowing schemes	(49)	49	0	0

Adjustments between Accounting Basis and Funding Basis under Statutory Provisions 2015/2016	Council Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Transactions Involving Unusable Reserves:</b>				
<b>Adjustments to/from the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for depreciation & impairment of non-current assets	(13,590)	0	0	13,590
Revaluation losses on Property Plant & Equipment	(37,746)	0	0	37,746
Capital grants & contributions applied	12,947	0	0	(12,947)
Revenue expenditure funded from capital under statute	(7,274)	0	0	7,274
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income & Expenditure Statement	(325)	0	0	325
<b>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	3,623	0	0	(3,623)
Capital expenditure charged against the Council Fund	630	0	0	(630)
<b>Items involving Usable Capital Reserves:</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	2,424	(2,424)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,030	0	(2,030)



Adjustments between Accounting Basis and Funding Basis under Statutory Provisions 2015/2016	Council Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to/from the Deferred Capital Receipts Reserve:</b>				
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	(323)	0	323
<b>Adjustment to/from the Financial Instruments Adjustment Account:</b>				
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	(46)
<b>Adjustments to/from the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(17,788)	0	0	17,788
Employer's pensions contributions and direct payments to pensioners payable in the year	12,630	0	0	(12,630)
<b>Adjustment to/from the Unequal Pay Back Pay Adjustment Account:</b>				
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	0	0	0	0
<b>Adjustment to/from the Accumulated Absences Account:</b>				
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	371	0	0	(371)
<b>Total Adjustments between Accounting Basis and Funding Basis under Statutory Provisions</b>	<b>(44,148)</b>	<b>1,377</b>	<b>426</b>	<b>42,345</b>

## 28. 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 to provide financing for future expenditure plans and amounts posted back to meet expenditure incurred during the year.

Usable Reserves	2015/2016				Adjustments £000	2016/2017		
	1 April 2015 £000	Transfers In 2015/2016 £000	Transfers Out 2015/2016 £000	31 March 2016 £000		Transfers In 2016/2017 £000	Transfers Out 2016/2017 £000	31 March 2017 £000
Budget Contingency Fund	(275)	(713)	661	(327)	0	(281)	446	(162)
Budget Implementation	(2,000)	(1,758)	2,183	(1,575)	0	0	1,246	(329)
Building Control	(236)	(161)	115	(282)	0	(33)	79	(236)
Downsizing, Redundancy & Transitional Costs	(1,364)	0	469	(895)	0	(500)	912	(483)
ICT	(401)	(449)	96	(754)	0	0	401	(353)
Implementation Delay Reserve	0	0	0	0	0	(172)	56	(116)
Insurance Liabilities	(1,436)	(696)	860	(1,272)	0	(1,860)	1,558	(1,574)
LMS Balances	(1,377)	(935)	1,320	(992)	(184)	(786)	874	(1,088)
Revenue Grants & Contributions Unapplied	(1,259)	(531)	593	(1,197)	0	(969)	1,310	(856)
Revenue Grants & Contributions Unapplied - Section 106 Schemes	(128)	0	0	(128)	0	0	59	(69)
Superannuation	(667)	0	2	(665)	0	0	164	(501)
Waste Services	(121)	(521)	0	(642)	0	0	200	(442)
Other Usable Revenue Reserves	(2,166)	(2,687)	2,913	(1,940)	0	(1,420)	2,247	(1,113)
<b>Sub-Total (Revenue Reserves):</b>	<b>(11,430)</b>	<b>(8,451)</b>	<b>9,212</b>	<b>(10,669)</b>	<b>(184)</b>	<b>(6,021)</b>	<b>9,552</b>	<b>(7,322)</b>
Earmarked for Capital Purposes	(1,288)	(254)	523	(1,019)	0	(46)	786	(279)
<b>Total:</b>	<b>(12,718)</b>	<b>(8,705)</b>	<b>9,735</b>	<b>(11,688)</b>	<b>(184)</b>	<b>(6,067)</b>	<b>10,338</b>	<b>(7,601)</b>

Note: The most significant reserve transfers (by value) have been disclosed in the above table. As a result, reserves disclosed for 2015/2016 have been adjusted to provide comparative figures for 2016/2017. Aggregate transfers and balances have not been amended.

LMS Balances have been adjusted at 1 April 2016 to remove costs incorrectly charged to these reserves in previous years.

Further details of earmarked reserves are included in note 46, pages 124-128.

**Balance Sheet Notes**

**29. Property Plant & Equipment**

**29.1 Carrying Amount of Non-Current Assets**

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

Property, Plant & Equipment	31 March 2017 £000	31 March 2016 £000
Gross Carrying Amount	315,836	313,280
Accumulated Depreciation	(42,784)	(34,093)
<b>Net Book Value</b>	<b>273,052</b>	<b>279,187</b>

Details of the transactions relating to the carrying amounts and depreciation of non-current assets are set out below.

Movements in 2016/2017:

Property, Plant & Equipment							Total
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant & Equipment £000
Cost or Valuation as at 1 April 2016	157,982	12,201	124,557	138	4,920	13,482	313,280
Adjustment to Opening Balances	1,365 <sup>1</sup>	0	0	0	0	0	1,365
Revised Cost or Valuation as at 1 April 2016	159,347	12,201	124,557	138	4,920	13,482	314,645
Appropriations	12,214	0	1,347	0	180	(13,741)	0
Assets reclassified to/from held for sale	(681)	0	0	0	(50)	0	(731)
Additions	0	413	701	0	0	0	1,114
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,132	0	0	0	(75)	0	2,057
Revaluation increases/(decreases) recognised in the Provision of Services	(4,928)	0	0	0	(89)	0	(5,017)
Capital expenditure written off	(1,806)	0	0	0	0	0	(1,806)
Derecognition - disposals	(22)	(165)	0	0	0	0	(187)
Other movements in cost or valuation *	1,806	0	244	0	0	3,711	5,761
<b>Cost or Valuation as at 31 March 2017</b>	<b>168,062</b>	<b>12,449</b>	<b>126,849</b>	<b>138</b>	<b>4,886</b>	<b>3,452</b>	<b>315,836</b>

Property, Plant & Equipment: Depreciation & Impairment							Total
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant & Equipment £000
Accumulated Depreciation & Impairment as at 1 April 2016	(3,560)	(6,734)	(23,749)	(9)	(41)	0	(34,093)
Adjustment to Opening Balances	(45) <sup>††</sup>	0	(682) <sup>††</sup>	0	0	0	(727)
Revised Depreciation & Impairment as at 1 April 2016	(3,605)	(6,734)	(24,431)	(9)	(41)	0	(34,820)
Depreciation charge	(4,526)	(1,165)	(3,192)	(1)	(5)	0	(8,889)
Depreciation written out to the Revaluation Reserve	246	0	0	0	0	0	246
Depreciation written out to the Surplus/Deficit on the Provision of Services	561	0	0	0	0	0	561
Appropriations	(32)	0	0	0	32	0	0
Derecognition - disposals	0	118	0	0	0	0	118
Accumulated Depreciation & Impairment as at 31 March 2017	(7,356)	(7,781)	(27,623)	(10)	(14)	0	(42,784)

†: The correction of a revaluation relating to previous years has increased the gross book value of Other Land & Buildings by £1.365m.

††: A small number of assets were identified on which no depreciation had been charged in previous years and consequently an adjustment has been made to correct the cumulative understatement of £0.727m.

**Net Book Value:**

Property, Plant & Equipment							Total
	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant & Equipment £000
Net Book Value as at 31 March 2017	160,706	4,668	99,226	128	4,872	3,452	273,052
Net Book Value as at 31 March 2016	154,422	5,467	100,808	129	4,879	13,482	279,187
Net Book Value as at 1 April 2015	194,397	2,286	98,437	123	8,126	9,831	313,200

Movements in 2015/2016:

Property, Plant & Equipment	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation as at 1 April 2015	204,360	8,527	119,377	131	8,271	9,831	350,497
Appropriations	3,770	607	2,965	0	(478)	(6,864)	0
Assets reclassified to/from held for sale	(438)	0	0	0	(295)	0	(733)
Additions	0	3,432	2,088	0	0	2,826	8,346
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,592)	0	0	7	(596)	0	(8,181)
Revaluation increases/(decreases) recognised in the Provision of Services	(42,067)	0	0	0	(1,982)	0	(44,049)
Capital expenditure written off	(5,421)	0	(186)	0	0	(16)	(5,623)
Derecognition - disposals	(51)	(365)	0	0	0	0	(416)
Other movements in cost or valuation **	5,421	0	313	0	0	7,705	13,439
Cost or Valuation as at 31 March 2016	157,982	12,201	124,557	138	4,920	13,482	313,280

Property, Plant & Equipment: Depreciation & Impairment	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation & Impairment as at 1 April 2015	(9,963)	(6,241)	(20,940)	(8)	(145)	0	(37,297)
Depreciation Charge & Appropriations	(5,034)	(858)	(2,809)	(1)	(95)	0	(8,797)
Depreciation written out to the Revaluation Reserve	5,063	0	0	0	101	0	5,164
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,356	0	0	0	98	0	6,454
Derecognition - disposals	18	365	0	0	0	0	383
Accumulated Depreciation & Impairment as at 31 March 2016	(3,560)	(6,734)	(23,749)	(9)	(41)	0	(34,093)

Notes \* & \*\*: Amounts included in 'Other movements in cost or valuation' relates to capital expenditure incurred during the year, £3.9 million of which has been added to the asset base and £1.8 million of which has been written off as there has been no increase to the asset value in 2016/2017(\*); £7.8 million of which has been added to the asset base and £5.6 million of which has been written off as no increase to the asset value resulted in 2015/2016(\*\*).

## 29.2 Fair Value Measurement of Surplus and Assets Held for Sale

### *Fair Value Hierarchy*

Details of the Authority's surplus assets and assets held for sale and information about the fair value hierarchy are as follows:

	31 March 2017			31 March 2016		
	Surplus Assets £000	Assets Held for Sale £000	Total £000	Surplus Assets £000	Assets Held for Sale £000	Total £000
Recurring fair value measurements:						
Using significant unobservable inputs (Level 3)	4,872	510	5,382	4,879	455	5,334
Fair Value	4,872	510	5,382	4,879	455	5,334

### *Transfers between Levels of the Fair Value Hierarchy*

There were no transfers between levels of the the fair value hierarchy during the year.

### *Valuation Techniques used to Determine Level 3 Fair Values for Surplus Assets*

#### *Significant Unobservable Inputs - Level 3*

A combination of available market data derived from a mixture of transactions on both Authority-owned and third party assets is analysed to take into account yields, rates per square metre, build costs, etc. in order to measure the fair value of its Surplus Assets and Assets Held for Sale under IFRS13 *Fair Value Measurement*, depending on which technique is considered most appropriate.

There has been no change in the valuation techniques used during the year.

### *Highest and Best Use*

In estimating the fair value of the Authority's surplus assets, the highest and best use of some of the assets is their current use. However for some assets, in considering alternative highest and best uses for the asset being valued, consideration has been given to value for the asset that may not necessarily be reflected in the existing configuration or use of the asset. In the consideration of alternatives the physical, legal and financial feasibility of that alternative has been taken into account.

*Valuation Process*

The Authority employs in house registered valuers who in agreement with the Chief Finance Officer identify the most appropriate valuation techniques to determine fair value, being the Head of Estates and Strategic Asset Management, P.J. Miles BSc. (Hons), MRICS.

All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Authority's valuation experts work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

*Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised with Level 3 of the Fair Value Hierarchy*

	2016/2017			2015/2016		
	Surplus	Assets	Total	Surplus	Assets	Total
	Assets	Held for Sale		Assets	Held for Sale	
	£000	£000	£000	£000	£000	£000
Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised with Level 3 of the Fair Value Hierarchy						
Balance at 1 April:	4,879	455	5,334	8,126	224	8,350
Adjustment to Opening Balance	0	601	601			
Revised Balance at 1 April:	4,879	1,056	5,935			
Appropriations (to)/from Property, Plant & Equipment Operational Assets	212	681	893	(483)	137	(346)
Appropriations (to)/from Assets Held for Sale	(50)	0	(50)	(295)	0	(295)
Appropriations (to)/from Surplus Assets	0	50	50	0	295	295
Total Gains for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0	31	31	72	0	72
Total Losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(89)	(632)	(721)	(1,955)	(151)	(2,106)
Total Gains/(Losses) for the period included in the Revaluation Reserve resulting from changes in the fair value	(75)	0	(75)	(495)	0	(495)
Disposals	0	(676)	(676)	0	(50)	(50)
In-Year Depreciation	(5)	0	(5)	(91)	0	(91)
Balance at 31 March:	4,872	510	5,382	4,879	455	5,334

### Reconciliation of Assets measured at Fair Value to the Balance Sheet

The carrying value of a number of assets held for sale is lower than (or equal to) the fair value of those assets. These have therefore been included on the Balance Sheet at carrying amount in accordance with the requirements of the Accounting Code of Practice and consequently are not included in the disclosures for assets held at fair value. The following table reconciles those assets held at fair value with those carried on the Balance Sheet:

Reconciliation of Assets measured at Fair Value	31 March 2017			31 March 2016		
	Surplus Assets £000	Assets Held for Sale £000	Total £000	Surplus Assets £000	Assets Held for Sale £000	Total £000
Assets measured at Fair Value	4,872	510	5,382	4,879	455	5,334
Assets measured at carrying amount	0	0	0	0	601	601
Assets carried on Balance Sheet	4,872	510	5,382	4,879	1,056	5,935

### 29.3 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 Property Services Manager.

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

Asset Type	Standard Life (Years)
Vehicles	5
Equipment <sup>1</sup>	10
I.T. Equipment	5
Infrastructure Assets	40
Street Lighting	40

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



## 29.4 Capital Commitments

Within the Authority's 2016/2017 capital programme, £7.396m relates to schemes that were contractually committed as at 31 March 2017 (£3.328m contractually committed as at 31 March 2016):

Capital Commitments	Commitment	Estimated	Commitment	Estimated
	Value	Timescale for	Value	Timescale for
	2016/2017	Completion	2015/2016	Completion
	£000	No of Years	£000	No of Years
21st Century Schools - Six Bells Project	5,811	2	0	0
Collaborative Change Programme	809	1	0	0
Leisure Centre Demolitions	114	1	0	0
Ebbw Fawr Autism Spectrum Disorder & Inclusion Unit	105	1	0	0
Highways Maintenance Works (Tarmac)	75	1	102	1
21st Century Schools - Tredegar Comp	71	1	134	1
Remodelling - Civic Centre	51	1	241	0
Flying Start Projects	50	1	161	1
Six Bells Renewal Area	35	1	155	1
Abertillery Town Centre Prominent Buildings & Foundry Bridge	31	1	238	0
Remodelling - Anvil Court	16	1	19	1
Ebbw Vale Library Lift Extension	6	1	162	1
21st Century Schools - Abertillery Primary	0	0	1,638	0
Abertillery Multi Storey Car Park	0	0	80	1
Ebbw Vale Town Centre - Mechanical Link	0	0	62	1
Local Government Borrowing Initiative - Trinant Hall	0	0	47	1
Other*	202	1	289	1
<b>Total</b>	<b>7,376</b>		<b>3,328</b>	

*Other\*: Includes outstanding retentions on infrastructure projects and various other scheme commitments.*

## 29.5 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 2016/2017, the Authority's car park assets were revalued by the Authority's Head of Estates and Strategic Asset Management, P.J. Miles BSc. (Hons), MRICS.

Valuations were carried out using the bases outlined in the Accounting Policies (page 38), 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 non-current assets of £2.153million. This is largely attributable to a decrease in the value of Abertillery Primary School on completion (reduction from £10.136m actual cost to £5.625m replacement cost), offset by an increase in the valuation of car parks.

All items of Property, Plant and Equipment that are operational and provide service potential to the Authority are measured for their service potential either at Existing Use Value (EUV) or Depreciated replacement Cost (DRC). These measurement bases are described in the Code as Current Value. Current Value is to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of EUV in accordance with UKVS 1.3 or by adopting the DRC approach in accordance with UKVS 1.15 and UKGN 2 of the "Red Book".

Property, Plant and Equipment that does not provide service potential for the Authority (that is those assets classified as surplus assets) are not measured for their service potential but for the economic benefits inherent in the assets. Therefore the current value measurement base for these assets is at Fair Value in accordance with the definitions and measurement requirements in IFRS13.

All assets subject to revaluation during 2016/2017, 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.

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 2017 £000	31 March 2016 £000	31 March 2015 £000	31 March 2014 £000	31 March 2013 £000	Total £000
<b>Non-Current Asset Valuations</b>						
<b>Current Value:</b>						
Heritage Assets	0	0	0	0	0	0
Other Land & Buildings	33,492	108,642	129,062	84,125	55,846	411,167
Community Assets	0	32	0	3	0	35
	33,492	108,674	129,062	84,128	55,846	411,202
<b>Historic Cost:</b>						
Vehicles Plant & Equipment	112	80	0	622	513	1,327
	112	80	0	622	513	1,327
<b>Total cost or valuation:</b>	<b>33,604</b>	<b>108,754</b>	<b>129,062</b>	<b>84,750</b>	<b>56,359</b>	<b>412,529</b>

## 29.6 Capital Expenditure and Financing

Of the £9.698m capital investment made in 2016/2017, £7.112m was financed in-year through the application of capital receipts, government grants and contributions from revenue. The remaining £2.586m capital financing requirement has been funded through borrowing, as indicated below:

Capital Expenditure & Financing	2016/2017		2015/2016	
	£000	£000	£000	£000
Capital Investment: Property, Plant & Equipment	6,762		22,282	
Capitalisation Direction	0		16	
REFCUS	2,936		7,858	
		9,698		30,156
Sources of Finance:				
Revenue Provision	(181)		(630)	
Capital Receipts	(903)		(1,958)	
Government Grants & Other Contributions	(6,028)		(15,372)	
		(7,112)		(17,960)
Increase in capital financing requirement:		2,586		12,196
Explanation of in-year movements:				
Borrowing Supported by Government Financial Assistance		1,988		2,022
Borrowing Unsupported by Government Financial Assistance		598		10,174
Total borrowing:		2,586		12,196

### 30. 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.
<b>Total Value:</b>	<b>413</b>	

These monuments have been valued on an insurance replacement cost basis and are not depreciated as their useful life is deemed to be indefinite. There were no movements in the carrying amounts of these assets during 2016/2017 or 2015/2016.

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	Valuation
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.
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 minimis threshold for adding assets to the balance sheet.
Clydach Coal Level	A pair of well preserved and dated coal levels with a tramroad connection to the Clydach Railroad.	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.
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.	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.
Gorsedd Stones, Ebbw Vale	Originally erected at Ebbw Vale Park in June 1957 for the National Eisteddfod of 1958, the stone circle was later moved to its present location opposite the Civic Centre.	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.
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.	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.
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.	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.
Sirhowy Ironworks	The impressive remains at Sirhowy Ironworks is the only 18th century ironworking complex still visible in the County Borough.	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.
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.	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.
Ty Mawr, Nantyglo House	Only the foundations remain of the Ty Mawr mansion house built by the Bailey family in 1816, close to the Roundhouse Towers in Nantyglo.	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.

A number of other assets, including the Ebbw Vale Works General Offices, St. Illtyd's Church, Llanhilleth Miners' Institute and Newtown Bridge, are regarded as being operational in nature and have therefore not been included as heritage assets, but are included within appropriate Balance Sheet asset classifications.

## 31. Leases

### 31.1 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 Leases	31 March 2017	31 March 2016
	£000	£000
Vehicles, Plant & Equipment	434	472
<b>Total</b>	<b>434</b>	<b>472</b>

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 2017	31 March 2016
	£000	£000
Finance lease liability	467	614
Finance costs payable in future years	23	34
<b>Minimum lease payments</b>	<b>490</b>	<b>648</b>

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

Minimum Lease Payments	31 March 2017		31 March 2016	
	Minimum Lease	Finance Lease	Minimum Lease	Finance Lease
	Payments	Liabilities	Payments	Liabilities
	£000	£000	£000	£000
Not later than one year	242	229	243	229
Later than 1 year and not later than 5 years	248	238	405	385
<b>Total</b>	<b>490</b>	<b>467</b>	<b>648</b>	<b>614</b>

## 31.2 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 2017		31 March 2016	
	Vehicles, plant & equipment	Other land & buildings	Vehicles, plant & equipment	Other land & buildings
	£000	£000	£000	£000
Not later than one year	137	218	191	257
Later than 1 year and not later than 5 years	134	872	98	950
Later than 5 years	0	1,535	0	1,951
<b>Total Minimum Lease Payments</b>	<b>271</b>	<b>2,625</b>	<b>289</b>	<b>3,158</b>

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	2016/2017		2015/2016	
	Vehicles, plant & equipment	Other land & buildings	Vehicles, plant & equipment	Other land & buildings
	£000	£000	£000	£000
Minimum lease payments	236	257	246	257
<b>Total</b>	<b>236</b>	<b>257</b>	<b>246</b>	<b>257</b>

No balances are held on the Balance Sheet in relation to Operating Leases.

### 31.3 Authority as Lessor - Finance Leases

The Authority has 2 finance lease arrangements as a lessor:

- 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.
- On 1 October 2014, the Authority entered into a 6 year lease arrangement for sports equipment with Aneurin Leisure Trust.

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 gross investment in the leases in relation to these assets is made up as follows:

Finance Lease Debtor	31 March 2017		31 March 2016	
	Vehicles, plant & equipment	Other land & buildings	Vehicles, plant & equipment	Other land & buildings
	£000	£000	£000	£000
Current	75	54	73	52
Non-Current	155	4,201	230	4,254
Unguaranteed Residual Value of Property	0	(566)	0	(566)
<b>Total</b>	<b>230</b>	<b>3,689</b>	<b>303</b>	<b>3,740</b>

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

Finance Leases - Lessor	Gross Investment in Lease			
	31 March 2017		31 March 2016	
	Vehicles, plant & equipment	Other land & buildings	Vehicles, plant & equipment	Other land & buildings
	£000	£000	£000	£000
Not later than one year	75	54	73	52
Later than 1 year and not later than 5 years	155	243	230	231
Later than 5 years	0	3,392	0	3,457
<b>Total</b>	<b>230</b>	<b>3,689</b>	<b>303</b>	<b>3,740</b>



	Minimum Lease Payments			
	31 March 2017		31 March 2016	
	Vehicles, plant & equipment £000	Other land & buildings £000	Vehicles, plant & equipment £000	Other land & buildings £000
Finance Leases - Lessor				
Not later than one year	80	269	80	269
Later than 1 year and not later than 5 years	160	1,074	241	1,074
Later than 5 years	0	7,881	0	8,149
<b>Total</b>	<b>240</b>	<b>9,224</b>	<b>321</b>	<b>9,492</b>

#### 31.4 Authority as Lessor - Operating Leases

The Authority leases out land and buildings under operating leases. From 2014/2015, these include a number of lease arrangements with Aneurin Leisure Trust in relation to plant and equipment.

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

	31 March 2017		31 March 2016	
	Vehicles, plant & equipment £000	Other land & buildings £000	Vehicles, plant & equipment £000	Other land & buildings £000
	Operating Lease Minimum Payments Receivable			
Not later than one year	0	412	11	521
Later than 1 year and not later than 5 years	0	1,364	0	1,875
Later than 5 years	0	772	0	942
<b>Total Minimum Lease Payments Receivable</b>	<b>0</b>	<b>2,548</b>	<b>11</b>	<b>3,338</b>

## 32. Non-Current Investments

Non-current investments consist of the Authority's 100% shareholding in Silent Valley Waste Services Ltd.

### 32.1 Summary of Non-Current Investments in Balance Sheet

Non-Current Investments	31 March 2017 £000	31 March 2016 £000
Silent Valley Waste Services Ltd.	250	250
<b>Total Non-Current Investments</b>	<b>250</b>	<b>250</b>

### 32.2 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.

In 2011 the Environment Agency (Wales) issued a closure notice for the landfill site at Cwm, Ebbw Vale. On 22 August 2011 the site stopped accepting waste to landfill. 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 Civic Amenity Site and the operations at the Leachate Lagoon.

At 31 March 2017, the company had three registered directors, two of whom (the Chief Finance Officer and the Corporate Director of Environment and Regeneration) are senior employees of Blaenau Gwent CBC. The other director is the former Chief Executive of the Authority, appointed on 6 July 2016.

One of the stated purposes of a board restructure in 2012 was for the Authority to take control of activities at Silent Valley Waste Services, and consequently the Authority is required to prepare Group Accounting statements. These have been included on pages 141-168, based on the company's final accounts which were approved by the Silent Valley Board on 31 May 2017.

*The Company's Accounts and further information can be obtained from:*

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

**33. Non-Current Debtors**

From 2016/2017, Debtor balances have been re-analysed in accordance with the Accounting Code definitions of current and non-current. This has resulted in the reclassification of current debtors as non-current, as it is not expected that these sums will be recovered within 12 months of the end of the reporting period. Impairment of these debtors has also been reclassified from current to non-current.

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

Non-Current Debtors	31 March 2017				31 March 2016			
	Gross Debtors £000	Impairment £000	Prepayments £000	Total Net Non-Current Debtors £000	Gross Debtors £000	Impairment £000	Prepayments £000	Total Net Non-Current Debtors £000
Local Authorities	4,201	0	279	4,480	4,333	0	747	5,080
Other Entities & Individuals	1,013	(272)	0	741	233	0	0	233
<b>Total</b>	<b>5,214</b>	<b>(272)</b>	<b>279</b>	<b>5,221</b>	<b>4,566</b>	<b>0</b>	<b>747</b>	<b>5,313</b>

**Impairment of Non-Current Debtors**

Where possible, non-current debtor balances have been reduced to reflect sums that have not been written off but are considered to be potentially irrecoverable. Impairment allowance accounts have been established for the following debtors.

Impairment of Non-Current Debtors	31 March 2017			31 March 2016		
	Gross Debtor £000	Impairment £000	Net Debtor £000	Gross Debtor £000	Impairment £000	Net Debtor £000
Dangerous Structures	163	(163)	0	0	0	0
Land & Property Charges	160	(109)	51	0	0	0
<b>Total</b>	<b>323</b>	<b>(272)</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 34. Consolidation of Schools in Single Entity Accounts

All maintained schools in the County Borough are considered to be entities controlled by the Authority, with the income, expenditure, assets, liabilities, reserves and cash flows of each school recognised in the single entity accounting statements where required. The non-current assets of community and foundation schools are included on the Balance Sheet, the value of which are detailed below, but non-current assets relating to voluntary aided or controlled schools are not recognised in the Authority's Accounts as these are owned by the respective Diocese and are used by the Authority under licence. The Authority has the following types of maintained schools under its control:

Analysis of School by Type	2016/2017				2015/2016			
	Community Schools	Voluntary Controlled & Aided Schools	Foundation Schools	Total	Community Schools	Voluntary Controlled & Aided Schools	Foundation Schools	Total
Primary Schools	15	4	0	19	19	4	0	23
Middle Schools	2	0	0	2	1	0	0	1
Secondary Schools	1	0	1	2	2	0	1	3
Special Schools	1	0	0	1	1	0	0	1
<b>Total</b>	<b>19</b>	<b>4</b>	<b>1</b>	<b>24</b>	<b>23</b>	<b>4</b>	<b>1</b>	<b>28</b>

Abertillery Comprehensive School, Abertillery Primary School, Bryngwyn Primary School, Queen Street Primary and Roseheyworth Primary School were closed on 31 August 2016 with school provision being merged into the Abertillery Learning Community which opened on 1 September 2016. Consequently, the number of Primary Community Schools disclosed has decreased by four in comparison to 2015/2016, with the number of Secondary Schools reducing by one and Middle Schools increasing by one.

Schools Non-Current Assets are recognised on the Balance Sheet where the Authority directly owns the assets, holds the balance of control of the assets or where the school or the school Governing Body own the assets or have had rights to use the assets transferred to them. Land and buildings used by schools are recognised in accordance with the recognition tests relevant to the arrangements that prevail for the property. The value of school assets included in the Balance Sheet is as follows:

Value of School Assets	2016/2017				2015/2016			
	Community Schools £000	Voluntary Controlled & Aided Schools £000	Foundation Schools £000	Total £000	Community Schools £000	Voluntary Controlled & Aided Schools £000	Foundation Schools £000	Total £000
Land & Buildings	75,953	0	3,478	79,431	72,970	0	3,827	76,797

Community schools are owned by the Authority and are, therefore, recognised on the Balance Sheet.

The four Voluntary Aided and Controlled schools within the County Borough are owned by the respective Diocese with no formal rights to use the assets through licence arrangements passed to the school or Governing Bodies. The assets are used under "mere" licences that pass no interest to the school and which are terminable by the trustees at any time without causal action. As a result these schools are not recognised on the Balance Sheet.

Ownership and control of the Foundation school lies with the school or the school's Governing Body and therefore the assets have been recognised on the Balance Sheet with effect from 1 April 2013.

The valuation of school non-current assets increased by £2.634m during 2016/2017, largely due to the completion of the Abertillery Primary School new build (which was not included in the balance for schools in 2015/2016) offset by depreciation for the year.

Further details of the revaluation of non-current assets can be found in note 29.5 on page 87.

For those maintained schools not controlled by the Authority, any transactions made on their behalf have been included in the Comprehensive Income & Expenditure Statement and related notes under the appropriate Portfolio, or exceptionally as third party payments.

During the year, transactions in relation to school entities resulted in the following surpluses or deficits:

School Balances - In-Year (Surplus)/Deficit	2016/2017				2015/2016			
	Community Schools	Voluntary Controlled & Aided Schools	Foundation Schools	Total	Community Schools	Voluntary Controlled & Aided Schools	Foundation Schools	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Primary Schools	330	79	0	409	137	39	0	176
Middle Schools	(77)	0	0	(77)	97	0	0	97
Secondary Schools	117	0	(2)	115	85	0	91	176
Special Schools	139	0	0	139	34	0	0	34
<b>Total In-Year (Surplus)/Deficit</b>	<b>509</b>	<b>79</b>	<b>(2)</b>	<b>586</b>	<b>353</b>	<b>39</b>	<b>91</b>	<b>483</b>

The following balances are held by schools at the end of the financial year:

School Balances	2016/2017				2015/2016			
	Community Schools	Voluntary Controlled & Aided Schools	Foundation Schools	Total	Community Schools	Voluntary Controlled & Aided Schools	Foundation Schools	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Primary Schools	(467)	(66)	0	(533)	(797)	(145)	0	(942)
Middle Schools	(128)	0	0	(128)	(51)	0	0	(51)
Secondary Schools	78	0	(35)	43	(39)	0	(33)	(72)
Special Schools	35	0	0	35	(104)	0	0	(104)
<b>Total</b>	<b>(482)</b>	<b>(66)</b>	<b>(35)</b>	<b>(583)</b>	<b>(991)</b>	<b>(145)</b>	<b>(33)</b>	<b>(1,169)</b>

35. **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:

	2016/2017 Current £000	2015/2016 Current £000
Assets Held for Sale		
Balance Outstanding at Start of Year	1,056	765
Assets newly classified as held for sale:		
Property, Plant & Equipment	681	438
Property, Plant & Equipment Surplus	125	295
Revaluation Losses	(632)	(178)
Revaluation Gains	31	27
Assets declassified as held for sale:		
Property, Plant & Equipment	(75)	0
Assets Sold:	(676)	(291)
Balance Outstanding at Year-end	510	1,056

36. Inventories

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

Inventories	General & Other Stores £000	Transport Stores £000	Catering & Cleaning Stocks £000	Total £000
Balance at 1 April 2015	946	221	76	1,243
Purchases	598	479	95	1,172
Recognised as an expense in the year	(730)	(449)	(117)	(1,296)
Transfers	0	0	0	0
<b>Balance at 31 March 2016</b>	<b>814</b>	<b>251</b>	<b>54</b>	<b>1,119</b>
Purchases	126	139	684	949
Recognised as an expense in the year	(327)	(199)	(685)	(1,211)
Transfers	(22)	22	0	0
<b>Balance at 31 March 2017</b>	<b>591</b>	<b>213</b>	<b>53</b>	<b>857</b>

'General & Other Stores' comprises stock held by the central stores function in addition to stock held across the Authority for specific purposes, including street lighting and theatres.

### 37. Current Debtors

From 2016/2017, Debtor balances have been re-analysed in accordance with the Accounting Code definitions of current and non-current. This has resulted in the reclassification of current debtors as non-current, as it is not expected that these sums will be recovered within 12 months of the end of the reporting period. Impairment of these debtors has also been reclassified from current to non-current.

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

Current Debtors	31 March 2017				31 March 2016			
	Gross Debtors	Impairment	Prepayments	Total Net Current Debtors	Gross Debtors	Impairment	Prepayments	Total Net Current Debtors
	£000	£000	£000	£000	£000	£000	£000	£000
Welsh Government	5,713	(36)	0	5,677	8,723	(27)	0	8,696
Other Central Government	1,292	0	0	1,292	988	(2)	0	986
Local Authorities	2,481	(118)	469	2,832	2,353	(40)	562	2,875
NHS	892	(27)	0	865	531	(7)	0	524
Council Tax Arrears	4,248	(1,933)	0	2,315	4,107	(1,850)	0	2,257
Other Entities and Individuals	5,232	(2,167)	1,347	4,412	7,435	(1,287)	5	6,153
<b>Total</b>	<b>19,858</b>	<b>(4,281)</b>	<b>1,816</b>	<b>17,393</b>	<b>24,137</b>	<b>(3,213)</b>	<b>567</b>	<b>21,491</b>

#### Impairment of Current Debtors

Where possible, current debtor balances have been reduced to eliminate sums that have not been written off but are potentially irrecoverable. Impairment allowance accounts have been established for the following debtors.

Impairment of Current Debtors	31 March 2017			31 March 2016		
	Gross Debtor	Impairment	Net Debtor	Gross Debtor	Impairment	Net Debtor
	£000	£000	£000	£000	£000	£000
Council Tax	4,248	(1,933)	2,315	4,107	(1,850)	2,257
Housing Benefits	1,450	(1,408)	42	317	(94)	223
Land & Property Charges	347	(258)	89	664	(545)	119
Dangerous Structures	0	0	0	163	(163)	0
Sundry Debtors	2,725	(682)	2,043	2,305	(561)	1,744
<b>Total</b>	<b>8,770</b>	<b>(4,281)</b>	<b>4,489</b>	<b>7,556</b>	<b>(3,213)</b>	<b>4,343</b>



**38. Current Creditors**

Amounts owed by the Authority were as follows:

Current Creditors	31 March 2017			31 March 2016		
	Creditors £000	Receipts in Advance £000	Total Current Creditors £000	Creditors £000	Receipts in Advance £000	Total Current Creditors £000
Welsh Government	(114)	0	(114)	(232)	(727)	(959)
Other Central Government	(704)	(6)	(710)	(2,302)	0	(2,302)
Local Authorities	(1,923)	(67)	(1,990)	(609)	(94)	(703)
NHS	(252)	(5)	(257)	(84)	(8)	(92)
Capital Creditors	(525)	0	(525)	(1,031)	0	(1,031)
Council Tax Credits	(740)	0	(740)	(729)	0	(729)
Other Entities and Individuals	(7,520)	(364)	(7,884)	(6,529)	(376)	(6,905)
<b>Total</b>	<b>(11,778)</b>	<b>(442)</b>	<b>(12,220)</b>	<b>(11,516)</b>	<b>(1,205)</b>	<b>(12,721)</b>

**39. Grants Receipts in Advance**

With effect from 2016/2017, creditor balances have been re-analysed in accordance with the Accounting Code of practice and Grants Receipts in Advance have been separately disclosed. The Authority has receipts in advance in respect of grants from the following:

Grants Receipts in Advance	31 March 2017 £000	31 March 2016 £000
Welsh European Funding Office	(167)	0
Welsh Government	(1,285)	0
Other Central Government	(35)	0
Local Authorities	(16)	0
NHS	(19)	0
Other Entities	(222)	0
<b>Total</b>	<b>(1,744)</b>	<b>0</b>

## 40. Provisions, Contingent Liabilities and Contingent Assets

### 40.1 Provisions - Purpose

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. The purpose of each provision, categorised as 'Employee-related' or 'Other', is as follows:

#### Employee-Related Provisions:

Provision	Purpose	Timescale for Utilisation	Uncertainties, Assumptions and Potential Reimbursement
Back Pay	To provide for outstanding amounts estimated in relation to back pay claims and associated tax and pension liabilities.	Inherently uncertain; from 2017/2018.	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. 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.
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 in 2017/2018.	The provision for early terminations comprises the known value of redundancy payments occurring after 31 March 2017 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.
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.	Utilised in 2016/2017. Reclassified as a creditor.	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.

#### Other Provisions:

Provision	Purpose	Timescale for Utilisation	Uncertainties, Assumptions and Potential Reimbursement
Carbon Reduction Commitment	To provide for purchase of allowances arising from in year production of carbon emissions.	To be utilised in 2017/2018.	Provision is based on relevant utility readings for 2016/2017, some of which have been estimated.
Contaminated Land	To provide for the costs in relation to a possession order and also the clearance of waste and remediation of the site.	To be utilised in 2017/2018.	Provision is based on the findings of an independent expert, who has assessed the cost for the disposal of the waste stockpiles, remediation of the underlying footprints and general site clearance to be in the range of £0.656m to £1.566m. The report concluded that the median cost of £1.111m would be a reasonable estimate for the required clearance works. A court order requires the previous site owner to pay £0.339m, but it is uncertain how much of this sum will be received by the Authority.

Other Provisions (Continued):

Provision	Purpose	Timescale for Utilisation	Uncertainties, Assumptions and Potential Reimbursement
Ebbw Vale Sports Centre Flood Damage	To provide for repairs to Ebbw Vale Sports Centre arising from flooding event on 6 February 2016.	Utilised in 2016/2017.	Reimbursement of costs incurred is subject to assessment by the Authority's insurers. It is currently estimated that reimbursement will be approximately £0.363m against a spend of £0.569m.
Insurance	To provide for known insurance liabilities, including sums relating to the Municipal Mutual Insurance Scheme of Arrangement originally established in 1994 under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006).	To be utilised from 2017/2018 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. In November 2012 the Directors and Board of Municipal Mutual Insurance agreed to the irrevocable triggering of the Scheme of Arrangement in order to avoid insolvent liquidation. As a result, the Authority has included £0.017m in the Insurance Provision, set at 25% of total outstanding claims. In addition, £0.057m has been included in respect of MMI claims for the former Gwent County Council.
Lease Dilapidation	To provide for works to two leased assets - Anvil Court, Abertillery and Ebbw Vale Multi-Storey Car Park - to return the assets to their condition as at the inception of the respective lease agreements.	The lease for Ebbw Vale Multi-Storey Car Park is for 99 years, ending in 2070. The Anvil Court lease is for 20 years, ending in 2026.	Sums provided are for estimated costs to restore leased assets to original condition. No allowance has been made for improvement works undertaken which may be retained by the lessor. Provisions have not been discounted as the estimated sums involved are not material. However, it is difficult to estimate the actual cost of works required at points up to 53 years in the future.
Monwel Ltd. Liquidation	To provide for specific pension costs relating to Monwel Ltd. following closure of the social enterprise in July 2015.	Utilised in 2016/2017.	It has been assumed that the Authority will receive no compensation for outstanding liabilities. However, there is a possibility that full or partial reimbursement may be received on realisation of net assets.
Part 1 Land Compensation Claims	To provide for claims under Part 1 of the Land Compensation Act 1973 in relation to depreciation of the value of an interest in land by physical factors caused by the use of public works.	There is uncertainty with regards to the timescale for agreement.	The sum provided is an estimate based on total proposed settlements, but is subject to change. Additional claims could become payable in respect of a number of other public works in the County Borough. It is assumed that all settlements will be as offered and no reimbursements will be expected.
Reservoir Act	To provide for known costs of studies, investigations and remedial works arising from EA/NRW enforcement notices.	Utilised in 2016.	This provision is for the estimated contract cost for works involved. The Authority is pursuing appropriate cost reimbursement from the owners.
Waun y Pound Unit 1	To provide for repairs to Waun y Pound Unit 1 arising from damages to loading bay on 26 November 2016.	To be utilised in 2017/2018.	Reimbursement of costs incurred is subject to assessment by the Authority's insurers. It is currently estimated that reimbursement will be approximately £0.238m against an anticipated spend of £0.238m.

## 40.2 Provisions - Movements

Movements in employee-related and other provisions during 2016/2017 were as follows:

Provision Movements	Balance at	Net	Balance at	Additional	Amounts	Unused	Unwinding of	Balance at
	1 April 2015	Movements		1 April 2016	Provisions	Used in	Amounts	
	£000	£000	£000	made in	2016/2017	Reversed in	2016/2017	£000
				2016/2017	£000	2016/2017	£000	31 March 2017
				£000				£000
<b>Current Provisions</b>								
<b>Employee Provisions:</b>								
Back Pay	(146)	0	(146)	0	0	0	0	(146)
Early Terminations	(969)	439	(530)	(504)	512	17	0	(505)
Short Term Compensated Absences	(1,812)	371	(1,441)	0	1,441	0	0	0
<b>Other Provisions:</b>								
Carbon Reduction Commitment	(178)	(52)	(230)	(171)	167	63	0	(171)
Contaminated Land	0	0	0	(1,111)	0	0	0	(1,111)
Ebbw Vale Sports Centre Flood Damage	0	(406)	(406)	(53)	459	0	0	0
Insurance	(529)	(366)	(895)	(212)	168	105	0	(834)
Monwel Ltd. Liquidation	(231)	159	(72)	0	57	15	0	0
Part 1 Land Compensation Claims	(481)	75	(406)	0	27	0	0	(379)
Reservoir Act	(113)	98	(15)	(1)	16	0	0	0
Waun Y Pound Unit 1	0	0	0	(201)	0	0	0	(201)
	(4,459)	318	(4,141)	(2,253)	2,847	200	0	(3,347)
<b>Non-Current Provisions</b>								
Insurance	(387)	(282)	(669)	(605)	289	414	0	(571)
Lease Dilapidation - Anvil Court	0	0	0	(250)	0	0	0	(250)
Lease Dilapidation - Ebbw Vale Multi Storey Car Park	0	0	0	(500)	0	0	0	(500)
	(387)	(282)	(669)	(1,355)	289	414	0	(1,321)
<b>Total Provisions:</b>	<b>(4,846)</b>	<b>36</b>	<b>(4,810)</b>	<b>(3,608)</b>	<b>3,136</b>	<b>614</b>	<b>0</b>	<b>(4,668)</b>

**40.3 Contingent Liabilities**

- Under the terms of the Municipal Mutual Insurance Scheme of Arrangement, the Authority is responsible for the payment of a percentage towards future claims, potentially for many years due to the inherent long-tail nature of the insured risks.
- 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 a period of 32 years from the transfer date (July 2010), covering areas including environmental, asbestos and redevelopment issues. The limit to claims made against these warranties is £15,000 for each property (uprated annually by RPI), with the exception of warranties for environmental pollution and asbestos, where the limits are £125m (environmental pollution and asbestos - works indemnity) and without limit (asbestos - personal injury and death). Claims are subject to an excess level below which the Authority is not liable to reimburse Tai Calon, these being £5,000 generally and £4.7625m for Asbestos works. Potential liabilities that could arise in respect of environmental pollution have been mitigated by means of insurance policies, providing aggregate cover of £30m. At this stage, there have been no definite 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.
- The Authority may be required to repossess a parcel of land transferred to Tai Calon, or contribute towards the costs of remedial works to bring the land into a usable state. Negotiations are ongoing, as are discussions with the original site contractor, but have yet to be concluded. It is not possible to determine either the outcome or the cost of resolving the issue.
- The Authority has received a number of Part 1 claims arising under the 1973 Land Compensation Act in relation to a number of public works projects. While it is not yet possible to determine the final number and value of these claims in compliance with the Act and the full extent to which settlement will be made, a provision has been included for those claims where offers have been made.
- On creation of Aneurin Leisure Trust in October 2014, pension assets and liabilities assessed on an actuarial basis were transferred from Blaenau Gwent CBC, such that the Trust's pension obligations were deemed to be fully funded. The funding deficit accruing to 30 September 2014 in respect of employees relocating to Aneurin Leisure Trust was not transferred, but was retained by Blaenau Gwent CBC. The Trust is therefore only responsible for any increase in liabilities (on an actuarial valuation basis) occurring after the transfer date, with the Authority acting as a guarantor for the previously accrued net deficit. In addition, the Authority agreed to act as guarantor of last resort in order that the Leisure Trust could enter the Greater Gwent (Torfaen) Pension Fund as an admitted body and has therefore agreed to underwrite any costs arising in the event that the admitted body defaults on any or all of its payments in relation to its pension obligations.

**41. Other Long-Term Liabilities**

The Authority holds the following balances as long-term liabilities.

Other Long-Term Liabilities	31 March 2017	31 March 2016
	£000	£000
Deferred Liabilities	(436)	(583)
Net Pensions Liability	(275,527)	(243,578)
Receipts in Advance	(8)	(11)
<b>Total</b>	<b>(275,971)</b>	<b>(244,172)</b>

- Deferred Liabilities represent amounts outstanding for finance leases in relation to vehicles, plant and equipment leased by the Authority.
- The Net Pensions Liability represents the amount by which pension liabilities attributable to the Authority exceed pension assets held in order to settle current and future obligations.
- Receipts in advance are sums held in respect of fees covering a 3 year period for taxi driver licences.

## 42. 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 by calculating the present value of the cash flows that take place over the remaining term of the instruments as at the balance sheet date.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 - fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Fair values calculated are as follows:

Financial Assets	Fair Value Level	31 March 2017		31 March 2016	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Temporary Investments - Cash Deposits	n/a	0	0	0	0
Temporary Investments - Fixed Term Deposits	n/a	0	0	0	0
War Bonds	n/a	4	4	4	4
<b>Total</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

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

Financial Liabilities	Fair Value Level	31 March 2017		31 March 2016	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
PWLB loans	2	(73,485)	(95,394)	(75,698)	(94,298)
LOBO loan	2	(4,045)	(6,191)	(4,045)	(6,131)
Market	2	(37,900)	(38,693)	(44,400)	(45,879)
Temporary Loans	n/a	(29,070)	(29,070)	(21,070)	(21,070)
Other Loans	n/a	(2,318)	(2,318)	(2,318)	(2,318)
<b>Total</b>		<b>(146,818)</b>	<b>(171,666)</b>	<b>(147,531)</b>	<b>(169,696)</b>

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans, namely PWLB annuity and 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. The 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 financial liabilities, including payables (creditors), as the carrying amount is a reasonable approximation of fair value.

**Financial Instrument Balances**

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

Financial Instruments	31 March 2017			31 March 2016		
	Non-Current £000	Current £000	Total £000	Non-Current £000	Current £000	Total £000
<b>Financial Liabilities</b>						
Financial liabilities at amortised cost	(98,919)	(47,899)	(146,818)	(110,124)	(37,407)	(147,531)
<b>Total Borrowings</b>	<b>(98,919)</b>	<b>(47,899)</b>	<b>(146,818)</b>	<b>(110,124)</b>	<b>(37,407)</b>	<b>(147,531)</b>
<b>Financial Assets</b>						
Loans & receivables	0	4	4	0	4	4
Available for Sale - Unquoted equity investment at cost	250	0	250	250	0	250
<b>Total Investments</b>	<b>250</b>	<b>4</b>	<b>254</b>	<b>250</b>	<b>4</b>	<b>254</b>

**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 (note 10, page 57) 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 2016/2017 £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans & Receivables £000	Total 2015/2016 £000
	Interest payable and similar charges:					
Interest expense	4,274	0	4,274	4,320	0	4,320
Interest and investment income:						
Interest income	0	(32)	(32)	0	(26)	(26)
<b>Net gain/(loss) for the year:</b>	<b>4,274</b>	<b>(32)</b>	<b>4,242</b>	<b>4,320</b>	<b>(26)</b>	<b>4,294</b>

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### *Soft Loans*

Car loans are classified as soft loans and should be included in the Balance Sheet at fair value. However, car loans have been included at their carrying amount, as the difference between the fair value and carrying amount is considered to be immaterial. As at 31 March 2017, 132 car loans were outstanding with a total value of £0.666m (31 March 2016: 150 loans with a value of £0.753m).

#### **43. 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.

### *Overall Procedures for Managing Risk*

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are defined through a legal framework set out in the Local Government Act 2003 and associated regulations and are managed by the Authority's Accountancy Division. These require compliance with the CIPFA Prudential Code of Practice, the CIPFA Treasury Management Code of Practice and investment guidance issued under the Local Government Act 2003. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving an Investment Strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance; and
- by approving annually in advance Prudential and Treasury Indicators for the following three years limiting:
  - the Authority's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt; and
  - its maximum annual exposures to investments maturing beyond a year.

The above are required to be reported and approved at or before the Authority's annual Council Tax setting meeting or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the Prudential Indicators was approved by Council on 24 March 2016 and is available on the Authority's website:

[http://democracy.blaenau-gwent.gov.uk/aksblaenau\\_gwent/images/att4728.pdf](http://democracy.blaenau-gwent.gov.uk/aksblaenau_gwent/images/att4728.pdf)



## Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch and Moody's Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied by using Credit Default Swap (CDS) spread data and credit rating alerts. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term F1+, Long Term A+ (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- The Authority's Corporate Bank;
- Debt Management Office;
- Other local authorities.

The full Investment Strategy for 2016/2017 was approved by Council on 24 March 2016 and is available on the Authority's website:

[http://democracy.blaenau-gwent.gov.uk/aksblaenau\\_gwent/images/att4728.pdf](http://democracy.blaenau-gwent.gov.uk/aksblaenau_gwent/images/att4728.pdf)

The Authority's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

However, all investments held by the Authority during the period are considered to be of low risk. No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance of any of its counterparties in relation to deposits.

## Liquidity Risk

The Authority manages its liquidity position through the risk management procedures outlined above (*the setting and approval of Prudential Indicators and the approval of the Treasury and Investment Strategy reports*), as well as through a comprehensive cash flow management system. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) and money markets for longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The source analysis of financial liabilities is as follows:

Financial Instruments	31 March 2017		31 March 2016	
	£000	%	£000	%
<b>Source of Loan</b>				
Public Works Loan Board	(74,186)	50.31	(76,438)	51.57
Lenders Option Borrowers Option (LOBO)	(4,000)	2.71	(4,000)	2.70
Market Loans	(37,900)	25.70	(44,400)	29.95
Temporary Loans	(29,070)	19.71	(21,070)	14.22
Other Loans	(2,318)	1.57	(2,318)	1.56
<b>Total:</b>	<b>(147,474)</b>	<b>100.00</b>	<b>(148,226)</b>	<b>100.00</b>

The maturity analysis of financial liabilities is as follows:

Maturity of Loan	31 March 2017		31 March 2016	
	£000	%	£000	%
Maturing in less than 1 year	(47,899)	32.49	(37,407)	25.24
Maturing in 1-2 years	(10,625)	7.20	(16,429)	11.08
Maturing in 2-5 years	(22,255)	15.09	(25,161)	16.97
Maturing in 5-10 years	(22,821)	15.47	(14,331)	9.67
Maturing in more than 10 years	(43,874)	29.75	(54,898)	37.04
<b>Total:</b>	<b>(147,474)</b>	<b>100.00</b>	<b>(148,226)</b>	<b>100.00</b>

#### Market Risk

#### Interest Rate Risk

The Authority is exposed to 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, depending on how variable and fixed interest rates move across differing financial instrument periods. 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 on the Balance Sheet, 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, which 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 non-current 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 non-current 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 affect 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	2016/2017 £000	2015/2016 £000
Increase in interest payable on current variable rate borrowings	216	104
Increase in interest receivable on current variable rate investments	(29)	(17)
Increase in interest payable on non-current variable rate borrowings	40	40
<b>Net impact upon Comprehensive Income &amp; Expenditure Statement:</b>	<b>227</b>	<b>127</b>

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 therefore has no exposure to losses arising from movements in exchange rates.

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#### 44. Post-Employment Benefits - Defined Contribution Plans (Teachers)

The Teachers' Pension Scheme is an unfunded scheme, in which pension benefit payments from the scheme are funded by current employee and employer contributions. The difference between these contributions and scheme expenditure are financed by the Exchequer. As an indication of the scale of the fund and the sums involved, for 2016/2017 the net cash requirement was £3.306bn and total net scheme liabilities amounted to £347.3bn.

Employer contributions are set by the Secretary of State, on the advice of the fund actuary. Following the recommendations of Lord Hutton on public sector pensions, a valuation as at 31 March 2012 has been undertaken by the Government Actuary's Department in line with the revised valuation directions determined by Her Majesty's Treasury. As a result of this valuation, the standard contribution rate (SCR) was assessed at 20.4% and the supplementary contribution rate (which funds the accumulated shortfall of liabilities within a period of up to 15 years) was set at 5.6% (a total contribution rate of 26.0%). Consequently, the employers rate has been increased from 14.1% of employees pensionable pay to 16.4%, effective from 1 September 2015, with employees contributing an average 9.6%. The next actuarial valuation is due to be completed in 2018 based on scheme data for the period ending 31 March 2016. Subsequent valuations are to be undertaken on a four-yearly basis.

The Authority is liable for other entities' obligations only to the extent that any deficit arising on the Teachers' Pension Scheme that is being recovered through the supplementary contribution element of the Employer Contribution rate may not have resulted from employees or former employees of the Authority.

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.

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.

The TPS is a multi-employer scheme comprising 8,762 contributing employers that administers over 1.2 million active/deferred members and makes payments to 704,472 pensioners. Given the complexities involved in administering pension arrangements for this volume of employees, it is not possible to disaggregate the scheme liabilities for each employer. Consequently, there is insufficient information available to account for the TPS as a defined benefit plan and as a result it has been accounted for as a defined contribution scheme.

In 2016/2017, the Authority paid employers contributions of £3.184 million to Capita Teachers' Pensions in respect of teachers' pension costs, representing 16.5% of teachers' pensionable pay (2015/2016: £2.977 million, representing 15.5%). At 31 March 2017, £0.266 million remained payable to the Teachers' Pension Scheme relating to employers contributions arising in the March payroll (31 March 2016: £0.262m).

The total employers contributions to be made by the Authority to the Teachers' Pension Scheme in the year to 31 March 2018 is estimated at £3.216m.

The Authority made total contributions (employees and employers) to the TPS amounting to £5.037m in 2016/2017, which represented approximately 0.08% of the total contributions receivable by the TPS.

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 45.

**45. Post-Employment Benefits - Defined Benefit Plans**

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 44).

With effect from 1 April 2014, the Local Government Scheme is a funded defined benefit Career Average Revalued Earnings (CARE) 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 completed review being 31 March 2016.

Pension benefits under the LGPS are summarised below:

	Service pre 1 April 2008	Service between 1 April 2008 and 31 March 2014	Service after 31 March 2014
Pension	Each year worked is worth 1/80th of final pensionable salary.	Each year worked is worth 1/60th of final pensionable salary.	Each year worked is worth 1/49th of career average revalued earnings.
Lump Sum	Automatic lump sum of 3x annual pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

The Scheme is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:-

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2016.

As administering authority, Torfaen County Borough Council is responsible for interpreting all pension laws, keeping accurate records, calculating and paying benefits, and providing information to employees, employers and other relevant bodies. Torfaen County Borough Council has established within its Constitution a Pensions Committee to discharge its duties as administering authority of the Fund. The Council has also established a Pension Fund Management Group to provide wider stakeholder representation and communication in matters relating to the Fund. As required by the Public Services Pension Act 2013 and LGPS (Amendment) (Governance) Regulations 2015, a Pension Fund Board has been established to assist the Scheme manager with securing compliance with regulations, legislation and the Pension Regulator's Codes of Practice relating to administration and governance of the Local Government Pension Scheme.

The Fund's primary long term risk is that its assets will fall short of its liabilities (i.e. its promised benefits payable to members). Investment risk management across the Fund is therefore aimed to minimise the risk of an overall reduction in the value of the Fund whilst maximising the opportunity for gains across the whole portfolio. Within its investment strategy the Fund aims to manage this primary overall risk by:-

- asset diversification to reduce exposure to market risk (asset price risk, interest rate risk and currency risk);
- managing credit risk via appropriate selection, diversification and monitoring of its counterparties; and
- managing liquidity risk by ensuring there are sufficient liquid funds to meet member benefit commitments as they fall due.

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To meet the requirements of the Regulations, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing basis including allowance for projected final pay. The funding objective as set out in the FSS (Funding Strategy Statement) is to achieve and maintain a funding level of 100% of liabilities (the Funding Target). In line with the FSS, where a shortfall exists at the effective date of the actuarial valuation (31 March 2016), a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. The maximum deficit recovery period has been set as 20 years.

The 2016 Actuarial Valuation reported the level of total fund assets compared to liabilities (the funding level) as 72% (2013 Valuation: 71%). As a result, employer contribution levels have been calculated for implementation from 1 April 2016 that will, subject to future revaluations, eliminate this deficit by 2036. Scheme changes implemented under the Public Pensions Service Act 2013, including calculating pension and other benefits on the basis of career average re-valued earnings, will also need to be considered in meeting the future funding objectives.

As an indication of the level of the Authority's participation in the Greater Gwent (Torfaen) Pension Fund compared with other participating entities, Blaenau Gwent contributed 11.6% of the total contribution receivable by the Fund in 2015/2016.

More detailed information regarding the nature of benefits provided, regulatory framework, governance arrangements, investment principles, funding strategy, actuarial valuation and pension fund performance can be obtained from the Assistant Chief Executive (Resources), Torfaen County Borough Council, Civic Centre, Pontypool, NP4 6YB, or from the Greater Gwent Pensions Fund website:

<https://www.gwentpensionfund.co.uk>

### *Discretionary Benefits*

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 1 year of awarding the discretionary payments; for Teachers' Scheme employees the liability is not discharged until the employee is deceased.

### *Accounting Treatment of Defined Benefit Transactions*

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 statutory provisions) to ensure that the notional cost of retirement benefits is reversed out of the accounts and replaced with the amounts paid.

### *Effect of Business Combinations and Disposals - Capita Gwent Consultancy*

In 2002, Capita Gwent Consultancy was formed as a joint venture arrangement for the provision of transport consultancy, engineering and related services. The Capita Symonds group were the majority shareholders with a 51% stake, with Blaenau Gwent CBC, Caerphilly CBC, Monmouthshire CC and Torfaen CBC each having a minority shareholding of 12.25%. Capita Gwent was admitted into the Greater Gwent (Torfaen) Pension Fund in September 2002. This arrangement ended on 31 August 2012 at the end of the contract agreement and consequently Capita Gwent Consultancy left the pension fund. The former Gwent Local Authorities have negotiated a final settlement in respect of pension past service liabilities arising, which has resulted in an increase in actuarially calculated IAS19 pension scheme liabilities for Blaenau Gwent of £1.617m. This has been charged to the CIES as the 'Effect of Business Combinations and Disposals', but has been adjusted by a transfer from the Pensions Reserve and consequently there is no immediate bottom line impact. Settlement of these additional liabilities has been considered by the Fund Actuary and has been included in the revised employer contributions resulting from the 2016 Actuarial Valuation.

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

	2016/2017			2015/2016		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
<b>Pension Scheme Transactions</b>						
<b>Comprehensive Income &amp; Expenditure Statement:</b>						
Cost of Services:						
Current Service Costs	9,930	0	9,930	9,544	0	9,544
Past Service Costs and Curtailments	(279)	0	(279)	761	0	761
Effect of Business Combinations and Disposals	1,617	0	1,617	0	0	0
Administration Expenses	170	0	170	164	0	164
<b>Total Service Cost:</b>	<b>11,438</b>	<b>0</b>	<b>11,438</b>	<b>10,469</b>	<b>0</b>	<b>10,469</b>
Financing and Investment Income and Expenditure:						
Interest on plan assets	(9,770)	0	(9,770)	(9,538)	0	(9,538)
Interest on defined benefit liabilities	17,077	1,204	18,281	15,866	991	16,857
<b>Net Interest:</b>	<b>7,307</b>	<b>1,204</b>	<b>8,511</b>	<b>6,328</b>	<b>991</b>	<b>7,319</b>
<b>Total Charged to the Surplus/Deficit on Provision of Services:</b>	<b>18,745</b>	<b>1,204</b>	<b>19,949</b>	<b>16,797</b>	<b>991</b>	<b>17,788</b>
Remeasurement of the Net Defined Liability, comprising:						
Return on plan assets (excluding amounts included in Net Interest)	(60,147)	0	(60,147)	17,426	0	17,426
Actuarial (Gains)/Losses arising from changes in demographic assumptions	(13,952)	(2,119)	(16,071)	0	0	0
Actuarial (Gains)/Losses arising from changes in financial assumptions	86,166	4,965	91,131	141	11	152
Experience (Gains)/Losses on defined benefit liabilities	8,107	1,223	9,330	(5,684)	3,302	(2,382)
<b>Total remeasurements recognised in Other Comprehensive Income &amp; Expenditure</b>	<b>20,174</b>	<b>4,069</b>	<b>24,243</b>	<b>11,883</b>	<b>3,313</b>	<b>15,196</b>
<b>Total Charged to the Comprehensive Income &amp; Expenditure Statement:</b>	<b>38,919</b>	<b>5,273</b>	<b>44,192</b>	<b>28,680</b>	<b>4,304</b>	<b>32,984</b>
<b>Movement in Reserves Statement:</b>						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,745)	(1,204)	(19,949)	(16,797)	(991)	(17,788)
Actual Amount Charged Against Council Tax for Pensions in year:						
Employers' Contributions Payable to Scheme	10,353	0	10,353	10,762	0	10,762
Retirement Benefits Payable to Pensioners	0	1,879	1,879	0	1,868	1,868

At 31 March 2017, £0.958m remained payable to the LGPS relating to contributions arising in the March payroll (31 March 2016: £0.984m). 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:

	2016/2017			2015/2016		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
Reconciliation of the Movements in Fair Value of Scheme Assets						
Balance at 1 April:	279,818	0	279,818	289,892	0	289,892
Employer Contributions	10,364	1,879	12,243	10,789	1,868	12,657
Member Contributions	2,618	0	2,618	2,625	0	2,625
Benefits Paid	(15,144)	(1,879)	(17,023)	(15,436)	(1,868)	(17,304)
Interest on Plan Assets	9,770	0	9,770	9,538	0	9,538
Administration Expenses	164	0	164	(164)	0	(164)
Remeasurement Gains/(Losses):						
Return on Plan Assets (excluding amounts included in Interest)	60,147	0	60,147	(17,426)	0	(17,426)
Balance at 31 March:	347,737	0	347,737	279,818	0	279,818



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

Reconciliation of the Movements in Present Value of Scheme Liabilities	2016/2017			2015/2016		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
Balance at 1 April:	(488,055)	(35,341)	(523,396)	(480,238)	(32,905)	(513,143)
Current Service Cost	(9,930)	0	(9,930)	(9,544)	0	(9,544)
Past Service Cost and Curtailments	279	0	279	(761)	0	(761)
Administration Expenses	(334)	0	(334)	0	0	0
Interest Cost	(17,077)	(1,204)	(18,281)	(15,866)	(991)	(16,857)
Member Contributions	(2,618)	0	(2,618)	(2,625)	0	(2,625)
Benefits Paid	15,144	1,879	17,023	15,436	1,868	17,304
Remeasurement Gains/(Losses):						
Experience Gains/(Losses)	(8,107)	(1,223)	(9,330)	5,684	(3,302)	2,382
Actuarial Gains/(Losses) arising from changes in demographic assumptions	13,952	2,119	16,071	0	0	0
Actuarial Gains/(Losses) arising from changes in financial assumptions	(86,166)	(4,965)	(91,131)	(141)	(11)	(152)
Effect of Business Combinations and Disposals	(1,617)	0	(1,617)	0	0	0
<b>Balance at 31 March:</b>	<b>(584,529)</b>	<b>(38,735)</b>	<b>(623,264)</b>	<b>(488,055)</b>	<b>(35,341)</b>	<b>(523,396)</b>

The net liability arising from defined benefit scheme obligations can be analysed as follows:

Pension Assets & Liabilities Recognised in the Balance Sheet	31 March 2017 £000	31 March 2016 £000
<b>Present Value of Scheme Liabilities:</b>		
Local Government Pension Scheme	(584,529)	(488,055)
Teachers' Unfunded Discretionary Pensions	(38,735)	(35,341)
<b>Total Present Value of Scheme Liabilities:</b>	<b>(623,264)</b>	<b>(523,396)</b>
<b>Fair Value of Scheme Assets:</b>		
Local Government Pension Scheme	347,737	279,818
Teachers' Unfunded Discretionary Pensions	0	0
<b>Total Fair Value of Scheme Assets:</b>	<b>347,737</b>	<b>279,818</b>
<b>Net Liability:</b>		
Local Government Pension Scheme	(236,792)	(208,237)
Teachers' Unfunded Discretionary Pensions	(38,735)	(35,341)
<b>Total Net Liability arising from Defined Benefit Scheme Obligations</b>	<b>(275,527)</b>	<b>(243,578)</b>

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:

Local Government Pension Scheme Asset Categorisation	31 March 2017				31 March 2016			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total		Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000	£000	£000	%	£000	£000	£000	%
Quoted Equity Securities:	65,679	0	65,679	18.89	53,992	0	53,992	19.30
Investment Funds and Unit Trusts:								
Equities	0	200,706	200,706	57.72	0	162,891	162,891	58.21
Bonds	0	61,575	61,575	17.71	0	43,224	43,224	15.45
Other	0	9,220	9,220	2.65	0	9,415	9,415	3.36
Real Estate: UK Property Funds	0	8,834	8,834	2.54	0	8,246	8,246	2.95
Cash and Cash Equivalents:	0	1,723	1,723	0.49	0	2,050	2,050	0.73
<b>Total:</b>	<b>65,679</b>	<b>282,058</b>	<b>347,737</b>	<b>100.00</b>	<b>53,992</b>	<b>225,826</b>	<b>279,818</b>	<b>100.00</b>

The Authority holds no investments in the Greater Gwent (Torfaen) Pension Scheme and does not occupy or otherwise utilise assets held by the Scheme.

### 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. Hymans Robertson LLP are the appointed actuary for the Greater Gwent Local Government Pension Scheme, and have calculated attributable assets and liabilities (including those for Unfunded Teachers' Discretionary Pensions) using the following principal assumptions:

Principal Assumptions	31 March 2017	31 March 2016
<b>Financial Assumptions:</b>		
Rate of Increase in Salaries	2.8%	3.7%
Rate of Increase in Pensions	2.4%	2.2%
Discount Rate	2.6%	3.5%
<b>Mortality Assumptions:</b>		
Current Pensioners:	CMI 2012 Tables with 1.5%p.a. long-term improvements	CMI 2012 Tables with 1.5%p.a. long-term improvements
Future Pensioners:	CMI 2012 Tables with 1.5%p.a. long-term improvements	CMI 2012 Tables with 1.5%p.a. long-term improvements
<b>Life Expectancy:</b>		
Longevity of current pensioners aged 65:		
Males	21.5	23.0
Females	23.9	25.4
Longevity of future pensioners aged 65 in 20 years' time:		
Males	23.6	25.2
Females	26.1	27.8

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 2016.

### Sensitivity Analysis

The impact of changes in the key actuarial assumptions has been calculated as follows:

Sensitivity Analysis: Impact of Change in Assumptions	31 March 2017		31 March 2016	
	Increase in Employer Liabilities		Increase in Employer Liabilities	
	£000	%	£000	%
0.5% decrease in Real Discount Rate	59,730	9.58	58,097	11.10
0.5% increase in the Salary Increase Rate	11,028	1.77	22,297	4.26
0.5% increase in the Pension Increase Rate	47,691	7.65	34,647	6.62
1 year increase in Member Life Expectancy	18,698	3.00	15,702	3.00

The impact of these changes on assets and liabilities at year end would be as follows:

Sensitivity Analysis	31 March 2017					31 March 2016				
	Base	Discount Rate: -0.5% p.a.	Salary Increase: +0.5% p.a.	Pension Increase: +0.5% p.a.	Life Expectancy: +1 Year	Base	Discount Rate: -0.5% p.a.	Salary Increase: +0.5% p.a.	Pension Increase: +0.5% p.a.	Life Expectancy: +1 Year
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Liabilities	(623,264)	(682,994)	(634,292)	(670,955)	(641,962)	(523,396)	(581,641)	(545,750)	(558,131)	(539,138)
Assets	347,737	347,737	347,737	347,737	347,737	279,818	279,818	279,818	279,818	279,818
Net Deficit	(275,527)	(335,257)	(286,555)	(323,218)	(294,225)	(243,578)	(301,823)	(265,932)	(278,313)	(259,320)

The sensitivity analysis figures provided by the Actuary are approximate only. It has been assumed that there have been no changes in accounting policies, Scheme benefits, the age/sex/service profile of employees, levels of pay and contributions made. The Actuary has also indicated that the impact of an increase in member life expectancy would be in the range of 3-5%, subject to varying factors. These figures should not therefore be construed as providing accurate outturn figures for future accounting periods.

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### *Impact on future cash flows*

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 scheme is financed by contributions paid by the employees, their employers and earnings from the investment of the Fund's money. The type of investment is decided by legislation and not by the local authorities. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013. Contributions are additionally made by Fund employers which are set by the Fund's triennial actuarial valuations. The last such valuation was at 31 March 2016.

In terms of funding via investment earnings then the Fund's assets are invested in accordance with its investment strategy, which is set out within the Fund's Funding Strategy Statement. Investment management policy, principles and arrangements are detailed within its Statement of Investment Principles.

To meet the requirements of the Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing basis including allowance for projected final pay. The funding objective as set out in the FSS (Funding Strategy Statement) is to achieve and maintain a funding level of 100% of liabilities (the Funding Target). In line with the FSS, where a shortfall exists at the effective date of the actuarial valuation (31 March 2016), a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. The maximum deficit recovery period has been set as 20 years.

The 2016 Actuarial Valuation reported the level of total fund assets compared to liabilities (the funding level) as 72% (2013 Valuation: 71%). As a result, employer contribution levels have been calculated for implementation from 1 April 2016 that will, subject to future revaluations, eliminate this deficit by 2036.

The Authority holds total usable reserves of £21.736m at 31 March 2017 (£26.181m at 31 March 2016). The effect of applying the net superannuation fund deficit of £275.527m to the Authority's usable reserves would be a deficit of £253.791m (2015/2016: the superannuation deficit of £243.578m exceeded usable reserves by £217.397m).

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 total liability would not arise 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 2018 are estimated by the Fund Actuary as £9.124m.

In the event that a contributing fund member became unable to pay contributions or make good future deficits, the level of Pension Scheme assets would be lower than expected and this would have a negative impact on the Funding Level. At that time, the Administering Authority (Torfaen) would seek to recover any debt outstanding from the employer. This type of risk can be mitigated by the use of guarantees and/or covenants. However, if an employer defaults on payment and these sums cannot be recovered, the shortfall would then become the responsibility of any guarantor or all other employers in the Fund. This could increase the level of employer contribution rates required to recover the overall Fund deficit.

*Contingent Liabilities (see also note 40.3, page 106)*

### *Aneurin Leisure Trust*

On creation of Aneurin Leisure Trust in October 2014, pension assets and liabilities assessed on an actuarial basis were transferred from Blaenau Gwent CBC, such that the Trust's pension obligations were deemed to be fully funded. The funding deficit accruing to 30 September 2014 in respect of employees relocating to Aneurin Leisure Trust was not transferred, but was retained by Blaenau Gwent CBC. The Trust is therefore only responsible for any increase in liabilities (on an actuarial valuation basis) occurring after the transfer date, with the Authority acting as a guarantor for the previously accrued net deficit. In addition, the Authority agreed to act as guarantor of last resort in order that the Leisure Trust could enter the Greater Gwent (Torfaen) Pension Fund as an admitted body and has therefore agreed to underwrite any costs arising in the event that the admitted body defaults on any or all of its payments in relation to its pension obligations.

However, in the Statement of Accounts the transferred pension assets and liabilities have been accounted for in accordance with the requirements of IAS19 *Employee Benefits*, the assumptions for which differ from those used in the actuarial valuation approach on which the funding position at inception of the Trust was based. Consequently, those elements of the settlement figures disclosed in 2014/2015 that related to Aneurin Leisure Trust did not reflect a fully funded position, but indicated the transfer of a net liability of up to £2.7m. Nevertheless, the Authority is still liable for the sums relating to the accrued net deficit on transfer and these amounts will be properly reflected in its accounts over time as they fall due in compliance with IAS19.

**46. Reserves****46.1 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.
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**Usable Earmarked Revenue Reserves:**

Anvil Court	To meet future premises-related expenditure (transferred to Lease Dilapidation Provision in 2016/2017).
Budget Contingency Fund	To provide initial assistance in meeting new and emerging budget pressures.
Budget Implementation	To provide the investment required to deliver business transformation projects over 2016/2017 and 2017/2018.
Building Control Fees	To hold surpluses generated for future re-investment to improve the quality and performance of the Building Control Service.
Corporate Services Portfolio	To provide for a variety of specific costs falling to the Corporate Services Portfolio, including: CCTV camera repairs; additional future costs of elections; job evaluation; review of the Authority's asset management systems; supply of training/skills to Business Support Staff; and maintenance of retaining walls across the County Borough.
Downsizing, Redundancy & Transitional Costs	To fund specific identified salary, pension strain and redundancy costs arising from the Authority's service transformation and downsizing projects, on a short-term (transitional) basis.
Economy Portfolio	To utilise income generated from town centre commercial bookings, falling within the Economy Portfolio.
Education Portfolio	To provide for the delivery of the Welsh Government national model for school improvement through the Education Achievement Service (EAS), falling within the Learning Portfolio.
Environment Portfolio	To provide for a variety of specific costs falling to the Environment Portfolio including: maintaining a stable transport oncost rate; and ensuring application of full cost recovery principles to the catering service.
Financial Management & Strategy Portfolio	To provide for a variety of specific costs falling to the Financial Management & Strategy Portfolio including: funding the Digital Inclusion project; implementation of payroll system functionality; holding deposits & bonds; maintaining stable stores oncost rates; and meeting taxation liabilities.
Future Interest Rate Increase Protection	To provide protection against cost pressures arising from forecast rises in interest rates on the replacement of maturing debt and new borrowings to fund capital expenditure.
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.

Usable Earmarked Revenue Reserves (Continued):

I.C.T. for Elected Members	To enable elected members to access information & communication technology.
Implementation Delay Reserve	To fund any budget shortfalls arising from a delay in implementation of savings projects.
Individual Schools Budget (ISB)	To fund cost pressures relating to school expenditure including insurance and school reorganisation.
Infrastructure Portfolio	To provide for a variety of specific costs falling to the Infrastructure Portfolio including: rent reviews in relation to Ebbw Vale multi storey car park; and costs associated with clearing the highways network in adverse winter weather.
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.
Land & Property Charges	To mitigate the impact of establishing Land & Property charge debtors for adult residential care, 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.
Local Development Plan	To fund the review of the Local Development Plan.
Members Local Grants	To hold unallocated grant monies prior to distribution by Members.
Prudential Borrowing	To fund prudential borrowing costs related to highways infrastructure assets, with the aim of reducing future highways related insurance claims.
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.
Social Services Portfolio	To provide for a variety of specific costs falling to the Social Services Portfolio including: funding for a social worker in relation to Deprivation of Liberty Safeguards; and printing of materials required by the Social Services & Wellbeing Act.
Superannuation	To provide for liabilities arising from guarantees made to the Greater Gwent (Torfaen) Pension Fund to allow admission of entities to the Fund (e.g. Aneurin Leisure Trust).
Waste Services	To fund any potential financial penalties arising from a failure to meet the statutory recycling recovery target in 2016/2017 and future years.



Usable Reserves Earmarked for Capital Purposes:

Bryn Bach Park	To meet any future liabilities that may arise in respect of problems with the lake at Bryn Bach Park.
Canolfan yr Afon	To meet renovation costs at the Canolfan yr Afon centre in Ebbw Vale, in order to provide facilities for the benefit of vulnerable pupils.
Deminimis 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.
Flying Start	To fund capital expenditure on approved Flying Start projects.
Highways	To fund capital expenditure on Safer Routes and Local Transport Fund Grant projects.
IT Infrastructure	To fund capital expenditure in relation to the upgrade of IT infrastructure to support workplace transformation.
Landfill Directive	To meet future expenditure in respect of the Landfill Directive targets.
Structural Maintenance Work	To fund expenditure on structural maintenance work in relation to education.
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	Balance at	Net transfers		Adjustments	Net transfers	
	1 April 2015	(to) or from	31 March 2016		Fund Balances	31 March 2017
	£000	£000	£000	£000	£000	£000
Council Fund	(5,374)	(698)	(6,072)	184	804	(5,084)
<b>Total: Fund Balances</b>	<b>(5,374)</b>	<b>(698)</b>	<b>(6,072)</b>	<b>184</b>	<b>804</b>	<b>(5,084)</b>

Usable Earmarked Revenue Reserves	Balance at	Net transfers	31 March 2016	Adjustments	Net transfers	31 March 2017
	1 April 2015	(to) or from			(to) or from	
	£000	Reserves	£000	£000	Fund Balances	£000
		£000			£000	
Anvil Court	(179)	0	(179)	0	179	0
Budget Contingency Fund	(275)	(52)	(327)	0	165	(162)
Budget Implementation	(2,000)	425	(1,575)	0	1,246	(329)
Building Control Fees	(236)	(46)	(282)	0	46	(236)
Corporate Services Portfolio	(143)	21	(122)	0	(101)	(223)
Downsizing, Redundancy & Transitional Costs	(1,364)	469	(895)	0	412	(483)
Economy Portfolio	(3)	0	(3)	0	0	(3)
Education Portfolio	(43)	12	(31)	0	0	(31)
Environment Portfolio	(117)	9	(108)	0	62	(46)
Financial Management & Strategy Portfolio	(723)	458	(265)	0	163	(102)
Future Interest Rate Increase Protection	(224)	24	(200)	0	200	0
I.C.T	(401)	(353)	(754)	0	401	(353)
I.C.T for Elected Members	(101)	0	(101)	0	81	(20)
Implementation Delay Reserve	0	0	0	0	(116)	(116)
Individual Schools Budget (ISB)	(45)	(252)	(297)	0	93	(204)
Infrastructure Portfolio	(130)	25	(105)	0	89	(16)
Insurance Liabilities	(1,436)	164	(1,272)	0	(302)	(1,574)
Land & Property Charges	(138)	19	(119)	0	(21)	(140)
LMS Balances	(1,377)	385	(992)	(184)	88	(1,088)
Local Development Plan	(73)	(33)	(106)	0	0	(106)
Members Local Grants	(47)	(10)	(57)	0	35	(22)
Prudential Borrowing	(200)	0	(200)	0	0	(200)
Revenue Grants & Contributions Unapplied	(1,387)	62	(1,325)	0	400	(925)
Social Services Portfolio	0	(47)	(47)	0	47	0
Superannuation	(667)	2	(665)	0	164	(501)
Waste Services	(121)	(521)	(642)	0	200	(442)
<b>Total: Usable Earmarked Revenue Reserves</b>	<b>(11,430)</b>	<b>761</b>	<b>(10,669)</b>	<b>(184)</b>	<b>3,531</b>	<b>(7,322)</b>

Adjustments were made to the Council Fund and LMS Balances on 1 April 2016, to correct for the misposting of costs in previous years.

Usable Revenue Reserves Earmarked for Capital Purposes	Balance at	Net transfers	31 March 2016	Adjustments	Net transfers	31 March 2017
	1 April 2015	(to) or from			(to) or from	
	£000	Reserves	£000	£000	Fund Balances	£000
Bryn Bach Park	(56)	34	(22)	0	22	0
Canolfan yr Afon	(30)	30	0	0	0	0
Deminimis Capital Works	(121)	13	(108)	0	24	(84)
Flying Start	(45)	38	(7)	0	7	0
Highways	0	(197)	(197)	0	197	0
IT Infrastructure	(738)	193	(545)	0	350	(195)
Landfill Directive	(206)	206	0	0	0	0
Structural Maintenance Work	(61)	(48)	(109)	0	109	0
Victoria End Use	(31)	0	(31)	0	31	0
<b>Total: Usable Revenue Reserves Earmarked for Capital Purposes</b>	<b>(1,288)</b>	<b>269</b>	<b>(1,019)</b>	<b>0</b>	<b>740</b>	<b>(279)</b>

Usable Capital Reserves	Balance at	Net transfers	31 March 2016	Adjustments	Net transfers	31 March 2017
	1 April 2015	(to) or from			(to) or from	
	£000	Reserves	£000	£000	Fund Balances	£000
Capital Grants Unapplied	(1,092)	426	(666)	0	(19)	(685)
Usable Capital Receipts	(9,132)	1,377	(7,755)	0	(611)	(8,366)
<b>Total: Usable Capital Reserves</b>	<b>(10,224)</b>	<b>1,803</b>	<b>(8,421)</b>	<b>0</b>	<b>(630)</b>	<b>(9,051)</b>

Summary: Usable Reserves	Balance at	Net Transfers	31 March 2016	Adjustments	Net transfers	31 March 2017
	1 April 2015	2015/2016			(to) or from	
	£000	£000	£000	£000	Fund Balances	£000
Fund Balances	(5,374)	(698)	(6,072)	184	804	(5,084)
Earmarked Revenue Reserves	(11,430)	761	(10,669)	(184)	3,531	(7,322)
Revenue Reserves Earmarked for Capital Purposes	(1,288)	269	(1,019)	0	740	(279)
Capital Reserves	(10,224)	1,803	(8,421)	0	(630)	(9,051)
<b>Total: Usable Reserves</b>	<b>(28,316)</b>	<b>2,135</b>	<b>(26,181)</b>	<b>0</b>	<b>4,445</b>	<b>(21,736)</b>

Adjustments were made to the Council Fund and LMS Balances on 1 April 2016, to correct for the misposting of costs in previous years.

## 46.2 Unusable Reserves

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

Unusable Reserves	01 April 2015	Net transfers (to)/ from Reserves	31 March 2016	Adjustments	Net transfers (to)/ from Reserves	31 March 2017
	£000	£000	£000	£000	£000	£000
Revaluation Reserve	(17,979)	4,499	(13,480)	(1,083)	(1,528)	(16,091)
Capital Adjustment Account	(144,420)	36,452	(107,968)	445	7,566	(99,957)
Financial Instruments Adjustment Account	4,006	(46)	3,960	0	(51)	3,909
Deferred Capital Receipts Reserve	(4,937)	323	(4,614)	0	126	(4,488)
Pensions Reserve	222,534	20,354	242,888	0	31,960	274,848
Unequal Pay Back Pay Account	146	0	146	0	0	146
Accumulated Absences Account	1,812	(371)	1,441	0	274	1,715
<b>Total Unusable Reserves:</b>	<b>61,162</b>	<b>61,211</b>	<b>122,373</b>	<b>(638)</b>	<b>38,347</b>	<b>160,082</b>

Balances brought forward have been adjusted to correct a cumulative understatement of depreciation relating to specific assets and a revaluation increase related to previous years.

### 46.2.1 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	2016/2017		2015/2016	
	£000	£000	£000	£000
Balance at 1 April		(13,480)		(17,979)
Adjustments to Opening Balance		(1,083)*		0
<b>Revised Balance at 1 April</b>		<b>(14,563)</b>		<b>(17,979)</b>
Upward revaluation of assets	(2,890)		(733)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	833		9,567	
Depreciation - write back revaluation reserve	(246)		(5,164)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(2,303)		3,670
Difference between fair value depreciation and historical cost depreciation	430		760	
Accumulated gains on assets sold or scrapped	345		69	
Amount written off to the Capital Adjustment Account		775		829
<b>Balance at 31 March</b>		<b>(16,091)</b>		<b>(13,480)</b>

\*: Reserve balances at 1 April 2016 were amended by £1.083m as a result of the correction of a revaluation increase related to previous years.

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.

#### 46.2.2 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 27 (pages 74 & 77) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2016/2017		2015/2016	
	£000	£000	£000	£000
Balance at 1 April	(107,968)		(144,930)	
Adjustments to Opening Balance	445*		510**	
Revised Balance at 1 April		(107,523)		(144,420)
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>				
Charges for depreciation & impairment of non-current assets	10,695		13,590	
Revaluation losses on Property, Plant & Equipment	5,057		37,746	
Revenue expenditure funded from capital under statute	2,936		7,274	
Non-current assets written off on disposal or sale as part of the gain/loss on disposal	744		325	
Capital grants and contributions applied to capital financing	(4,016)		(12,947)	
		15,416		45,988

Capital Adjustment Account (Continued)	2016/2017		2015/2016	
	£000	£000	£000	£000
<b>Items not debited or credited to the CIES:</b>				
Statutory provision for the financing of capital investment charged against the Council Fund	(3,903)		(3,623)	
Capital expenditure charged against the Council Fund	(181)		(630)	
		(4,084)		(4,253)
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	(979)		(2,030)	
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,012)		(2,424)	
		(2,991)		(4,454)
<b>Sub-Total: Capital Adjustment Transactions included in the Movement in Reserves Statement:</b>		<b>8,341</b>		<b>37,281</b>
<b>Adjusting Amounts written out of the Revaluation Reserve:</b>				
Charges for depreciation & impairment of non-current assets	(430)		(760)	
Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(345)		(69)	
		(775)		(829)
<b>Balance at 31 March</b>		<b>(99,957)</b>		<b>(107,968)</b>

**Adjustments to Balances Brought Forward:**

**\*: 1 April 2016**

A small number of assets were identified on which no depreciation had been charged in previous years. Consequently, an adjustment of £0.727m has been made to correct the cumulative understatement of depreciation relating these assets. In addition, balances have been reduced by £0.282m as a result of the correction of a revaluation increase related to previous years.

**\*\*: 1 April 2015**

The Authority acts as sole trustee for a number of charitable trusts. In 2015/2016, Capital expenditure and grant funding on assets at Bedwellty House and Park was transferred to the accounts of the Charitable Trust. However, on further examination it has been necessary to adjust these transfers and consequently the Capital Adjustment Account balance has been decreased by £0.510m on 1 April 2015.

## 46.2.3 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.

Financial Instruments Adjustment Account	2016/2017		2015/2016	
	£000	£000	£000	£000
Balance at 1 April		3,960		4,006
Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(51)		(46)	
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		(51)		(46)
Balance at 31 March		3,909		3,960

## 46.2.4 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	2016/2017	2015/2016
	£000	£000
Balance at 1 April	(4,614)	(4,937)
Transfer to the Capital Receipts Reserve upon receipt of cash	126	323
Balance at 31 March	(4,488)	(4,614)

#### 46.2.5 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	2016/2017		2015/2016	
	£000		£000	
Balance at 1 April	242,888		222,534	
Remeasurement of pensions assets & liabilities	24,243		15,196	
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	19,949		17,788	
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,232)		(12,630)	
<b>Balance at 31 March</b>	<b>274,848</b>		<b>242,888</b>	

#### 46.2.6 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	2016/2017		2015/2016	
	£000	£000	£000	£000
Balance at 1 April	146		146	
Increase/(Decrease) in provision for back pay in relation to Equal Pay cases	0		0	
Cash settlements paid in the year	0		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	0		0	
<b>Balance at 31 March</b>	<b>146</b>		<b>146</b>	



## 46.2.7 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	2016/2017		2015/2016	
	£000	£000	£000	£000
Balance at 1 April		1,441		1,812
Settlement or cancellation of accrual made at the end of the preceding year	(1,441)		(1,812)	
Amounts accrued at the end of the current year	1,715		1,441	
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		274		(371)
Balance at 31 March		1,715		1,441

## Cash Flow Notes

### 47. 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.

#### 47.1 Non-Cash Movements

Cash Flow - Adjustments for Non-Cash Movements	2016/2017		2015/2016 (Restated)	
	£000	£000	£000	£000
Depreciation & Impairment	15,752		51,336	
REFCUS (deferred charges)	2,936		7,274	
Effective interest adjustment	38		38	
Net IAS19 charges made for Retirement Benefits	19,949		17,788	
IAS19 Employers Contributions Paid to Pension Fund	(12,232)		(12,630)	
		26,443		63,806
Increase/(Decrease) in Provisions		(142)		(36)
(Increase)/Decrease in Inventories		262		124
(Increase)/Decrease in Revenue Debtors		371		846
Increase/(Decrease) in Revenue Creditors		1,390		117
<b>Total</b>		<b>28,324</b>		<b>64,857</b>

\* Restated: Improvements have been made to the process of preparing the Cash Flow Statement, resulting in adjustments to the entries for IAS19 (pensions) and re-classification of a capital creditor to revenue.

#### 47.2 Investing or Financing Activities Included in the Deficit on Provision of Services

Cash Flow - Adjustments for Investing & Financing Activities	2016/2017	2015/2016
	£000	£000
(Gain)/Loss on Disposal of fixed assets	(771)	(55)
Capital Grants credited to CIES	(6,047)	(14,945)
<b>Total</b>	<b>(6,818)</b>	<b>(15,000)</b>

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

## 48.1 Investing Activities

The cash flows for investing activities consist of the following:

Cash Flow - Investing Activities	2016/2017			2015/2016 (Restated)		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Purchase of Non-Current Assets	(10,329)			(29,797)		
		(10,329)		(29,797)		
<b>Cash Inflows</b>						
Sale of Non-Current Assets	1,515			379		
Other Receipts from Investing Activities	10,307			15,060		
		11,822		15,439		
<b>Total</b>			1,493			(14,358)

\* Restated: Adjustments have been made to prior-year figures for 'Purchase of Non-Current Assets' and 'Other Receipts from Investing Activities' as a result of the revised process for preparing the Cash Flow Statement.

## 48.2 Financing Activities

The cash flows for financing activities consist of the following:

Cash Flow - Financing Activities	2016/2017			2015/2016		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Repayments of Amounts Borrowed	(82,837)			(62,413)		
Capital Element of Finance Lease Rental Payments	(259)			(243)		
		(83,096)		(62,656)		
<b>Cash Inflows</b>						
New Loans Raised	7,585			11,683		
New Short-Term Loans	74,500			61,991		
Long-Term Investments Repaid	30			26		
		82,115		73,700		
<b>Total</b>			(981)			11,044

#### 49. Cash and Cash Equivalents

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

Cash and Cash Equivalents	2016/2017	2015/2016
	£000	£000
Cash Held by the Authority	43	42
Bank Accounts	3,332	4,167
Short Term Investments	2,000	0
<b>Total Cash &amp; Cash Equivalents</b>	<b>5,375</b>	<b>4,209</b>

#### Other Notes

#### 50. Joint Arrangements

The Authority participates in a number of joint arrangements as a means of delivering services in a more efficient and cost-effective manner. In assessing the joint arrangements in which Blaenau Gwent participates, it has been concluded in each case that no separate legal entity exists and that the Authority does not have control (as defined by the Accounting Code and IFRS10). Consequently, the accounts of these arrangements have not been consolidated in the group accounting statements. In each case, the relevant service line of the Comprehensive Income and Expenditure Account reflects the following transactions occurring between the Authority and the joint arrangement:

Joint Arrangements	2016/2017			2015/2016		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Greater Gwent Cremation Joint Committee	0	(132)	(132)	0	(132)	(132)
Gwent Joint Records Committee	143	0	143	143	0	143
Gwent Transport Unit	1,276	0	1,276	1,354	0	1,354
South East Wales Strategic Planning Group	1	0	1	1	0	1
<b>Total</b>	<b>1,420</b>	<b>(132)</b>	<b>1,288</b>	<b>1,498</b>	<b>(132)</b>	<b>1,366</b>

**50.1 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.

**50.2 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.

**50.3 Gwent Transport Unit (GTU)**

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 was the lead Authority for the GTU, with responsibility transferring to Torfaen CBC on 1 May 2016.

The majority of transactions administered by the unit are associated with concessionary fares, bus subsidies, local transport services grant and 'section 106', the costs of which are allocated based on direct spend relative to the use of each service within the relevant local authority area. Administration costs of the joint arrangement are apportioned between the two Authorities, with Blaenau Gwent being charged 49.54% of these costs. The share of balances apportioned to BGC for the GTU is also 49.54%.

**50.4 South East Wales Strategic Planning Group (SEWSPG)**

The South East Wales Strategic Planning Group (SEWSPG) produces regional planning guidance for South East Wales in partnership with 10 other local planning authorities in the region, and the Brecon Beacons National Park Authority.

The financial arrangements for the group are provided by the participating authorities on a rota basis - for 2016/2017, Blaenau Gwent was the host Authority, overseeing the following transactions:

South East Wales Strategic Planning Group	2016/2017 £000	2015/2016 £000
Balance at 1 April	(68)	0
Balance transferrred to Blaenau Gwent	0	(80)
Receipts (Member Subscriptions)	(5)	(5)
Payments	37	17
Balance at 31 March	(36)	(68)

## 51. Charitable Trusts

The Authority acts as trustee for the following charitable trusts:

- Bedwellty House and Park
- Cwm, Ebbw Vale and Tredegar Recreation Grounds.

Bedwellty Park is a 26 acre historic park and landscape. It has 6 listed structures within its grounds including a Grade II listed ironmaster's dwelling. The site has recently been subject to a £5 million restoration project and is now a public open access space available for events such as weddings, art exhibitions and displays.

Cwm, Ebbw Vale and Tredegar recreation grounds are open access outdoor spaces used for sporting activities such as rugby, football, cricket and walking.

The summarised transactions for these charitable trusts are as follows:

Summary Statement of Financial Activities	2016/2017					2015/2016 (Restated)				
	Bedwellty House & Park £000	Cwm Recreation Ground £000	Ebbw Vale Recreation Ground £000	Tredegar Recreation Ground £000	Total £000	Bedwellty House & Park £000	Cwm Recreation Ground £000	Ebbw Vale Recreation Ground £000	Tredegar Recreation Ground £000	Total £000
<b>Income</b>										
Donations & Legacies	(104)	(14)	(38)	(14)	(170)	(104)	(8)	(79)	(56)	(247)
Other	0	0	(2)	0	(2)	0	0	0	0	0
<b>Total Income</b>	<b>(104)</b>	<b>(14)</b>	<b>(40)</b>	<b>(14)</b>	<b>(172)</b>	<b>(104)</b>	<b>(8)</b>	<b>(79)</b>	<b>(56)</b>	<b>(247)</b>
<b>Expenditure</b>										
Charitable Activities	117	14	40	14	185	117	8	79	56	260
Other	104	0	0	0	104	104	0	0	0	104
<b>Total Resources Expended</b>	<b>221</b>	<b>14</b>	<b>40</b>	<b>14</b>	<b>289</b>	<b>221</b>	<b>8</b>	<b>79</b>	<b>56</b>	<b>364</b>
<b>Net Expenditure</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>117</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>117</b>
Transfers between funds	(117)	0	0	0	(117)	(117)	0	0	0	(117)
<b>Net Movement in Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Restated: Prior-year figures for Charitable Trusts have been restated and re-analysed into a summary 'Statement of Financial Activities' format, representative of the outturn figures submitted to the Charities Commission. The Cwm and Ebbw Vale Recreation Trusts have also been separately identified.

Property, Plant and Equipment assets held by the charitable trusts are as follows:

Charitable Trusts - Property, Plant & Equipment	2016/2017			2015/2016 (Re-analysed)		
	Gross Book Value	Accumulated Depreciation	Net Book Value	Gross Book Value	Accumulated Depreciation	Net Book Value
	£000	£000	£000	£000	£000	£000
Bedwellty House and Park	5,571	(335)	5,236	5,571	(226)	5,345
Cwm Recreation Ground	15	(15)	0	15	(15)	0
Ebbw Vale Recreation Ground	298	(27)	271	298	(14)	284
Tredegar Recreation Ground	86	(38)	48	86	(32)	54
<b>Total</b>	<b>5,970</b>	<b>(415)</b>	<b>5,555</b>	<b>5,970</b>	<b>(287)</b>	<b>5,683</b>

\* Re-Analysed: Prior-year asset values have been re-analysed to separately identify the Cwm and Ebbw Vale Recreation Trusts.

The Authority also acts as sole trustee for 30 education trust funds, the main purpose of which is the provision of prizes to pupils based on examination success. At year-end, balances held were as follows:

Education Trust Funds	2016/2017	2015/2016
	£000	£000
Investments	4	4
Cash	52	52
<b>Balance at 31 March</b>	<b>56</b>	<b>56</b>

*...the Statement of Group Accounts comprise the group financial statements and notes, including the summary of significant group accounting policies...*



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Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement (GCIES) 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.

Group Comprehensive Income & Expenditure Statement	2016/2017			2015/2016 (Reclassified)			Note:	Page:
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
	£000	£000	£000	£000	£000	£000		
<b>Continuing Operations</b>								
Financial Management & Strategy	42,148	(29,603)	12,545	40,142	(28,116)	12,026	8	155
Corporate Services	4,972	(804)	4,168	6,215	(846)	5,369		
Social Services	58,995	(16,355)	42,640	54,436	(15,255)	39,181		
Infrastructure	9,652	(1,835)	7,817	12,993	(1,781)	11,212		
Active Living	6,514	(1,322)	5,192	8,485	(1,823)	6,662		
Education	24,611	(6,729)	17,882	53,480	(6,270)	47,210		
Education - Schools	45,933	(3,604)	42,329	44,481	(2,908)	41,573		
Environment	20,217	(6,427)	13,790	21,276	(9,933)	11,343		
Economy	4,694	(2,819)	1,875	5,693	(1,807)	3,886		
Planning	1,489	(267)	1,222	1,601	(506)	1,095		
Licensing	193	(142)	51	228	(164)	64		
Silent Valley	1,270	(146)	1,124	953	(61)	892	8	155
<b>Total Deficit on Continuing Services</b>	<b>220,688</b>	<b>(70,053)</b>	<b>150,635</b>	<b>249,983</b>	<b>(69,470)</b>	<b>180,513</b>	<b>4</b>	<b>151-152</b>

Group Comprehensive Income & Expenditure Statement (Continued)	2016/2017			2015/2016			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	220,688	(70,053)	150,635	249,983	(69,470)	180,513		
Other Operating Expenditure	8,782	(1,623)	7,159	8,123	(493)	7,630	5	153
Financing and Investment Income and Expenditure	22,588	(10,158)	12,430	21,214	(9,884)	11,330	6	154
Taxation and Non-Specific Grant Income	0	(149,090)	(149,090)	0	(154,707)	(154,707)	7	154
(Surplus)/Deficit on Provision of Services	252,058	(230,924)	21,134	279,320	(234,554)	44,766		
(Surplus)/Deficit Arising on the Revaluation of Non-Current Assets			(2,303)			3,670		
Remeasurement of the net defined benefit pension liability			24,237			15,244		
Other Comprehensive Income & Expenditure			21,934			18,914	9	155
Total Group Comprehensive Income & Expenditure			43,068			63,680	GMiRS	143-144

\* Reclassified: Expenditure and Income for continuing operations have been reclassified in line with the Group's internal reporting arrangements.



Group Movement in Reserves Statement

The Group Movement in Reserves Statement (GMiRS) shows the movement in the year on the different reserves held by the Group, 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 Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. Earmarked Reserves have been disclosed separately in the MiRS to provide users with information regarding the use of these balances in comparison to the use of the Council Fund.

Group Movement in Reserves Statement	Council Fund	Earmarked Council Fund Reserves	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of Subsidiary	Total Group Reserves	Note	Page
2015/2016	£000	£000	£000	£000	£000	£000	£000	£000		
Balance at 31 March 2015	(5,941)	(12,718)	(10,224)	(28,883)	61,162	32,279	(2,963)	29,316		
Total Group Comprehensive Income and Expenditure	44,480	0	0	44,480	18,866	63,346	334	63,680	GCIES, 9	142, 155
Adjustments between Group Accounts and Authority Accounts	180	0	0	180	0	180	(180)	0	10	156
Net (Increase)/Decrease before transfers	44,660	0	0	44,660	18,866	63,526	154	63,680		
Adjustments between Accounting basis & Funding basis under statutory provisions	(44,148)	0	1,803	(42,345)	42,345	0	0	0		
Net (Increase)/Decrease before transfers to Earmarked Reserves	512	0	1,803	2,315	61,211	63,526	154	63,680		
Transfers (to) Council Fund from Earmarked Reserves	(1,030)	1,030	0	0	0	0	0	0		
(Increase)/Decrease in 2015/2016	(518)	1,030	1,803	2,315	61,211	63,526	154	63,680	17	165
Balance at 31 March 2016	(6,459)	(11,688)	(8,421)	(26,568)	122,373	95,805	(2,809)	92,996	GBS, 17	146, 165

Group Movement in Reserves Statement 2016/2017	Council Fund £000	Earmarked Council Fund Reserves £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Reserves of Subsidiary £000	Total Group Reserves £000	Note	Page
Opening balance at 1 April	(6,459)	(11,688)	(8,421)	(26,568)	122,373	95,805	(2,809)	92,996		
Adjustments to brought forward balances	184 *	(184) *	0	0	(638)**	(638)	0	(638)		
Balance at 31 March 2016	(6,275)	(11,872)	(8,421)	(26,568)	121,735	95,167	(2,809)	92,358		
Total Group Comprehensive Income & Expenditure	20,852	0	0	20,852	21,940	42,792	276	43,068	GCIES, 9	142, 155
Adjustments between Group Accounts and Authority Accounts	32	0	0	32	0	32	(32)	0	10	156
Net (Increase)/Decrease before transfers	20,884	0	0	20,884	21,940	42,824	244	43,068		
Adjustments between Accounting basis & Funding basis under statutory provisions	(15,777)	0	(630)	(16,407)	16,407	0	0	0		
Net (Increase)/Decrease before transfers to Earmarked Reserves	5,107	0	(630)	4,477	38,347	42,824	244	43,068		
Transfers (to) Council Fund from Earmarked Reserves	(4,271)	4,271	0	0	0	0	0	0		
(Increase)/Decrease in 2016/2017	836	4,271	(630)	4,477	38,347	42,824	244	43,068	17	165
Balance at 31 March 2017	(5,439)	(7,601)	(9,051)	(22,091)	160,082	137,991	(2,565)	135,426	GBS, 17	146, 165

Brought Forward Balances were adjusted (\*) to correct a misposting of costs to Schools Balances, resulting in an increase in LMS Balances and a decrease in the Council Fund of £0.184m; and (\*\*) to adjust Unusable Reserves (reducing the Capital Adjustment Account by £0.282m and Revaluation Reserve by £1.083m) for a revaluation increase related to previous years, and also for a cumulative adjustment increasing the Capital Adjustment Account by £0.727m in respect of an understatement of depreciation relating to specific assets.

**Group Balance Sheet**

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

- Usable reserves are those reserves that the Group 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 Group 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 Group 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).

Group Balance Sheet	31 March 2017		31 March 2016		Note:	Page:
	£000	£000	£000	£000		
Property, Plant & Equipment	273,154		279,317		11	156-158
Heritage Assets	413		413			
Non-Current Debtors	5,221		5,313			
<b>Sub Total: Long Term Assets</b>		<b>278,788</b>		<b>285,043</b>		
Assets Held for Sale	510		1,056			
Current Investments	4		4			
Inventories	857		1,119			
Current Debtors	17,516		21,640		12	159
Cash and Cash Equivalents	11,168		10,552		20	168
<b>Sub Total: Current Assets</b>		<b>30,055</b>		<b>34,371</b>		

Group Balance Sheet (Continued)	31 March 2017		31 March 2016		Note:	Page:
	£000	£000	£000	£000		
Current Borrowing	(47,899)		(37,407)			
Current Creditors	(12,223)		(12,709)		13	159
Current Grants Receipts in Advance	(1,744)		0			
Current Provisions	(3,517)		(4,178)		14	160
<b>Sub Total: Current Liabilities</b>		<b>(65,383)</b>		<b>(54,294)</b>		
Non-Current Borrowing	(98,919)		(110,124)			
Non-Current Provisions	(3,754)		(3,422)		14	160
Other Long-Term Liabilities	(276,213)		(244,570)		15, 16	161, 161-164
<b>Sub Total: Long-Term Liabilities</b>		<b>(378,886)</b>		<b>(358,116)</b>		
<b>Total Net Assets/(Liabilities)</b>		<b>(135,426)</b>		<b>(92,996)</b>		
Usable Reserves	(24,656)		(29,377)		17	165
Unusable Reserves	160,082		122,373		17	165
<b>Total Reserves</b>		<b>135,426</b>		<b>92,996</b>		

**Group Cash Flow Statement**

The Group Cash Flow Statement summarises the cash and cash equivalent transactions of the Group during the reporting period. The statement shows how the Group 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 Group 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 Group'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 Group.

Group Cash Flow Statement	2016/2017		2015/2016 (Restated)		Note:	Page:
	£000	£000	£000	£000		
Net surplus/(deficit) on the provision of services	(21,134)		(44,766)		GCIES	142
Adjustments to the provision of services for non-cash movements	28,012		63,777		18.1	166
Adjustments for items included in the provision of services that are investing and financing activities	(6,851)		(15,042)		18.2	166
<b>Net Cash Inflows from Operating Activities</b>		<b>27</b>		<b>3,969</b>		
Investing activities		1,570		(14,305)	19.1	167
Financing activities		(981)		11,044	19.2	167
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>616</b>		<b>708</b>		
Cash and cash equivalents at the beginning of the reporting period		10,552		9,844	GBS, 20	145, 168
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>11,168</b>		<b>10,552</b>	GBS, 20	145, 168

\* Restated: Improvements have been made to the process of preparing the Cash Flow Statement, resulting in adjustments to prior-year figures for 'Non-Cash Movements' and 'Investing Activities'. Other cashflows and overall balances have not been affected.



## Notes to the Group Accounts

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### 1. Group Accounting Policies

#### 1.1 General Principles

The Group Accounts summarise the transactions of the Authority and its Subsidiaries for the 2016/2017 financial year and its position at the year-end of 31 March 2017. The Accounts have been prepared in accordance with proper accounting practices as required by the Accounts and Audit (Wales) Regulations 2014.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 and the Service Reporting Code of Practice 2016/2017, 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 (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.

In preparing a set of Accounts for the Blaenau Gwent Group, it has been necessary to align the Accounting Policies adopted by the two constituent entities. The Group Policies are largely the same as those used in preparing the Accounts for the Parent Authority, as recorded on pages 28-43. However, where Policies differ, the Group Policy is included in this section.

#### 1.2 Intra Group Transactions and Balances

To the extent that balances and transactions have been identified and agreed between Silent Valley Waste Services Ltd. and Blaenau Gwent CBC, these have been eliminated as part of the consolidation process. As total transactions between the parties amount to £0.801m (2015/2016: £0.558m) and are therefore not considered to be material, any differences between identified and actual sums are therefore also not material.

#### 1.3 Acquisitions and Discontinued Operations

The principal activities of Silent Valley Waste Services Ltd. are waste management, disposal and ancillary services such as recycling and waste collection.

All operations were classified as continuing in 2016/2017 and there were no acquisitions or discontinuations of service (or transfers under machinery of government arrangements) during the financial year.

#### 1.4 Employee Benefits

##### 1.4.1 Benefits Payable During Employment

The annual leave entitlement year for staff at SVWS Ltd. ends on 31 March with limited opportunity to carry forward unused balances. No staff carried forward leave at the end of 2016/2017 and consequently no short term compensated absences accrual has been calculated.

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## 1.5 Post Employment Benefits

Employees of Silent Valley Waste Services Ltd. are members of the following pension schemes:

- The Local Government Pensions Scheme, as an admitted body, administered by Torfaen County Borough Council; and
- Silent Valley Defined Contribution Scheme.

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

The required accounting treatments are as follows:

### *The Local Government Pension Scheme*

As required for a defined benefit scheme, the employers pension costs that are charged to the Group's accounts are equal to the actuarially-calculated liabilities arising as a result of the service effected by employees. Additional costs arising for discretionary benefits paid to staff on retirement have also been accounted for on a liability basis, with the full amount of any such payments being recorded in service accounts in the year of occurrence.

### *Silent Valley Defined Contribution Scheme*

In a defined contribution scheme, the employer has no obligation beyond payment of the agreed contributions. Therefore, the net cost of services in the Group Comprehensive Income and Expenditure Statement is charged with the amount of contributions payable for the year of account. Prepayments or accruals are recorded in the Group Balance Sheet if required.

Further details of the transactions undertaken and required disclosures for the Local Government Pension Scheme, Teachers Pension Scheme and Silent Valley Defined Contribution Scheme can be found in the notes to the Group Accounts.

## 1.6 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.

### 1.6.1 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.

Only expenditure in excess of £50,000 has been capitalised by the Parent Authority, with amounts below this threshold being charged directly to revenue. The exception to this are highways assets that individually fall below this de-minimus level but are capitalised because they are treated as one single item of expenditure in the year.

### 1.6.2 Measurement

Tangible Non-Current Assets attributable to the Subsidiary are recorded in the accounts on the basis of depreciated historic cost.



### 1.6.3 Depreciation

For assets held by Silent Valley Waste Services Ltd., the following standard lives are used in calculating depreciation:

- Leasehold land and buildings - 10 - 15 years; and
- Plant and Machinery - 5 - 13 years.

These standard lives are not significantly different from those used by the Parent Authority, and any differences in calculated depreciation sums are not expected to be material. Consequently, a completely uniform set of standard lives has not been introduced for Group Accounting purposes and no adjustments have been made to depreciation amounts in the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet or Group Cash Flow.

### 1.7 Aftercare and Capping Provisions

Provision for the cost of aftercare and site capping was made by establishing a consumption factor which aimed to write off the estimated future costs over the anticipated useful life of the site.

## 2. Notes to the Group Financial Statements

These notes should be read in conjunction with the notes to the Authority's Core Financial Statements. Notes have been included to the Group Financial Statements where:

- specifically required by the Accounting Code of Practice;
- a note to the single entity statements has been amended by the consolidation of the subsidiary undertaking; or
- the note relates solely to the activities of the subsidiary and has not been included in the Accounts of the Local Authority.

### 3. Intra-Group Transactions & Balances

Where necessary, transactions between the constituent parts of the Group have been eliminated from the Accounting Statements and Notes, so as not to overstate the level of income or expenditure. Similarly, balances owing to/from other Group members have been eliminated in the preparation of the Group Balance Sheet. From the perspective of the Parent, the following transactions and balances have been eliminated:

Comprehensive Income and Expenditure Statement	2016/2017 £000	2015/2016 £000	Balance Sheet	2016/2017 £000	2015/2016 £000
Sales to Blaenau Gwent CBC	801	558	Non-current investment in SVWS	250	250
Payments to SVWS - NNDR refund	0	13	Debtor balances	3	3
Vehicle Servicing & Repairs	(2)	0	Creditor balances	(68)	(55)
Contribution - Leachate	(130)	(150)	Usable Reserves: Dividends received	(725)	(725)
Income received from SVWS - Directors' Fees	(23)	(23)	Retained Profit	380	662

#### Group Comprehensive Income & Expenditure Statement Notes

### 4. Group Expenditure and Funding Analysis

The Expenditure & Funding Analysis shows how annual expenditure is used and funded from resources (i.e. government grants, council tax and business rates) by the Group in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Group Comprehensive Income and Expenditure Statement.

Group Expenditure & Funding Analysis	2016/2017					2015/2016				
	Management Account Net Expenditure	Accounting Code Adjustments	Net Expenditure Chargeable to the Council Fund	Funding & Accounting Basis Adjustments	Group CIES Net Expenditure	Management Account Net Expenditure	Accounting Code Adjustments	Net Expenditure Chargeable to the Council Fund	Funding & Accounting Basis Adjustments	Group CIES Net Expenditure
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Management & Strategy	9,883	1,489	11,372	1,173	12,545	9,508	3,035	12,543	(517)	12,026
Corporate Services	3,594	274	3,868	300	4,168	3,695	719	4,414	955	5,369
Social Services	38,634	2,885	41,519	1,121	42,640	37,607	386	37,993	1,188	39,181
Infrastructure	8,410	(2,597)	5,813	2,004	7,817	7,865	(2,751)	5,114	6,098	11,212
Active Living	4,409	(695)	3,714	1,478	5,192	4,678	(651)	4,027	2,635	6,662
Education	55,173	(44,498)	10,675	7,207	17,882	54,784	(43,807)	10,977	36,233	47,210
Education - Schools	(583)	42,811	42,228	101	42,329	(1,170)	43,293	42,123	(550)	41,573
Environment	14,330	(3,903)	10,427	3,363	13,790	13,866	(4,448)	9,418	1,925	11,343
Economy	1,219	0	1,219	656	1,875	1,315	194	1,509	2,377	3,886
Planning	1,044	168	1,212	10	1,222	1,007	65	1,072	23	1,095
Licensing	51	2	53	(2)	51	62	(1)	61	3	64
Capital Adjustments	0	(43)	(43)	43	0	0	(265)	(265)	265	0
Pension Adjustments	0	1,069	1,069	(1,069)	0	0	496	496	(496)	0
Silent Valley	1,124	0	1,124	0	1,124	892	0	892	0	892
<b>Net Expenditure on Continuing Operations</b>	<b>137,288</b>	<b>(3,038)</b>	<b>134,250</b>	<b>16,385</b>	<b>150,635</b>	<b>134,109</b>	<b>(3,735)</b>	<b>130,374</b>	<b>50,139</b>	<b>180,513</b>
Other Operating Expenditure	(108)	8,038	7,930	(771)	7,159	(114)	7,744	7,630	0	7,630
Financing & Investment Income & Expenditure	(34)	7,907	7,873	4,557	12,430	(42)	7,776	7,734	3,596	11,330
Taxation & Non-Specific Grant Income	0	(144,696)	(144,696)	(4,394)	(149,090)	0	(145,120)	(145,120)	(9,587)	(154,707)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>137,146</b>	<b>(131,789)</b>	<b>5,357</b>	<b>15,777</b>	<b>21,134</b>	<b>133,953</b>	<b>(133,335)</b>	<b>618</b>	<b>44,148</b>	<b>44,766</b>
Transfers to/(from) earmarked reserves			(4,521)					(1,136)		
<b>(Increase)/Decrease in year</b>			<b>836</b>					<b>(518)</b>		
Opening Group Balances as at 1 April			(6,275) <sup>†</sup>					(5,941)		
<b>Closing Group Balances as at 31 March</b>			<b>(5,439)</b>					<b>(6,459)</b>		

†: The opening Council Fund Balance at 1 April 2016 has been reduced in respect of £0.184m costs incorrectly charged to Schools Reserves in previous years.

## 5. Other Operating Expenditure

Other Operating Expenditure in the Group Comprehensive Income and Expenditure Statement consists of the following:

Other Operating Expenditure	2016/2017			2015/2016		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
(Gains)/losses on the Disposal of Non-Current Assets	744	(1,515)	(771)	325	(379)	(54)
Precepts & Levies:						
Gwent Police Authority Precept	4,409	0	4,409	4,193	0	4,193
South Wales Fire Authority Levy	3,171	0	3,171	3,162	0	3,162
Community Council Precepts	354	0	354	340	0	340
Coroners' Courts	75	0	75	72	0	72
National Park Levy	29	0	29	31	0	31
Subsidiary's Other Operating Income	0	(108)	(108)	0	(114)	(114)
<b>Total</b>	<b>8,782</b>	<b>(1,623)</b>	<b>7,159</b>	<b>8,123</b>	<b>(493)</b>	<b>7,630</b>

**6. Financing and Investment Income and Expenditure**

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

Financing and Investment Income and Expenditure	2016/2017			2015/2016		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Interest payable and similar charges - Financial Instruments	4,274	0	4,274	4,320	0	4,320
Interest payable and similar charges - Other *	22	0	22	26	0	26
Interest receivable and similar income - Financial Instruments	0	(32)	(32)	0	(26)	(26)
Interest receivable and similar income - Other **	0	(356)	(356)	0	(320)	(320)
Net Pensions Interest	18,292	(9,770)	8,522	16,868	(9,538)	7,330
<b>Total</b>	<b>22,588</b>	<b>(10,158)</b>	<b>12,430</b>	<b>21,214</b>	<b>(9,884)</b>	<b>11,330</b>

\*: Interest on finance leases and school balances.

\*\* : Interest on (lessor) finance leases, bank charges, car loans and contractor bonds.

**7. Taxation and Non-Specific Grant Income**

Taxation and Non-Specific Grant income in the Group Comprehensive Income and Expenditure Statement consists of the following:

Taxation & Non-Specific Grant Income	2016/2017	2015/2016
	£000	£000
<b>Non-Specific grants</b>		
Council Tax Income	(35,444)	(34,184)
Non-Domestic Rates	(21,003)	(20,201)
Revenue Support Grant/OAG	(88,249)	(90,735)
<b>Total Non-Specific grants</b>	<b>(144,696)</b>	<b>(145,120)</b>
Capital grants and contributions	(4,394)	(9,587)
<b>Total</b>	<b>(149,090)</b>	<b>(154,707)</b>

## 8. External Audit Fees

The Group incurred the following fees relating to External Audit and inspection:

External Audit Fees	2016/2017 £000	2015/2016 £000
Fees payable in respect of:		
External audit services - Final Accounts	191	191
Silent Valley external audit services - Final Accounts	10	10
External audit services - Local Government Measures	105	109
Certification of grant claims and returns	70	70
Other services	38	0
<b>Total Audit Fees</b>	<b>414</b>	<b>380</b>

External Audit services for Blaenau Gwent CBC are provided by the Wales Audit Office; for Silent Valley Waste Services Ltd. by Broomfield & Alexander Limited. Other Services consists of charges for the statutory audit of 3 years of charitable trust accounts required for Bedwellty House and Park, of which the Authority is the trustee.

### *Group Movements in Reserves Notes*

## 9. Other Comprehensive Income and Expenditure

Other Comprehensive Income & Expenditure	2016/2017 £000	2015/2016 £000
(Surplus)/Deficit arising on the revaluation of Non-Current Assets	(2,303)	3,670
Remeasurement of the net defined benefit pension liability	24,237	15,244
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>21,934</b>	<b>18,914</b>

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

10. Adjustments between Parent and Group Movement in Reserves Statements

In preparing the Group Movement in Reserves Statement, the following adjustments were made to the Parent MiRS:

Adjustments between Single Entity and Group Movement in Reserves Statements	31 March 2017		31 March 2016	
	Total Authority Reserves	Authority's share of Reserves of Subsidiary	Total Authority Reserves	Authority's share of Reserves of Subsidiary
	£000	£000	£000	£000
Adjustments between Group Accounts and Authority Accounts:				
Expenditure	(801)	801	(571)	571
Income	166	(166)	173	(173)
Debtors & Creditors	(65)	65	(52)	52
Retained Profits	(380)	380	(662)	662
Accumulating Dividend	725	(725)	725	(725)
Less cumulative adjustments brought forward	387	(387)	567	(567)
<b>Total intra-group adjustments</b>	<b>32</b>	<b>(32)</b>	<b>180</b>	<b>(180)</b>

*Group Balance Sheet Notes*

11. Property Plant & Equipment

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

Property, Plant & Equipment	31 March 2017	31 March 2016
	£000	£000
Gross Carrying Amount	316,817	314,261
Accumulated Depreciation	(43,663)	(34,944)
<b>Net Book Value</b>	<b>273,154</b>	<b>279,317</b>

Property, Plant & Equipment Movements	Operational Assets						Total Property, Plant & Equipment £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 2016	158,632	12,532	124,557	138	4,920	13,482	314,261
Adjustment to Opening Balances	1,365†	0	0	0	0	0	1,365
Revised Cost or Valuation as at 1 April 2016	159,997	12,532	124,557	138	4,920	13,482	315,626
Appropriations	12,214	0	1,347	0	180	(13,741)	0
Assets reclassified to/from held for sale	(681)	0	0	0	(50)	0	(731)
Additions	0	413	701	0	0	0	1,114
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,132	0	0	0	(75)	0	2,057
Revaluation increases/(decreases) recognised in the Provision of Services	(4,928)	0	0	0	(89)	0	(5,017)
Capital expenditure written off	(1,806)	0	0	0	0	0	(1,806)
Derecognition - disposals	(22)	(165)	0	0	0	0	(187)
Other movements in cost or valuation *	1,806	0	244	0	0	3,711	5,761
Cost or Valuation as at 31 March 2017	168,712	12,780	126,849	138	4,886	3,452	316,817

Property, Plant & Equipment Depreciation & Impairment	Operational Assets						Total Property, Plant & Equipment £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 2016	(4,134)	(7,011)	(23,749)	(9)	(41)	0	(34,944)
Adjustment to Opening Balances	(45)††	0	(682)††	0	0	0	(727)
Revised Depreciation & Impairment as at 1 April 2016	(4,179)	(7,011)	(24,431)	(9)	(41)	0	(35,671)
Depreciation Charge & Appropriations	(4,558)	(1,165)	(3,192)	(1)	27	0	(8,889)
Depreciation written out to the Revaluation Reserve	246	0	0	0	0	0	246
Depreciation written out to the Surplus/Deficit on the Provision of Services	561	0	0	0	0	0	561
Derecognition - disposals	(14)	104	0	0	0	0	90
Accumulated Depreciation & Impairment as at 31 March 2017	(7,944)	(8,072)	(27,623)	(10)	(14)	0	(43,663)
Net Book Value as at 31 March 2017	160,768	4,708	99,226	128	4,872	3,452	273,154
Net Book Value as at 31 March 2016	154,498	5,521	100,808	129	4,879	13,482	279,317
Net Book Value as at 1 April 2015	194,487	2,317	98,437	123	8,126	9,831	313,321



## Movements in 2015/2016:

Property, Plant & Equipment Movements	Operational Assets						Total Property, Plant & Equipment £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 2015	205,010	8,916	119,377	131	8,271	9,831	351,536
Appropriations	3,770	607	2,965	0	(478)	(6,864)	0
Assets reclassified to/from held for sale	(438)	0	0	0	(295)	0	(733)
Additions	0	3,374	2,088	0	0	2,826	8,288
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,592)	0	0	7	(596)	0	(8,181)
Revaluation increases/(decreases) recognised in the Provision of Services	(42,067)	0	0	0	(1,982)	0	(44,049)
Capital expenditure written off	(5,421)	0	(186)	0	0	(16)	(5,623)
Derecognition - disposals	(51)	(365)	0	0	0	0	(416)
Other movements in cost or valuation **	5,421	0	313	0	0	7,705	13,439
Cost or Valuation as at 31 March 2016	158,632	12,532	124,557	138	4,920	13,482	314,261

Property, Plant & Equipment Depreciation & Impairment	Operational Assets						Total Property, Plant & Equipment £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 2015	(10,523)	(6,599)	(20,940)	(8)	(145)	0	(38,215)
Depreciation Charge & Appropriations	(5,034)	(759)	(2,809)	(1)	(95)	0	(8,698)
Depreciation written out to the Revaluation Reserve	5,063	0	0	0	101	0	5,164
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,356	0	0	0	98	0	6,454
Derecognition - disposals	4	347	0	0	0	0	351
Accumulated Depreciation & Impairment as at 31 March 2016	(4,134)	(7,011)	(23,749)	(9)	(41)	0	(34,944)

†(2016/2017): The correction of a revaluation increase relating to previous years has increased the gross book value of Other Land & Buildings by £1.365m.

††(2016/2017): A small number of assets were identified on which no depreciation had been charged in previous years and consequently an adjustment has been made to correct the cumulative understatement of £0.727m.

Notes \* & \*\*: Amounts included in 'Other movements in cost or valuation' relates to capital expenditure incurred during the year, £3.9 million of which has been added to the asset base and £1.8 million of which has been written off as there has been no increase to the asset value in 2016/2017(\*); £7.8 million of which has been added to the asset base and £5.6 million of which has been written off as no increase to the asset value resulted in 2015/2016(\*\*).

## 12. Current Debtors

From 2016/2017, Debtor balances have been re-analysed in accordance with the Accounting Code definitions of current and non-current. This has resulted in the reclassification of current debtors as non-current, as it is not expected that these sums will be recovered within 12 months of the end of the reporting period. Amounts owing to the Group were as follows:

Current Debtors	31 March 2017				31 March 2016			
	Gross Debtors £000	Impairment £000	Prepayments £000	Total Net Current Debtors £000	Gross Debtors £000	Impairment £000	Prepayments £000	Total Net Current Debtors £000
Welsh Government	5,713	(36)	0	5,677	8,723	(27)	0	8,696
Other Central Government	1,292	0	0	1,292	988	(2)	0	986
Local Authorities	2,481	(118)	469	2,832	2,353	(40)	562	2,875
NHS	892	(27)	0	865	531	(7)	0	524
Council Tax Arrears	4,248	(1,933)	0	2,315	4,107	(1,850)	0	2,257
Other Entities and Individuals	5,355	(2,167)	1,347	4,535	7,584	(1,287)	5	6,302
<b>Total Current Debtors:</b>	<b>19,981</b>	<b>(4,281)</b>	<b>1,816</b>	<b>17,516</b>	<b>24,286</b>	<b>(3,213)</b>	<b>567</b>	<b>21,640</b>

## 13. Current Creditors

From 2016/2017, Creditor balances have been re-analysed in accordance with the Accounting Code of practice and Grants Receipts in Advance have been separately disclosed. Amounts owed by the Group were as follows:

Current Creditors	31 March 2017			31 March 2016		
	Creditors £000	Receipts in Advance £000	Total Current Creditors £000	Creditors £000	Receipts in Advance £000	Total Current Creditors £000
Welsh Government	(114)	0	(114)	(232)	(727)	(959)
Other Central Government	(704)	(6)	(710)	(2,302)	0	(2,302)
Local Authorities	(1,923)	(67)	(1,990)	(609)	(94)	(703)
NHS	(252)	(5)	(257)	(84)	(8)	(92)
Capital Creditors	(525)	0	(525)	(1,031)	0	(1,031)
Council Tax Credits	(740)	0	(740)	(729)	0	(729)
Other Entities & Individuals	(7,523)	(364)	(7,887)	(6,517)	(376)	(6,893)
<b>Total Current Creditors:</b>	<b>(11,781)</b>	<b>(442)</b>	<b>(12,223)</b>	<b>(11,504)</b>	<b>(1,205)</b>	<b>(12,709)</b>

## 14. Provisions

Details of the purposes of the Authority's provisions can be found in notes 40.1-40.2, pages 103-105. Silent Valley Waste Services Ltd. hold a provision for Aftercare to provide for estimated costs of maintaining the landfill site after capping works have been completed. The timescale for utilisation of the provision is over a period of 60 years following closure of the site. Due to the timescales involved there are inherent uncertainties regarding the level and value of aftercare works required. Movements in the Group provisions during 2016/2017 were as follows:

Provision Movements	Balance at 1 April 2015 £000	Net Movements 2015/2016 £000	Balance at 1 April 2016 £000	Additional Provisions made in 2016/2017 £000	Amounts Used in 2016/2017 £000	Unused Amounts Reversed in 2016/2017 £000	Unwinding of Discount in 2016/2017 £000	Balance at 31 March 2017 £000
<b>Current Provisions</b>								
<b>Employee Provisions:</b>								
Parent's Employee Provisions	(2,927)	810	(2,117)	(504)	1,953	17	0	(651)
<b>Other Provisions:</b>								
Parent's Other Provisions	(1,532)	(492)	(2,024)	(1,749)	894	183	0	(2,696)
Silent Valley Aftercare	(37)	0	(37)	(320)	187	0	0	(170)
	(4,496)	318	(4,178)	(2,573)	3,034	200	0	(3,517)
<b>Non-Current Provisions</b>								
Parent's Provisions	(387)	(282)	(669)	(1,355)	289	414	0	(1,321)
Silent Valley Aftercare	(3,693)	940	(2,753)	0	0	320	0	(2,433)
	(4,080)	658	(3,422)	(1,355)	289	734	0	(3,754)
<b>Total Provisions:</b>	<b>(8,576)</b>	<b>976</b>	<b>(7,600)</b>	<b>(3,928)</b>	<b>3,323</b>	<b>934</b>	<b>0</b>	<b>(7,271)</b>

## 15. Other Long-Term Liabilities

The Group holds the following balances as long-term liabilities:

Other Long-Term Liabilities	31 March 2017 £000	31 March 2016 £000
Deferred Liabilities	(436)	(583)
Net Pensions Liability	(275,769)	(243,976)
Receipts in Advance	(8)	(11)
Total	(276,213)	(244,570)

## 16. Post-Employment Benefits

Retirement benefits are offered to the Group's employees which, although not actually payable until employees retire, represent a commitment by the Group 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 Group participates in three formal schemes: an independently administered defined contribution scheme for employees of Silent Valley Waste Services Ltd., the Teachers' Pension Scheme administered by Capita Teachers' Pensions and the Local Government Pension Scheme administered by Torfaen CBC. A number of employees of Silent Valley Waste Services Ltd. are members of the Local Government Pension Scheme, of which the company is an admitted body.

### 16.1 Defined Contribution Schemes

#### *Silent Valley*

A defined contribution scheme was established by the Company in November 1995. The assets of the scheme are held separately from the Company in independently administered funds. Employer contributions to this fund are at a rate of between 6% and 12% of members' pensionable earnings.

In 2016/2017, the total pension costs payable in respect of the defined contribution scheme was £0.057m (2015/2016: £0.047m). Outstanding contributions to the scheme at 31 March 2017 were £0 (31 March 2016: £0).

#### *Teachers' Pension Scheme*

Teachers employed by Blaenau Gwent CBC are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions.

Further details of this Scheme and the Authority's contributions can be found in the notes to the Single Entity Core Statements (notes 44 & 45, pages 113-123)

### 16.2 Defined Benefit Scheme

The Local Government Scheme is a funded defined benefit Career Average Revalued Earnings (CARE) scheme, in which the Group 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 2016.

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.

The cost of retirement benefits are recognised in the 'Net Cost of Services' section of the Group Comprehensive Income & Expenditure Statement when those benefits are earned by employees, rather than when the benefits are actually paid as pensions.

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

Pension Scheme Transactions	2016/2017			2015/2016		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
<b>Group Comprehensive Income &amp; Expenditure Statement:</b>						
Cost of Services:						
Current Service Costs	9,957	0	9,957	9,568	0	9,568
Past Service Costs and Curtailments	(279)	0	(279)	761	0	761
Effect of Business Combinations and Disposals	1,617	0	1,617	0	0	0
Administration Expenses	170	0	170	164	0	164
<b>Total Service Cost:</b>	<b>11,465</b>	<b>0</b>	<b>11,465</b>	<b>10,493</b>	<b>0</b>	<b>10,493</b>
Financing and Investment Income and Expenditure:						
Interest on Plan Assets	(9,759)	0	(9,759)	(9,527)	0	(9,527)
Interest on Defined Benefit Liabilities	17,077	1,204	18,281	15,866	991	16,857
<b>Net Interest:</b>	<b>7,318</b>	<b>1,204</b>	<b>8,522</b>	<b>6,339</b>	<b>991</b>	<b>7,330</b>
<b>Total Charged to the Surplus/Deficit on Provision of Services:</b>	<b>18,783</b>	<b>1,204</b>	<b>19,987</b>	<b>16,832</b>	<b>991</b>	<b>17,823</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Return on plan assets (excluding amounts included in Net Interest)	(60,147)	0	(60,147)	17,426	0	17,426
Actuarial (Gains)/Losses arising from changes in demographic assumptions	(13,952)	(2,119)	(16,071)	0	0	0
Actuarial (Gains)/Losses arising from changes in financial assumptions	86,166	4,965	91,131	141	11	152
Experience (Gains)/Losses on defined benefit liabilities	8,101	1,223	9,324	(5,636)	3,302	(2,334)
<b>Total remeasurement recognised in Other Comprehensive Income &amp; Expenditure</b>	<b>20,168</b>	<b>4,069</b>	<b>24,237</b>	<b>11,931</b>	<b>3,313</b>	<b>15,244</b>
<b>Total Charged to the Group Comprehensive Income &amp; Expenditure Statement:</b>	<b>38,951</b>	<b>5,273</b>	<b>44,224</b>	<b>28,763</b>	<b>4,304</b>	<b>33,067</b>
<b>Group Movement in Reserves Statement:</b>						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,745)	(1,204)	(19,949)	(16,797)	(991)	(17,788)
Actual Amount Charged Against Council Tax for Pensions in year:						
Employers' Contributions Payable to Scheme	10,353	-	10,353	10,762	-	10,762
Retirement Benefits Payable to Pensioners	-	1,879	1,879	-	1,868	1,868

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

	2016/2017			2015/2016		
	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000	Local Government Pension Scheme £000	Teachers' Unfunded Discretionary Pensions £000	Total £000
<b>Pension Scheme Assets</b>						
Balance at 1 April:	280,811	0	280,811	290,903	0	290,903
Interest on Plan Assets	9,808	0	9,808	9,572	0	9,572
Administration Expenses	164	0	164	(164)	0	(164)
Employer Contributions	10,552	1,879	12,431	10,819	1,868	12,687
Member Contributions	2,625	0	2,625	2,631	0	2,631
Benefits Paid	(15,172)	(1,879)	(17,051)	(15,462)	(1,868)	(17,330)
Remeasurement Gains/(Losses):						
Return on Plan Assets (excluding amounts included in Interest)	60,309	0	60,309	(17,488)	0	(17,488)
<b>Balance at 31 March:</b>	<b>349,097</b>	<b>0</b>	<b>349,097</b>	<b>280,811</b>	<b>0</b>	<b>280,811</b>
<b>Reconciliation of the Movements in Present Value of Scheme Liabilities</b>						
	£000	£000	£000	£000	£000	£000
Balance at 1 April:	(489,446)	(35,341)	(524,787)	(481,594)	(32,905)	(514,499)
Current Service Cost	(9,957)	0	(9,957)	(9,568)	0	(9,568)
Past Service Cost and Curtailments	279	0	279	(761)	0	(761)
Administration Expenses	(334)	0	(334)	0	0	0
Interest Cost	(17,126)	(1,204)	(18,330)	(15,911)	(991)	(16,902)
Member Contributions	(2,625)	0	(2,625)	(2,631)	0	(2,631)
Benefits Paid	15,172	1,879	17,051	15,462	1,868	17,330
Experience Gains/(Losses)	(8,107)	(1,223)	(9,330)	5,684	(3,302)	2,382
Actuarial Gains/(Losses) arising from changes in demographic assumptions	13,952	2,119	16,071	0	0	0
Actuarial Gains/(Losses) arising from changes in financial assumptions	(86,322)	(4,965)	(91,287)	(127)	(11)	(138)
Effect of Business Combinations and Disposals	(1,617)	0	(1,617)	0	0	0
<b>Balance at 31 March:</b>	<b>(586,131)</b>	<b>(38,735)</b>	<b>(624,866)</b>	<b>(489,446)</b>	<b>(35,341)</b>	<b>(524,787)</b>

The Group's net liability arising from defined benefit scheme obligations can be analysed as follows:

Pension Assets & Liabilities Recognised in the Balance Sheet	31 March 2017 £000	31 March 2016 £000
<b>Present Value of Scheme Liabilities:</b>		
Local Government Pension Scheme	(586,131)	(489,446)
Teachers' Unfunded Discretionary Pensions	(38,735)	(35,341)
<b>Total Present Value of Scheme Liabilities:</b>	<b>(624,866)</b>	<b>(524,787)</b>
<b>Fair Value of Scheme Assets:</b>		
Local Government Pension Scheme	349,097	280,811
Teachers' Unfunded Discretionary Pensions	0	0
<b>Total Fair Value of Scheme Assets:</b>	<b>349,097</b>	<b>280,811</b>
<b>Net Liability:</b>		
Local Government Pension Scheme	(237,034)	(208,635)
Teachers' Unfunded Discretionary Pensions	(38,735)	(35,341)
<b>Total Net Liability arising from Defined Benefit Scheme Obligations:</b>	<b>(275,769)</b>	<b>(243,976)</b>

Entries are included in the Group Balance Sheet for the Group'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 Group has in the long term to pay retirement benefits.

The Group holds total usable reserves of £24.656m at 31 March 2017 (£29.377m at 31 March 2016). The effect of applying the net superannuation fund deficit of £275.769m to the Authority's usable reserves would be a deficit of £251.113m (2015/2016: the superannuation deficit of £243.976m exceeded usable reserves by £214.599m).

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 Pension Scheme is 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).

## 17. Reserves

Details of the Authority's Reserves can be found in note 46, pages 124-134.

The Silent Valley Waste Services Ltd. Profit & Loss Reserve represents the balance of accumulated profit made on trading activities. The transactions and balances on this reserve in the Group Accounts have been adjusted to remove the profit element relating to the Parent.

Movements on the Group Reserves were as follows:

Summary: Group Reserves	Net Transfers			Adjustments	Net Transfers	
	1 April 2015	2015/2016	31 March 2016		2016/2017	31 March 2017
	£000	£000	£000	£000	£000	£000
Council Fund	(5,941)	(518)	(6,459)	184*	836	(5,439)
Silent Valley Profit & Loss Reserve	(2,963)	154	(2,809)	0	244	(2,565)
Parent's Usable Reserves	(22,942)	2,833	(20,109)	(184)*	3,641	(16,652)
<b>Group Usable Reserves</b>	<b>(31,846)</b>	<b>2,469</b>	<b>(29,377)</b>	<b>0</b>	<b>4,721</b>	<b>(24,656)</b>
Parent's Unusable Reserves	61,162	61,211	122,373	(638)**	38,347	160,082
<b>Total: Reserves</b>	<b>29,316</b>	<b>63,680</b>	<b>92,996</b>	<b>(638)</b>	<b>43,068</b>	<b>135,426</b>

Brought Forward Balances were adjusted on 1 April 2016:

(\*) to correct a misposting of costs to Schools Balances, resulting in an increase in Usable Earmarked Reserves and a decrease in the Council Fund of £0.184m; and

(\*\*) to account for a cumulative adjustment of £0.727m to the Capital Adjustment Account in respect of prior period understatement of depreciation relating to specific assets and a further amendment of £1.083m as a result of the correction of a revaluation increase related to previous years.



**Group Cash Flow Notes****18. 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.

**18.1 Non-Cash Movements**

Cash Flow - Adjustments for Non-Cash Movements	2016/2017		2015/2016 (Restated)	
	£000	£000	£000	£000
Depreciation & Impairment	15,780		51,368	
REFCUS (deferred charges)	2,936		7,274	
Effective interest adjustment	38		38	
Net IAS19 charges made for Retirement Benefits	19,949		17,788	
IAS19 Employers Contributions Paid to Pension Fund	(12,393)		(12,625)	
		26,310		63,843
Increase/(Decrease) in Provisions		(329)		(975)
(Increase)/Decrease in Inventories		262		124
(Increase)/Decrease in Revenue Debtors		422		837
Increase/(Decrease) in Revenue Creditors		1,347		(52)
<b>Total</b>		<b>28,012</b>		<b>63,777</b>

\* Restated: Improvements have been made to the process of preparing the single-entity Cash Flow Statement, resulting in adjustments to the entries for IAS19 (pensions) and re-classification of a capital creditor to revenue.

**18.2 Investing or Financing Activities included in the Deficit on Provision of Services**

Cash Flow - Adjustments for Investing & Financing Activities	2016/2017	2015/2016
	£000	£000
(Gain)/Loss on Disposal of fixed assets	(804)	(97)
Capital Grants credited to CIES	(6,047)	(14,945)
<b>Total</b>	<b>(6,851)</b>	<b>(15,042)</b>

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

### 19.1 Investing Activities

The cash flows for investing activities consist of the following:

Cash Flow - Investing Activities	2016/2017			2015/2016 (Restated)		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Purchase of Non-Current Assets	(10,329)			(29,839)		
		(10,329)			(29,839)	
<b>Cash Inflows</b>						
Sale of Non-Current Assets	1,548			421		
Other Receipts from Investing Activities	10,351			15,113		
		11,899			15,534	
<b>Total</b>			1,570			(14,305)

\* Restated: Adjustments have been made to prior-year figures for 'Purchase of Non-Current Assets' and 'Other Receipts from Investing Activities' as a result of the revised process for preparing the Single-Entity Cash Flow Statement.

### 19.2 Financing Activities

The cash flows for financing activities consist of the following:

Cash Flow - Financing Activities	2016/2017			2015/2016		
	£000	£000	£000	£000	£000	£000
<b>Cash Outflows</b>						
Repayments of Amounts Borrowed	(82,837)			(62,413)		
Capital Element of Finance Lease Rental Payments	(259)			(243)		
		(83,096)			(62,656)	
<b>Cash Inflows</b>						
New Loans Raised	7,585			11,683		
New Short Term Loans	74,500			61,991		
Long Term Investments Repaid	30			26		
		82,115			73,700	
<b>Total</b>			(981)			11,044

**20. Cash and Cash Equivalents**

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

Cash and Cash Equivalents	2016/2017 £000	2015/2016 £000
Cash Held by the Authority	43	42
Bank Accounts	9,125	10,510
Short-term investments	2,000	0
<b>Total Cash &amp; Cash Equivalents</b>	<b>11,168</b>	<b>10,552</b>

*Other Group Notes***21. Deferred Taxation**

Deferred tax assets and liabilities are offset where Silent Valley East Service Ltd. has a legally enforceable right to do so. There were no deferred tax movements in the year. There has been no deferred tax asset recognised in respect of losses available for carrying forward which would be available to set against future trading profits, chargeable to corporation tax. There is an unrecognised deferred tax asset of £189,524 (2015/2016: £120,472) in respect of losses for the year.



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