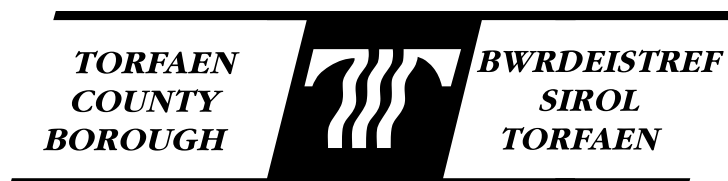


Torfaen County Borough Council

Statement of Accounts 2018/19



Nigel Aurelius, CPFA
Assistant Chief Executive (Resources)

Statement of Accounts 2018/19

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Narrative Report

Introduction

Torfaen County Borough Council's Statement of Accounts provides a record of the Council's financial position for the year. This section of the document supplements the financial information contained in the accounts with the aim of providing an overview of the more significant financial and accounting issues which affected the Council during the year.

Key facts about Torfaen

Torfaen is a unitary council covering an area of 48 miles² along a 12 mile long valley in South East Wales covering the area from the world heritage town of Blaenavon in the north to Cwmbran in the south. Torfaen serves a resident population of around 91,000.



Much of the southern parts of the county borough are now urbanised around Cwmbran, which has the most population of around 49,000. Cwmbran Shopping Centre is the main retail area of Torfaen and attracts 17 million customers a year from the wider area of Gwent and the M4 corridor.

The former industrial town of Pontypool is the next largest settlement located in the heart of the borough with around a 36,000 population.

Blaenavon has a population of around 6,000 and is the most northerly settlement in the borough. In 2000, UNESCO inscribed the Blaenavon Industrial Landscape as a World Heritage Site. Blaenavon is famous for the Big Pit coal mining museum and Europe's best preserved 18th century ironworks.

The majority of the Council's administrative functions are located in Pontypool.

Political and management structure

The Council uses a Leader and Cabinet (Executive) governance model, with Cabinet comprised of eight elected members, who each have lead responsibility for an area of the Council's business, including the Leader. Council determines the Authority's policy framework and budget and other constitutional functions. Below Cabinet and Council there are a number of committees and panels that fulfil various scrutiny, statutory oversight and regulatory functions.

There are 44 locally elected councillors representing 24 wards who sit on the various committees of the Council, the current political make-up (at 31 March 2019) of the Council is 27 Labour, 12 Independent and 5 Conservative councillors.

The Cabinet and elected members are supported by the Council's Senior Leadership Team which is led by the Chief Executive. For management purposes the Council's operations are organised into Service Areas each of which report to the Chief Executive. The Service Areas as at March 2019 (with a brief overview of their functions) are:

- **Education** (Schools and Early Years provision, Youth and Play Services, Safeguarding, the client management of the Education Achievement Service and Torfaen Leisure Trust)
- **Social Care & Housing** (Children's Social Care including Family Support, Adoption & Foster Care, Looked After Children, Housing Strategy, Housing Options, Housing-related Support, Assessment & Care Management, Personal Care & Safeguarding, Day & Domiciliary Activities, Community Regeneration and Community Meals)
- **Neighbourhoods** (Economic Development, Employment Services, Adult Learning, Streetscene, Waste, Planning & Building Control, Highways & Transport, Culture, Tourism, Libraries, Sports & Outdoor Recreation, Environmental Health, Environmental Services, Licensing & Enforcement, and Cemeteries)
- **Public Services Support Unit** (Community Safety, Information Management, and Senior Information Risk Owner (SIRO))
- **Corporate Resources** (Procurement, Finance, Audit, Legal Services, Asset Management, Commercial Estates, Strategic HR, Payroll, Employee Services, Revenues & Benefits, Customer Services and Pensions)
- **Chief Executive's Services** (Strategic Management, Transformation, Communications, Policy Making, Digital Services, Committee and Member Support, Elections and Administrative Support).

These services are supported in their service delivery by the SRS (BS), a joint Information Technology service that provides ICT services to Torfaen, Blaenau Gwent, Monmouthshire and Newport Councils and Gwent Police.

The Council's corporate aims and objectives

The Council's strategic direction is shaped by its over-arching corporate vision and its aims and priorities. Council policies and decision-making are made with these goals in mind. The current Corporate Plan (CP3) is the key strategic document that guides how Torfaen Council delivers its services up to 2021.

The Corporate Plan sets out the three areas the council believes will create a fairer future where everyone has the opportunity to lead healthy, independent lives regardless of who they are or where they live, where young people receive the best possible standard of education and where everyone maintains cleaner and greener communities. These priorities recognise the challenges facing Torfaen residents as a consequence of the reductions in public services expenditure and demand for services. The three priorities are:

- A clean and green Torfaen
- Raising educational attainment
- Support for Torfaen's most vulnerable residents

The main accounting statements: The accounts within this document contain two main sections:

- The **first section** covers the main financial statements. An explanation of each is provided at the beginning of each statement.
- The **second section** covers the notes that support the main financial statements.

Torfaen Council's share of the transactions and balances of Joint Committees, and other joint arrangements it is involved in are incorporated into the main financial statements. Further details are provided in the Joint Operations (JOPs) note on page 46. Separate statements of accounts are produced for all Joint Committees, and in addition the Greater Gwent (Torfaen) Pension Fund. The accounts for the Greater Gwent (Torfaen) Pension Fund can be obtained at the following website:

<https://www.torfaen.gov.uk/en/CouncilTaxAndBenefits/LocalGovernmentPensionScheme/The-Local-Government-Pension-Scheme.aspx>

Within the Statement of Accounts, the Comprehensive Income & Expenditure Statement (CIES) sets out the Council's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Movement in Reserves Statement (MiRS) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Council's reserves. The Balance Sheet summarises the value, as at the Balance Sheet date, of the assets, liabilities and reserves recognised by the Council.

Financial Performance for the Year Revenue Budget for 2018/19

Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserves.

The Council's 2018/19 budget was approved in February 2018 with a £267.8 million gross revenue budget for the provision of day to day services, which was financed from £94.8 million of service specific government grants and fees and charges for services. The net budget of £173 million was funded by £131.5 million of unhypothecated funding from Welsh Government and £41.5 million by Council Tax.

The 2018/19 revenue out-turn has produced an underspend position of £2.2 million against the approved budget which is outlined in the table overleaf. The principal areas of budget variation relate to overspending positions in Childrens Social Care, School Catering & Building Cleaning services, Torfaen Training, and non-achieved savings, which were subject to continued communication throughout 2018/19. In relation to the adverse positions, £692,000 has been funded by the application of service specific reserves; whilst the underspends relating to Education and ICT have been added to the respective service and corporate reserves. The revenue budget has benefited in a one-off manner by £2.6 million, through the application of the new accounting standard (IFRS 9). Note 17 Financial Instruments on page 59 provides more information. The residual net underspend of £2.6 million allowed the transfer of £1 million to the corporate redundancy reserve, £750,000 to a new change reserve (that will support the corporate transformation programme) and £842,000 to the general fund balance. Further details on the out-turn position are provided in the June Cabinet report.

Statement of Accounts 2018/19

The revenue performance of the Council is summarised as follows:

	Working Budget £000s	Actual spend £000s	Variance £000s	Transfer to / (from) Service Reserves £000s	Variance after balance Transfers £000s
Education Services	68,783	68,593	(190)	190	0
Social Care and Housing	44,340	45,090	750	(497)	253
Neighbourhood Services	17,929	18,302	373	(195)	178
Public Services Support Unit	984	979	(5)	0	(5)
Information Technology	2,903	2,834	(69)	69	0
Resources	5,979	5,965	(14)	0	(14)
Chief Executive's Services	5,773	5,728	(45)	0	(45)
Capital Finance	10,872	8,111	(2,761)	0	(2,761)
Council Tax Reduction Scheme	8,793	8,793	0	0	0
South Wales Fire Service Levy	4,307	4,307	0	0	0
Corporate Property Maintenance	873	884	11	0	11
Corporate Mitigations	(520)	0	520	0	520
Early prevention and intervention	352	352	0	0	0
Other	1,632	903	(729)	0	(729)
Net cost of services	173,000	170,841	(2,159)	(433)	(2,592)
Contributions to corporate reserves					1,750
Net Revenue position contributing to the General Fund					(842)
Add back use of general fund in year included in management accounts					864
Movement in General Fund balance					22

In providing its day to day services the Council incurred a gross actual spend of £269.9 million comprising employee costs of £124.0 million, running costs of £137.6 million and capital costs of some £8.3 million. To fund these costs the Council received £40.6 million from fees, charges and other income, £41.5 million from Council Tax and £190.9 million from Government grants.

The cost of services in the preceding table and the figures above are reported on a management accounting basis, i.e. the same basis as the budget reports used for internal reporting during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) of £195.04 million is different to the £170.84 million in the table, because it is prepared on a financial accounting basis, which is specified by accounting guidelines. Note 6 starting on page 38 shows how the figures reconcile.

Level of general and specific reserves/balances: The following table summarises the Council's general and service area balances, together with corporate reserves and provisions. Further information on these can be found in Section Two – Notes to the Main Financial Statements.

Reserves & Provisions	31 March 2016 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2019 £000s
Council Fund Balance	5,518	5,754	5,394	5,372
Service Area Balances	5,012	4,196	3,269	2,075
School Balances	2,212	2,141	2,042	2,897
Insurance Reserves & Provisions	3,096	2,867	3,061	2,727
Corporate Reserves	3,518	3,972	5,388	6,950
Provisions (excluding insurance)	60	7	7	0

Capital spending: In addition to the revenue spending outlined earlier the Council also spent £30.8 million on its assets as follows:

2017/18			2018/19	
£000s	%		£000s	%
13,221	59.8	Education	24,103	78.3
3,325	15.0	Transport	2,343	7.6
1,988	9.0	Regeneration & Economic Development	2,080	6.8
1,477	6.7	City Deal	751	2.4
5	0.1	Libraries, Culture, Sport and Recreation	0	0
1,829	8.3	Renovation and Disabled Facility Grants	1,284	4.2
252	1.1	Social Care and Housing	221	0.7
22,097	100.0	Total	30,782	100.0

The sources of funding of the capital spend were £2.7 million from Government approved borrowing, £5.4 million from prudential borrowing, £20.5 million of specific grants and other contributions received, £0.2 million in contributions from revenue, and £2 million in capital receipts.

Our 2018/19 capital programme included spending on schools, roads and footpaths, and maintaining and developing our buildings. We continued to implement Band A of the 21st Century Schools Programme, which encompassed the redevelopment of Penygarn Primary School and the commencement of works at the new Croesyceiliog Comprehensive School and the new consolidated Post 16 College. The Council also made its contribution to the Cardiff Capital Region City Deal.

The 2018/19 capital programme experienced £7.8 million of slippage, with £3.2 million relating to the 21st Century Schools Programme that arose due to the refinement of project timings. Other slippage included £345,000 arising from additional pre scheme design of The British project. Separately the Council also received additional grant resources from Welsh Government which released funding that had been previously committed in the capital programme. The schemes affected by slippage and the additional resource have been rescheduled and will be carried forward into 2019/20 and later years along with the associated funding.

Significant capital receipts: The most significant capital receipts received in 2018/19 were £1.5 million for the former Llantarnam Comprehensive School site, £0.40 million for a unit factory at Gilchrist Thomas Industrial Estate, and £0.18 million for unit factories at Ty Coch Way Industrial Estate. All other receipts, totalling £0.135 million, were individually under £40,000. The Council currently ring fences all capital receipts to support Band A of its 21st Century Schools development programme.

Revaluation of non-current assets: The Council has a policy of revaluing all assets every five years on a rolling programme. During 2018/19 secondary schools, Crownbridge Special School, Blaenavon World Heritage Centre, Pontypool Museum, Llanyravon Manor and a homeless hostel were revalued. The programme for subsequent years is as follows:

- 2019/20 – community halls, offices, civic centre, Ty Blaen depot, household waste recycling centre, indoor market;

- 2020/21 – land parcels, grazing land, car parks, libraries, and Greenmeadow Community Farm.
- 2021/22 – Leisure centres, recreation and sports grounds, golf course and boating lake.

In addition to this rolling asset revaluation programme, an annual review is also undertaken of our assets for any significant changes in their use.

During 2018/19 the gross value of our assets has decreased from £417.8 million to £416.3 million, arising from recognising the in-year asset enhancing spend of £22.5 million; the rolling programme of revaluations in 2018/19 decreasing their held value by £21 million; and the sale of assets valued at £3 million. Further details of these reviews are outlined in note 13.3 on page 53.

Borrowing arrangements and sources of funds: The Council's overall borrowing, on a principal valuation basis, totalled £124.8 million as at 31 March 2019 (£127.7 million 31 March 2018), as follows:

31 March 2018 £000s		31 March 2019 £000s
57,744	Public Works Loan Board (PWLB)	76,244
46,000	Banks	46,000
2,508	Other sources	2,560
21,400	Temporary borrowing (<i>for year-end cash flow requirements</i>)	0
127,652	Total	124,804

Further information is disclosed in note 17 on page 59. The Council continued to operate within its limits as set according to the Local Government Act 2003 and the CIPFA Prudential Code.

Collection of Council Tax and Non-Domestic Rates: The Council Tax bill for Torfaen County Borough Council in 2018/19 was £1,241.61 for properties in valuation Band D (£1,183.05 for 2017/18). We collected 96.8% in year of the total due (96.4% 2017/18). Our collection rate for Non-Domestic Rates decreased to 96.6% in 2018/19 (97.4% in 2017/18). During the year £117,208 Council Tax and £301,070 Non-Domestic Rates' debts were written off (£75,632 and £227,787 in 2017/18).

Explaining the pension liability: We must state the cost of paying retirement pensions when we become committed to the costs, not when we actually pay them. An Actuary estimates this figure for us, and 2018/19 shows a net liability of £363 million (£297 million in 2017/18). This figure will vary each year depending on the Actuary's assumptions, and over the year to 31 March 2019 the financial cost assumptions have worsened and only been partially offset by greater than expected investment returns. Note 38 shows a comparison of the assumptions. The date of the next actuarial valuation is 31 March 2019. This will update the employers' contribution rates from April 2020.

In **Looking to the future** the Council continues, like all Local Authorities, to be facing rising demands for its services and constraints on resources from the Welsh Government. The following outlines the anticipated factors that will affect the Council's medium term financial planning.

Details regarding the 2019/20 budget and Council's latest Medium Term financial projections were considered by Council in March 2019. The documents can be obtained via the following website:

<http://modern.gov.torfaen.gov.uk/ieListDocuments.aspx?CId=137&MId=2893&Ver=4>

2019/20: In setting its 2019/20 revenue budget the Council approved £3.5 million (excluding schools) of savings measures to ensure that an approved budget is delivered, whilst also setting an annual Council Tax increase of 5.95%. This change in Council Tax increased the annual Band D charge by £73.88 to £1,315.49. This ranked the Council as the 10th lowest out of the 22 Welsh local authorities for the Band D Council Tax per dwelling.

The Medium Term: In March 2019 Council approved its latest Medium Term Financial Plan (MTFP) (2020 to 2024), and this identified a further £19.5 million financial challenge to be addressed to ensure that balanced positions are achieved over the term of the plan. These challenging projections arise from:

- 1) Rising demand for, and the cost of services and associated pay related and pensions pressures. This is estimated to be £26.3 million over the duration of the MTFP.
- 2) Policy choice considerations of bringing in house a further element of the Council's Domiciliary Care service.
- 3) An annual modelled increases to Council Tax, which introduces funding of £7.4 million.
- 4) The level of unhypothecated Welsh Government funding has been assumed to remain at a constant over the life of the MTFP.
- 5) That where external funding is ending those services currently supported will cease unless replacement external funding is secured.

In looking to address the projected shortfall the Council is developing a whole Council approach, through reviewing all aspects of service delivery with a view to identifying alternative approaches and service efficiencies.

In respect of the Council's **Forward Capital Programme** this has been constructed to principally support the three policy frameworks of the 21st Century Schools programme, Disabled Facilities Grants and asset protection, whilst also ensuring Torfaen only invests money in assets that we are likely to retain. We plan to invest a further £57.79million over the next five years.

Cardiff Capital Region City Deal (CCRCDD)

The Council continues to be an active member of the Cardiff Capital Region City Deal initiative, which will investment £1.2 billion into the wider area over a 20 year period. This investment comprises the £734 million METRO scheme managed by the Welsh Government and the wider £495 million Investment Fund, comprising the ten constituent councils. In relation to the investment fund the Council will make a 6.1% contribution to the required £120 million fund based upon its proportion of the regional population, and fund the annual costs of

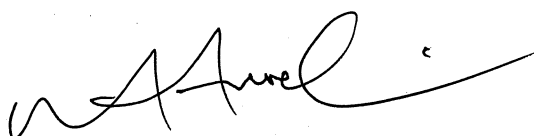
this investment. A capital contribution of £0.75m was made in 2018/19. The Investment fund is the responsibility of the CCRC Regional Cabinet.

Brexit

There continues to be a high degree of uncertainty about the impact of the decision for Britain to leave the European Union. The Council continues to monitor and risk manage the possible impact of the exit agreement negotiations, however, at the present moment the Council has concluded that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.

The Council is required to produce an **Annual Governance Statement**, a formal statement that covers all significant corporate systems, processes and controls. It is scrutinised by the Audit Committee before approval by Council and is signed by the Chief Executive and the Leader of the Council.

If you need more information: You can get more information about our accounts from the Assistant Chief Executive (Resources), Torfaen County Borough Council, Civic Centre, Pontypool, Torfaen NP4 6YB. Our accounts will also be available on the Council's internet site.



Nigel Aurelius, CPFA
Assistant Chief Executive (Resources)

Presiding Member at Council Certificate

I can confirm that the Council approved the Statement of Accounts on 25 June 2019.



Councillor Jessica Powell, 25 June 2019

Hyperlinked Documents

It should be noted that the hyperlinked documents within the Narrative Report do not fall within the scope of the audit of the financial statements.

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council 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 Council, that officer is the Assistant Chief Executive (Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Assistant Chief Executive (Resources)'s Responsibilities

The Assistant Chief Executive (Resources) is responsible for the preparation of the Council'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 Assistant Chief Executive (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 Assistant Chief Executive (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.

The Assistant Chief Executive (Resources)'s Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of Torfaen County Borough Council at the accounting date and its income and expenditure for the year ended 31 March 2019.

Signed:



Nigel Aurelius, CPFA
Assistant Chief Executive (Resources)
Date: 25 June 2019

The Independent Auditor's Report of the Auditor General for Wales to the Members of Torfaen County Borough Council

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Torfaen County Borough Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Torfaen County Borough Council financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

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 2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Torfaen County Borough Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019.

Basis for opinion

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 council 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise

explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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 financial 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.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.



Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date: 8 August 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Electronic publication of financial statements

The maintenance and integrity of the Torfaen County Borough Council website is the responsibility of the Council. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the web site.

Section One –

The Main Financial Statements

These financial statements replace the unaudited financial statements certified by Nigel Aurelius on 10 May 2019.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (note 6) and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

31 March 2018 (Restated)*1				31 March 2019			Notes
Expenditure £000s	Income £000s	Net £000s		Expenditure £000s	Income £000s	Net £000s	
103,142	(19,965)	83,177	Education Services	107,832	(20,760)	87,072	
69,757	(23,747)	46,010	Social Care and Housing	71,069	(22,748)	48,321	
45,290	(18,262)	27,028	Neighbourhood Services	47,339	(19,077)	28,262	
1,620	(486)	1,134	Public Services Support Unit	1,675	(512)	1,163	
3,040	0	3,040	Information Technology	3,078	(116)	2,962	
43,958	(35,149)	8,809	Resources	41,465	(31,758)	9,707	
7,137	(132)	7,005	Chief Executive's Services	6,604	(121)	6,483	
8,443	0	8,443	Council Tax Reduction Scheme	8,793	0	8,793	
975	(63)	912	Corporate Property Maintenance	782	0	782	
41	0	41	Early Prevention and Intervention	443	0	443	
1,429	(616)	813	Other Services	1,996	(946)	1,050	
284,832	(98,420)	186,412	Cost of Services	291,076	(96,038)	195,038	6a,6b
			<u>Other Operating Expenditure</u>				
1,462	0	1,462	Precepts - Community Councils	1,529	0	1,529	
7,582	0	7,582	Precept - Police and Crime Commissioner for Gwent	7,975	0	7,975	
4,260	0	4,260	Levy - South Wales Fire Authority	4,307	0	4,307	
117	0	117	Levy - Home Office - Coroners Courts	108	0	108	
8,077	(2,807)	5,270	(Gain)/Loss on disposal of non-current assets	8,769	(2,933)	5,836	
			<u>Financing and Investment Income and Expenditure</u>				
5,997	0	5,997	Interest payable and similar charges	6,023	0	6,023	17a
0	(91)	(91)	Interest and investment income and expenditure	0	(196)	(196)	17a
18,280	(10,405)	7,875	Net interest on the net pension liability (asset)	19,380	(11,247)	8,133	
0	(451)	(451)	Changes in the fair value of investment properties	0	(641)	(641)	
688	(1,732)	(1,044)	Income/expenditure related to investment properties	663	(1,791)	(1,128)	
140	(207)	(67)	(Gain)/Loss on trading operations – controlled server	125	(207)	(82)	
			<u>Taxation and Non-Specific Grant Income</u>				
0	(11,337)	(11,337)	Recognised capital grants and contributions	0	(20,720)	(20,720)	12
0	(48,241)	(48,241)	Council Tax	0	(50,962)	(50,962)	11
0	(29,607)	(29,607)	Non-Domestic Rates (NDR)	0	(29,298)	(29,298)	12
0	(99,424)	(99,424)	Revenue Support Grant (RSG)	0	(102,245)	(102,245)	12
331,435	(302,722)	28,713	(Surplus)/Deficit on Provision of Services	339,955	(316,278)	23,677	
		(195)	(Surplus)/deficit on revaluation of non-current assets			(2,129)	27a
		(19,406)	Re-measurements re pension net liability (asset)			48,932	
		(19,601)	Other Comprehensive Income and Expenditure			46,803	
		9,112	Total Comprehensive Income and Expenditure			70,480	

*1 Refer to Note 40 for an explanation of the restatement.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting.

Movement in Reserves Statement for the year ended 31 March 2019

Movement in Reserves Statement for the year ended 31 March 2019	Council Fund Balance	Corporate Earmarked Reserves and Service Area Balances (note 25)	Total Council Fund	School Balances (note 26a)	Capital Receipts Reserve (note 26b)	Capital Grants Unapplied	Total Usable Reserves (notes 25 & 26)	Unusable Reserves (note 27)	Total Reserves	Total JOPs Reserves (note 10)	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2018	5,394	10,759	16,153	2,042	8,483	2,490	29,168	(98,844)	(69,676)	848	(68,828)
Movement in reserves during 2018/19											
Total Comprehensive Income and Expenditure	(24,474)	0	(24,474)	855	0	0	(23,619)	(46,791)	(70,410)	(70)	(70,480)
Adjustments between accounting basis and funding basis under regulations (note 8)	24,114	0	24,114	0	1,096	1,904	27,114	(27,114)	0	0	0
Net increase/(decrease) before transfers to Reserves	(360)	0	(360)	855	1,096	1,904	3,495	(73,905)	(70,410)	(70)	(70,480)
Transfers to/(from) Earmarked Reserves	338	(338)	0	0	0	0	0	0	0	0	0
Increase/(decrease) in Year	(22)	(338)	(360)	855	1,096	1,904	3,495	(73,905)	(70,410)	(70)	(70,480)
Balance at 31 March 2019 carried forward	5,372	10,421	15,793	2,897	9,579	4,394	32,663	(172,749)	(140,086)	778	(139,308)

Split of Joint Operations (JOPs) Reserves between Usable and Unusable to reconcile to totals shown on the Balance Sheet

	Usable Reserves	Unusable Reserves		JOPs Reserves	Total Reserves
Incorporate JOPs Reserves	481	297		778	
Balance at 31 March 2019 carried forward	33,144	(172,452)			(139,308)

Statement of Accounts 2018/19

Movement in Reserves Statement for the year ended 31 March 2018	Council Fund Balance	Corporate Earmarked Reserves and Service Area Balances (note 25)	Total Council Fund Balances	School Balances (note 26a)	Capital Receipts Reserve (note 26b)	Capital Grants Unapplied	Total Usable Reserves (notes 25 & 26)	Unusable Reserves (note 27)	Total Reserves	Total JOPs Reserves (note 10)	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s

Balance at 31 March 2017	5,754	9,507	15,261	2,141	6,329	112	23,843	(84,194)	(60,351)	635	(59,716)
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Movement in reserves during 2017/18											
Total Comprehensive Income and Expenditure	(28,815)	0	(28,815)	(99)	0	0	(28,914)	19,589	(9,325)	213	(9,112)
Adjustments between accounting basis and funding basis under regulations (note 8)	29,707	0	29,707	0	2,154	2,378	34,239	(34,239)	0	0	0
Net increase/(decrease) before transfers to Reserves	892	0	892	(99)	2,154	2,378	5,325	(14,650)	(9,325)	213	(9,112)
Transfers to/(from) Earmarked Reserves	(1,252)	1,252	0	0	0	0	0	0	0	0	0
Increase/(decrease) in Year	(360)	1,252	892	(99)	2,154	2,378	5,325	(14,650)	(9,325)	213	(9,112)
Balance at 31 March 2018 carried forward	5,394	10,759	16,153	2,042	8,483	2,490	29,168	(98,844)	(69,676)	848	(68,828)

Split of Joint Operations (JOPs) Reserves between Usable and Unusable to reconcile to totals shown on the Balance Sheet

	Usable Reserves	Unusable Reserves		JOPs Reserves	Total Reserves
Incorporate JOPs Reserves	547	301		848	
Balance at 31 March 2018 carried forward	29,715	(98,543)			(68,828)

Balance Sheet

The Balance Sheet summarises the Council's financial position as at 31 March 2019. It shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories, either usable or unusable.

Balance Sheet as at 31 March 2019

31 March 2018 £000s		31 March 2019 £000s	Notes
314,650	Property, Plant and Equipment	314,145	13
1,011	Heritage Assets	1,376	14
14,453	Investment Property	14,966	15
40	Long Term Investments	40	17
117	Long Term Debtors	190	
330,271	Long Term Assets	330,717	
8,004	Short-term Investments	19,007	17
636	Inventories	615	
28,331	Short Term Debtors	23,954	19
5,671	Cash And Cash Equivalents	(2,278)	20
4,047	Assets Held for Sale	1,435	21
46,689	Current Assets	42,733	
(24,256)	Short Term Borrowing	(6,035)	17
(16,283)	Short Term Creditors	(20,256)	22
(208)	Grants Receipts in Advance-Revenue	(274)	12
(1,942)	Provision for Accumulated Absences	(1,865)	27e
(42,689)	Current Liabilities	(28,430)	
(915)	Long term Creditors	(848)	
(1,410)	Provisions	(1,677)	23
(103,597)	Long Term Borrowing	(118,550)	17
(297,177)	Other Long Term Liabilities	(363,253)	24
(403,099)	Long Term Liabilities	(484,328)	
(68,828)	Net Liabilities	(139,308)	
(5,394)	Council Fund	(5,372)	MiRS
(3,269)	Council Fund - Service Area Balances	(2,075)	25
(7,490)	Corporate Earmarked Reserves	(8,346)	25
(547)	Earmarked Reserves - JOPs	(481)	10
(2,042)	School Balances	(2,897)	26a
(8,483)	Capital Receipts Reserve	(9,579)	26b
(2,490)	Capital Grants Unapplied	(4,394)	
(29,715)	Usable Reserves	(33,144)	
(75,532)	Revaluation Reserve	(71,898)	27a
297,015	Pensions Reserve	363,073	27d
(126,939)	Capital Adjustment Account	(124,657)	27b
2,057	Financial Instruments Adjustment Account	4,069	27c
1,942	Short Term Accumulating Absences Account	1,865	27e
98,543	Unusable Reserves	172,452	
68,828	Total Reserves	139,308	

Cash Flow Statement

The Cash Flow Statement shows the changes in the cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Cash Flow Statement for 2018/19

2017/18 £000s		2018/19 £000s	Notes
(28,713)	Net surplus or (deficit) on the provision of services	(23,677)	
44,241	Adjustments to net surplus or deficit on the provision of services for non-cash movements	57,921	28
(5,647)	Reversal of operating activity included in the net surplus or deficit on the provision of services that are shown separately	(14,729)	29
(5,690)	Interest paid and interest and dividends received	(5,991)	
4,191	Net cash flows from operating activities	13,524	
(5,687)	Investment Activities	(18,017)	30
225	Financing Activities	(3,456)	31
(1,271)	Net increase or decrease in cash and cash equivalents	(7,949)	
6,942	Cash and cash equivalents at the beginning of the reporting period	5,671	
5,671	Cash and cash equivalents at the end of the reporting period	(2,278)	20

Section Two –

Notes to the Main Financial Statements

Notes to the Financial Statements

1. Accounting Policies

a) General Principles

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended) in accordance with proper accounting practices. These practices, under Section 21 of the Local Government Act 2003, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS). These accounts have been prepared principally on an historical cost basis, modified by the revaluation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis. The financial statements are presented in UK pounds.

b) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised in line with the new IFRS 15 – Revenue from Contracts with Customers, which provides a single, principles-based five-step model to determine how and when to recognise revenue from contracts with customers. In essence it means recognition occurs when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Due to the nature of the income relevant to the Council the application of the new standard did not have any material impact in relation to revenue recognition. 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 flow 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 is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

c) Tax Income (Council Tax and Non-Domestic Rates (NDR))

Non-Domestic Rates (NDR)

The Council collects NDR on behalf of the Welsh Government and pays the money collected from local businesses into the Welsh Government National Pool. This is then re-distributed back to Councils on the basis of a fixed amount for every person living in their area. It is in substance an agency arrangement. It therefore follows that:

- i) NDR income is not the income of the Council (the billing authority), and is therefore not included in the Comprehensive Income and Expenditure Statement. Only the cost of collection allowance received by the Council is the billing authority's income and is included.
- ii) NDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are not recognised in the Balance Sheet.
- iii) The difference between the cash collected from NDR taxpayers and the amount paid into the NDR national pool is included within financing activities in the Cash Flow Statement.

Council Tax

All Council Tax income is included in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. Council Tax debtors or creditors and impairment allowance for doubtful debts are wholly included in the Balance Sheet.

d) Cash and cash equivalents

Cash includes any cash in hand, overnight deposits and bank overdrafts. Cash equivalents must be readily convertible to known amounts of cash with insignificant risk of change in value and refer to instant access call accounts such as Money Market Funds. Any other short term investment deposits are excluded from cash and cash equivalents, and are included in current assets. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

e) Employees Benefits

The Code requires the Council to account for all employee benefits as they are earned by the employee.

Benefits payable during employment:

(i) Short term employee benefits

Short term employee benefits are those that the Council expects to be settled within 12 months of Balance Sheet date. They include salaries and wages accrued up to the Balance Sheet date, and paid annual leave earned but not yet taken at the Balance Sheet date. The benefit is recognised as an expense in the year service is provided. An accrual is made for the cost of holiday entitlements (or any form of leave where material). The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Comprehensive Income and Expenditure Statement, 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.

(ii) Other long term employee benefits

The Council does not pay long term disability or injury benefits outside of the pension arrangements. Therefore, the Council accounts for them in the same way as 'defined benefit post employment benefits' as described below in Post Employment Benefits.

Termination Benefits

These are employee benefits payable as a result of:

- A decision by the Council to terminate an employee's employment before normal retirement date, or
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

It should be noted that if voluntary early retirement occurs under the pension scheme rules it is not a 'termination benefit' and instead is treated as a 'post employment benefit'. The recognition point is the earlier of a) the date at which the Council cannot withdraw an offer b) the date the Council recognises costs for a restructuring that involves the payment of termination benefits. The Council recognises as a liability and expense both lump sum redundancy payments and any enhancements of retirement benefits which result in a phased payment of 'strain' costs to the Pension Fund.

Post Employment Benefits

Employees of the Torfaen County Borough Council can be members of one of two separate pension schemes:

Local Government Pension Scheme

The Council provides employment benefits (retirement lump sums and pensions) to employees (other than teachers) via the Local Government Pension Scheme (LGPS). This is a funded pension scheme meaning that the employer and employee pay contributions which are invested in a separate fund. This scheme is accounted for in accordance with the Code's requirements for defined benefit plans.

The liabilities of the Greater Gwent (Torfaen) Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is 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 estimates of projected earnings for current employees. The liabilities are discounted to their value at current prices using the rate of return on high quality corporate bonds.

The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Council are included in the Balance Sheet at their fair value as calculated by the actuary.

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

Service cost comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated to the respective service lines within the Comprehensive Income and Expenditure Statement.
- past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to Non-Distributed Costs within the Other Services line of the Comprehensive Income and Expenditure Statement.
- net interest - the net interest expense for the Council calculated on both its liabilities and assets - it reflects the change in the net benefit liability (asset) that arises from the passage of time and is charged to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

Re-measurements comprising:

- the return on plan assets - would only apply to amounts excluding net interest on the defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated his assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Greater Gwent (Torfaen) Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Teachers Pension Scheme

The Council and our employees who are teachers pay contributions to the Teachers Pension Scheme. This is a national scheme administered by the Teachers Pension Agency. The arrangements mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teacher's Pensions in the year.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits (LGPS and Teachers' schemes). Any liabilities estimated to arise as a result of such an award to any member of staff (including teachers) are described as 'unfunded liabilities,' and are accrued in the year of decision to make the award. Our Actuary works out the value of these for the Balance Sheet. The Comprehensive Income and Expenditure Statement shows the past service cost arising from these. There are no investment assets built up to meet these liabilities and cash has to be generated to meet payments as they fall due.

f) Events after the Reporting Period

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types:

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

g) Changes in Accounting Policies

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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless the Code stipulates particular transitional arrangements) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

h) Financial Instruments

Financial liabilities

The Councils' financial liabilities are initially measured at fair value, which equates to cost, and carried at their amortised cost, which equates to principal amount borrowed plus accrued interest amended for any further adjustments such as effective interest rate calculations for stepped interest rate loans. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable on loans are based on the carrying amount of the loan, multiplied by the effective rate of interest for that loan.

For most of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Premiums/Discounts

Where premiums and discounts have been incurred regulations allow the impact on the Council Fund Balance to be spread over future years. The Council has a policy of spreading any premiums over the term that was remaining on the loan against which the premium was payable and discounts are spread over a minimum period equal to the outstanding term of the repaid loan or 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Guarantee

Financial guarantee contracts are arrangements whereby the Council agrees to reimburse the holder for a loss it would incur if the specified debtor failed to make the necessary loan repayments.

Financial assets

Under IAS39, the Council's investments were referred to as 'financial assets', and were classified as loans and receivables or available-for-sale.

Loans and receivables have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and subsequently carried at their amortised cost. Interest income received in the Comprehensive Income and Expenditure Statement is based on the carrying amount of the investment multiplied by the effective rate of interest for that investment. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the investment agreement. The interest on financial assets (investments) is included within current assets in the Balance Sheet.

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. These fair values are based on public price quotations where there is an active market for the instrument. Where fair value cannot be measured reliably, the instrument is carried at cost. Where there are no fixed or determinable payments any related income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

With the adoption of IFRS 9, financial assets are recognised when the Council becomes party to the contractual provision of the financial instrument or, in the case of trade receivables,

when the goods have been delivered. IFRS 9 introduces a principle-based approach to the classification of financial assets.

Under this new standard, the classification of financial assets are now, not only determined by their characteristics, but also by the investment strategy or business model under which the asset has been acquired.

Business models refer to how groups of financial assets are managed in order to generate cash flows and achieve business objectives. There are three models:-

1. The 'to collect contractual cash flows' model i.e. fixed term investments, notice accounts. These are classified as Amortised Cost.
2. The 'to collect contractual cash flows and sell' model. These are classified as 'Fair Value through Other Comprehensive Income'.
3. The 'to sell' model i.e. Money Market Funds (MMFs). These are classified as 'Fair Value through profit/loss'.

This Council predominantly follows model 1 above but also uses low risk MMFs.

Under model 1, financial assets are classified as Amortised Cost (previously Loans & Receivables). Under model 3, financial assets are classified as Fair Value through Profit & Loss. The classification is determined at the time of initial recognition.

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivable, loans receivable, and other simple debt instruments.

Financial assets classified as at Amortised Cost are initially measured at fair value and subsequently carried at their amortised cost. Interest income received in the Comprehensive Income and Expenditure Statement is based on the carrying amount of the investment multiplied by the effective rate of interest for that investment. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the investment agreement. The interest on financial assets (investments) is included within current assets in the Balance Sheet.

Fair value through profit and loss assets are measured using quoted market prices i.e. 'marked to market' and shown at fair value on the balance sheet. All gains and losses including changes in the fair value are shown in the Comprehensive Income & Expenditure Statement.

Soft loans

A soft loan is a loan which carries a favourable rate of interest compared to current market rates. The fair value of the loan shall be determined as the net present value of the future cash payments discounted using the prevailing market rate of interest at which the Council could borrow for a loan with similar terms - the PWLB rate is considered appropriate. Subsequent accounting will require the loan's effective interest rate to be used which is then reversed to the Financial Instruments Adjustment Account.

Impairment of Financial Assets under IAS39

At each Balance Sheet date the Council assesses whether there is any objective evidence that an investment (financial asset) is impaired. The provision for bad debt (also known as impairment) identifies a proportion of the Council's debtors at year end that should have their

carrying value adjusted to the probable recoverable amount. The outstanding debts are analysed into asset groups based upon similar risk characteristics, historic default and existing recovery routes, percentages are then applied to the debtor values to arrive at the bad debt provision.

Impairment of Financial Assets – The Expected Credit Loss Model

Under IFRS 9 the impairment model requires a loss allowance to be set aside for expected credit losses upon initial recognition. The loss allowance will be equal to either 12-month expected credit losses or lifetime expected credit losses. It is a forward looking model rather than the previous 'incurred loss' model under IAS 39.

This Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected losses using a provision matrix based on historically observed default rates adjusted for forward-looking estimates.

This concept of impairment applies to financial assets whose contractual cash flows are solely payments of principal and interest i.e. held at amortised cost, and are not part of a business model or investment strategy that requires them to be classified as Fair Value Through Profit and Loss.

Impairment losses are calculated to reflect the expectation that cash flows might not take place because the borrower could default on their obligations and is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss. The Council's impairment for investments is nil due to the products used. There is also a requirement for impairment loss allowances to be assessed for instruments other than financial assets.

i) Government grants and contributions

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions have been satisfied, and relevant expenditure incurred.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance 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.

j) Investment Property

Investment property is defined as property that is held solely to earn rental income or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Initially investment properties are measured at cost including transaction costs, and subsequently at Fair Value. Investment Properties are not depreciated, but are revalued annually. Gains or losses arising from a change in fair value between periods are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year they arise. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are 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, to the Capital Receipts Reserve.

k) Fair Value Measurement

The Council measures its assets held for sale, surplus assets, investment properties and 'fair value through profit and loss' financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement will be at highest and best use from the perspective of a market participant. The fair value of an investment property held under a lease is the lease interest.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Council at the measurement date
- Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability.

The use of relevant observable inputs is maximised and the use of unobservable inputs is minimised.

The Valuation Techniques used to Determine Level 2 and 3 Fair Values are:-

Level 2 – Significant Observable Inputs

The fair value for assets held for sale has been based on the market approach using prices and other relevant information generated by market transactions involving comparable properties. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2.

Level 3 – Significant Unobservable Inputs

The industrial and commercial investment portfolio in the area is measured using the income approach, which converts future net income to a single current amount using present value techniques. There are differences between comparables and the Councils' properties relating to occupancy rates and condition, so the yields applied to the valuation have been adjusted.

As this measurement technique is using significant unobservable inputs it is categorised as Level 3.

The valuation for surplus assets follows the market approach. It uses comparable evidence of disposals and development land sales. However, where site investigation works have not been carried out there could be abnormal costs of development. This significant unobservable input could have a significant impact on the value.

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

Highest and Best Use

In estimating the fair value of the Council's investment property the Valuers have determined that, after consideration of alternative uses, the highest and best use of the properties is their current use.

For recurring valuations of investment property any gains or losses are recognised in the Comprehensive Income and Expenditure Statement within the line for income and expenditure related to investment properties. For non recurring valuations of assets held for sale any gains or losses are recognised in the gains and losses on disposal of non current assets, and for surplus assets in the cost of service lines.

Any transfers between valuation levels will take place at the valuation date at the end of the reporting period.

l) Non-Current Assets Held for Sale

Non-current assets held for sale are recognised as a current asset when the sale of an asset is highly probable and management are committed to a plan to sell the asset, and that sale is expected to occur within one year. Non-current assets held for sale are valued at the lower of the carrying value and the fair value less disposal costs. Any subsequent decrease to fair value, less costs to sell, is posted to the Comprehensive Income and Expenditure Statement in the line for gain or loss on disposal of non-current assets. 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. Non-current assets are not depreciated while they are classified as held for sale.

m) Overheads and Support Services

The Council operates and manages its support services generally within the Resources, Public Services Support Unit and Chief Executive's Services areas and this is how these services are reported to management. The costs of overheads and support services are therefore not re-apportioned.

n) Property, Plant and Equipment

Assets that have physical substance and are held for use, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. (Also referred to as Non-Current Assets as they are expected to be used during more than one financial year.) Property, Plant and Equipment includes:

- Operational assets – these include land and buildings
- Vehicles, plant and equipment

- Community assets - assets such as parks which provide a service/benefit to the community and cannot be disposed of because of legal restrictions.
- Infrastructure assets - these are utility assets owned by the Council, such as roads, footpaths, street lighting, sewers and drainage.
- Non-Operational – Surplus Assets which do not meet the definition of assets held for sale.

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 Council 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 a revenue expense to the Comprehensive Income and Expenditure Statement when incurred. A de-minimus level of £10,000 is applied to the recognition of expenditure on Property Plant and Equipment. The Council does not capitalise any borrowing costs incurred on qualifying assets in the period prior to it becoming operational.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives according to the following de-minimus principles:

- An asset is not considered for componentisation unless its carrying value is £2.3 million or greater or it is classed as the asset type secondary school, primary school or sport centre in which case the asset is additionally reviewed for the requirement to componentise.
- For a component to be recognised its value must be greater than 20% of the asset.

Measurement

An item of Property, Plant and Equipment is initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at current value as at the date of acquisition. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus Assets – fair value determined by the highest and best value use.
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Revaluations

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service). Where decreases in service potential are identified, they are accounted for as follows:

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

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

Impairment

The values of each category of assets and material individual assets are reviewed at the end of each financial year for evidence of reductions in value (impairment). Where impairment is identified as part of this review or as a result of the valuation exercise it is accounted for as follows:

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

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

Depreciation

All Council Property, Plant and Equipment assets are depreciated on a straight-line basis at rates that will write-off their cost or valuation, less any estimated realisable value, over their expected useful lives. Depreciation is charged on closing asset values. The valuer assesses the useful lives of buildings during valuations. The standard length of time over which we depreciate our assets is summarised in the following table:

Asset Type	Depreciation Period
Infrastructure i.e. roads and bridges	30 years
Plant & equipment	5 years
Buildings (as determined by valuer)	1 to 60 years

Land is not depreciated; therefore building values are calculated after considering the land element as a residual value. Community Assets and Assets under Construction are also not depreciated. 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.

Disposals and Non-Current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council'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. Receipts lower than £10,000 are credited directly to the Comprehensive Income and Expenditure 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.

o) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue - a minimum revenue provision (MRP) - towards the reduction in its overall borrowing requirement. The charge is equal to an amount calculated on a prudent basis according to the policy determined by the Council in accordance with statutory guidance. An annual MRP Statement is submitted to Council for approval in advance of each year stating its policy. The policy is to charge 3% of our opening credit ceiling for supported borrowing, whereas for unsupported borrowing the asset life method is used.

In the case of finance leases the MRP requirement will be met by a charge equal to the rent that goes to write down the Balance Sheet liability.

Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the Council Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

p) Provisions

Provisions are sums we set aside in the appropriate service line in the Comprehensive Income and Expenditure Statement for liabilities relating to past events, but the exact timing and amount of the payment required is uncertain. The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation at the Balance Sheet date, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

q) Reserves

Reserves are sums we set aside in our accounts for purposes other than as described above for provisions. 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 on the Movement in Reserves Statement so that there is no net charge against Council Tax for expenditure. Certain reserves are kept to manage the accounting processes for non-current

assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

r) 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. These items are generally grants and expenditure on property not owned by the Council. Where this cost is being met from existing capital resources or by borrowing, then the charge is reversed out by a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account so that there is no impact on the level of Council Tax.

s) Value Added Tax (VAT)

These accounts have been prepared on a VAT exclusive basis except where VAT is irrecoverable, and any net VAT due or owing at balance date is included in debtors or creditors as appropriate.

t) Interest in Companies and Other Entities

Councils are required to consider all their interests (including those in other Councils and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or jointly controlled entities. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year in accordance with the Code to determine whether any group relationships exist and whether they should be included in group accounts. No group accounts are required and the results of the review are shown in note 37, and note 3. In relation to schools accounting policy v) is also pertinent in terms of there being no requirement to produce group accounts.

u) Jointly Controlled Operations (JOPs) and Jointly Controlled Assets

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

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

v) Treatment of Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended)

lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council's financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

In terms of assets, the accounting treatment depends on the balance of control. Control will only lie with a voluntary aided (VA) school if the asset is owned by the school. However, in the case of many VA schools of a religious nature the ownership will reside with trustees and the school merely operates under an informal agreement, which will not constitute control for the purpose of including in the single account of the Council. Note 3 also refers.

Capital expenditure on voluntary controlled schools is added to the balances for those schools. Capital expenditure on voluntary aided schools is treated as "REFCUS" (Revenue from Capital under Statute") expenditure and written off each year to the Comprehensive Income and Expenditure Statement within Education Services.

2. Accounting standards issued, not yet adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. None of the new or amended standards within the 2019/20 Code are expected to have a material impact on the information provided in the financial statements.

3. Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.
- School Assets - the Council has established with the relevant bodies that six Voluntary Aided schools are not controlled by the schools, as ownership resides with the religious body and are occupied under informal arrangements only. As neither the Council nor the schools control the assets they are not included within the single accounts of the authority.
- Group Accounts – the Council's group boundaries have been assessed using the criteria outlined in the Code. It has assessed that there are no entities that are required to be consolidated with the Council. Note 37 on Related Parties provides further information on the decision making criteria applied to each entity in reaching this conclusion.
- A Joint Working Agreement formally established the Cardiff Capital Region Joint Committee (the Regional Cabinet) as a Joint Committee, with delegated functions, from 1st March, 2017. It is a partnership between the 10 councils in South East Wales, including Torfaen County Borough Council. The arrangement has not been consolidated on grounds of materiality, but the position will be kept under review. Note 10 on Joint Operations provides further information.
- Council Tax Reduction Scheme (CTRS) – a number of points were considered relevant in determining to present this item of expenditure as gross in the Cost of Services

segment of the Comprehensive Income and Expenditure Statement rather than netting it off Council Tax income in the Taxation and Non-Specific Grant Income segment. The most persuasive and significant of these being that, as there is no specific reference to the proper accounting treatment of CTRS in the CIPFA Accounting Code of Practice or Guidance Notes, reliance has been placed on IPSAS 23 - Revenue from Non-Exchange Transactions (taxes and transfers). This standard is relevant to public sector bodies, and states that taxation revenue shall be determined at a gross amount; it shall not be reduced for expenses paid through the tax system.

4. Assumptions made about the future and other major sources of estimation uncertainty.

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors however, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 which are subject to the highest risk of estimation uncertainty in the forthcoming financial year are as follows:

- Revaluation of Property, Plant and Equipment - Property, Plant and Equipment (with the exception of infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for impairment. It is estimated that a 1% change in these asset values would result in a change of £4.16 million.
- 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. If the Council does not undertake the assumed maintenance, and asset lives decrease, it is estimated that the annual depreciation charge for 'Other Land and Buildings' would increase by £1.29 million for every year that useful lives had to be reduced.
- Fair Value Measurements - When Level 1 inputs based on quoted prices in an active market cannot be used to assess fair values then appropriate valuation techniques are used. Where possible the inputs to these valuation techniques will use observable data (Level 2 inputs), but where this is not possible judgement is required (Level 3 inputs using unobservable data). These judgements include consideration of uncertainty and risk. Information about the valuation techniques and input levels used by the Council are disclosed in accounting policy k).
- The significant unobservable inputs used in the fair value measurements include management assumptions regarding rent yields, and vacancy rates for investment properties, and in relation to surplus assets an assumption that there will be no abnormal costs of development. Any significant change in the unobservable inputs would result in a significantly lower or higher fair value measurement.
- Provisions - The Council has made provision in relation to insurance claims made to the Council. These provisions are based on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the

likelihood of each type of claim being settled. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims.

- Arrears - At 31 March 2019 the Council had outstanding debtors totalling £26.3 million. A review of these outstanding balances was undertaken and an impairment allowance made totalling £2.4 million. If collection rates were to deteriorate by 10% then the Council would need to review its policies on the calculation of its impairment allowance.
- Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. The uncertainty around assumptions raised by the current legal case of McCloud is described in more detail in Note 38 Post Employment Benefits.

5. Material Items of Income and Expenditure

There are no material items to report.

6a. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council 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 service areas and reconciles the expenditure charged to the Council Fund Balance on an accounting basis to the management information basis as presented in the Foreword. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Statement of Accounts 2018/19

2018/19	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Council Fund (note 6b)	Net expenditure chargeable to the Council Fund balance	Adjustments between funding and accounting basis (note 6b)	Net expenditure in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Education Services	68,593	(509)	68,084	18,988	87,072
Social Care & Housing	45,090	411	45,501	2,820	48,321
Neighbourhood Services	18,302	626	18,928	9,334	28,262
Public Services Support Unit	979	32	1,011	152	1,163
Information Technology	2,834	81	2,915	47	2,962
Resources	5,965	2,652	8,617	1,090	9,707
Community Services	0	0	0	0	0
Chief Executive's Services	5,728	280	6,008	475	6,483
Capital Financing	8,111	(8,111)	0	0	0
Council Tax Reduction Scheme	8,793	0	8,793	0	8,793
South Wales Fire Service Levy	4,307	(4,307)	0	0	0
Corporate Property Maintenance	884	(102)	782	0	782
Early Intervention	352	91	443	0	443
Other Services	903	(817)	86	964	1,050
Net Cost of Services	170,841	(9,673)	161,168	33,870	195,038
Other Income and Expenditure					
Other Operating Expenditure	0	4,415	13,921	5,835	19,756
Financing and Investment Income and Expenditure	0	6,979	6,979	5,129	12,108
Taxation and Non-Specific Grant Income	0	0	(182,505)	(20,720)	(203,225)
Total Other Income and Expenditure	0	11,394	(161,605)	(9,756)	(171,361)
Surplus or deficit	170,840	1,721	(437)	24,114*	23,677

Opening Council Fund balance at 31 March 2018		(5,394)	
Surplus on Council Fund in year (above)		(437)	
- Adjust for JOPs reserves (note 10)		(58)	
- Adjust for Schools reserves (MiRS)		855	
Deficit on Council Fund in year per MiRS		360	
Adjust for transfer from reserves		(338)	
Closing Council Fund balance at 31 March 2019		(5,372)**	

* This figure cross references to note 8 Adjustment Between Accounting Basis and Funding Basis Under Regulations.

** Total Council Fund balances can be found in the MiRS on page 17.

Statement of Accounts 2018/19

2017/18 (Restated*)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Council Fund (note 6b)	Net expenditure chargeable to the Council Fund balance	Adjustments between funding and accounting basis (note 6b)	Net expenditure in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Education Services	67,293	282	67,575	15,602	83,177
Social Care & Housing	41,824	430	42,254	3,756	46,010
Neighbourhood Services	17,205	(39)	17,166	9,862	27,028
Public Services Support Unit	963	0	963	171	1,134
Information Technology	2,825	99	2,924	116	3,040
Resources	5,913	1,085	6,998	1,811	8,809
Community Services	0	0	0	0	0
Chief Executive's Services	5,673	386	6,059	946	7,005
Capital Financing	10,302	(10,302)	0	0	0
Council Tax Reduction Scheme	8,443	0	8,443	0	8,443
South Wales Fire Levy	4,260	(4,260)	0	0	0
Corporate Property	904	8	912	0	912
Other Services	2,578	(1,974)	604	250	854
Net Cost of Services	168,183	(14,285)	153,898	32,514	186,412
Other Income and Expenditure					
Other Operating Expenditure	0	4,377	13,421	5,270	18,691
Financing and Investment Income and Expenditure	0	8,958	8,958	3,261	12,219
Taxation and Non-Specific Grant Income	0	0	(177,271)	(11,338)	(188,609)
Total Other Income and Expenditure	0	13,335	(154,892)	(2,807)	(157,699)
Surplus or deficit	168,183	(950)	(994)	**29,707	28,713

Opening Council Fund balance at 31 March 2017	(5,754)
Deficit on Council Fund in year (above)	(994)
- Adjust for JOPs reserves (note 10)	201
- Adjust for Schools reserves (MiRS)	(99)
Deficit on Council Fund in year per MiRS	(892)
Adjust for transfer from reserves	1,252
Closing Council Fund balance at 31 March 2018	***(-5,394)

* Refer to note 40 for an explanation of the restatement.

** This figure cross references to note 8 Adjustment Between Accounting Basis and Funding Basis Under Regulations.

*** Total Council Fund balances can be found in the MiRS on page 18.

6b. Note to the Expenditure and Funding Analysis

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2018/19	Adjustments between accounting and funding basis							
	Other (Reserve funding and impairment losses)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments for capital purposes (note 1)	Net change for the pension adjustments (note 2)	Other differences (note 3)	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Education Services	(509)	0	0	(509)	17,518	1,614	(144)	18,988
Social Care & Housing	411	0	0	411	418	2,386	16	2,820
Neighbourhood Services	626	0	0	626	7,132	2,178	24	9,334
Public Services Support Unit	32	0	0	32	0	151	1	152
Information Technology	0	81	0	81	58	0	(11)	47
Resources	1,209	1,443	0	2,652	160	1,087	(157)	1,090
Community Services	0	0	0	0	0	0	0	0
Chief Executive Services/Strategic	280	0	0	280	(118)	678	(85)	475
Capital Financing	0	(8,111)	0	(8,111)	0	0	0	0
Council Tax Reduction Scheme	0	0	0	0	0	0	0	0
South Wales Fire Service Levy	0	0	(4,307)	(4,307)	0	0	0	0
Corporate Property Maintenance	0	(102)	0	(102)	0	0	0	0
Early intervention	91	0	0	91	0	0	0	0
Other Services	(709)	0	(108)	(817)	0	964	0	964
Net Cost of Services	1,431	(6,689)	(4,415)	(9,673)	25,168	9,058	(356)	33,870
Other Income and Expenditure								
Other Operating Expenditure	0	0	4,415	4,415	5,835	0	0	5,835
Financing and Investment Income	290	6,689	0	6,979	(3,206)	8,132	203	5,129
Taxation and Non-Specific Grant Income	0	0	0	0	(20,720)	0	0	(20,720)
Total Other Income and Expenditure	290	6,689	4,415	11,394	(18,091)	8,132	203	(9,756)
Surplus or deficit	1,721	0	0	1,721	7,077	17,190	(153)	24,114

Statement of Accounts 2018/19

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2017/18 (Restated*)	Other (Reserve funding)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments between accounting and funding basis			Total adjustments
					Adjustments for capital purposes (note 1)	Net change for the pension adjustments (note 2)	Other differences (note 3)	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Education Services	282	0	0	282	13,713	2,101	(212)	15,602
Social Care & Housing	430	0	0	430	903	2,851	2	3,756
Neighbourhood Services	(39)	0	0	(39)	6,829	3,111	(78)	9,862
Public Services Support Unit	0	0	0	0	0	171	0	171
Information Technology	32	67	0	99	127	0	(11)	116
Resources	(310)	1,395	0	1,085	793	1,253	(235)	1,811
Community Services	0	0	0	0	0	0	0	0
Chief Executive Services/Strategic	386	0	0	386	(40)	898	88	946
Capital Financing	0	(10,302)	0	(10,302)	0	0	0	0
Council Tax reduction Scheme	0	0	0	0	0	0	0	0
South Wales Fire Levy	0	0	(4,260)	(4,260)	0	0	0	0
Corporate property	109	(101)	0	8	0	0	0	0
Other	(1,857)	0	(117)	(1,974)	0	250	0	250
Net Cost of Services	(967)	(8,941)	(4,377)	(14,285)	22,325	10,635	(446)	32,514
Other Income and Expenditure								
Other Operating Expenditure	0	0	4,377	4,377	5,270	0	0	5,270
Financing and Investment Income	17	8,941	0	8,958	(4,863)	7,874	250	3,261
Taxation and Non-Specific Grant	0	0	0	0	(11,338)	0	0	(11,338)
Total Other Income and	17	8,941	4,377	13,335	(10,931)	7,874	250	(2,807)
Surplus or deficit	(950)	0	0	(950)	11,394	18,509	(196)	29,707

Note 1 – Adjustments for capital purposes

Adjustments for capital purposes means:

- For the service lines - depreciation, impairment and revaluation gains and losses are added in.
- For other operating expenditure - this column adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- For financing and investment income and expenditure - statutory capital financing charges e.g. Minimum Revenue Provision (MRP) are deducted.
- For taxation and non-specific grant income and expenditure - capital and revenue grants and donations are adjusted for income not chargeable under generally accepted accounting practices.

Note 2 - Net change for the pensions' adjustments

The net change adjustment relates to the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income, which means:

- For the service lines - the replacement of the employer pension contributions made by the authority by statute 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.

Note 3 - Other differences

- For the service lines – adjustments made for accumulated absences
- For financing and investment income and expenditure – this entry relates management expenditure for investment properties

* Refer to note 40 for an explanation of the restatement

7. Expenditure and Income Analysed by Nature

31 March 2018 £000s		31 March 2019 £000s
130,088	Employee benefits expenses	132,893
135,434	Other services expenses	135,034
20,109	Depreciation, amortisation and impairment	23,909
24,277	Interest payments	25,403
13,450	Precepts & levies	13,947
8,077	Loss on disposal of non-current assets	8,769
331,435	Total Expenditure	339,955
(35,787)	Fees charges & other service income	(38,070)
(10,496)	Interest and investment income	(11,443)
(77,848)	Income from council tax and NDR	(80,260)
(175,784)	Government grants and contributions	(183,572)
(2,807)	Gains on disposal of non-current assets	(2,933)
(302,722)	Total Income	(316,278)
28,713	Surplus or Deficit on the Provision of Services	23,677

The Council's various income streams have been assessed and classified in line with Chapter 2 of the 2018/19 Code of Practice, and revenue has been recognised accordingly, with specific consideration given to:

- implied or stated contractual terms for exchange transactions.
- obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange
- the significance of the income stream to the Council.

8. Adjustment Between Accounting Basis and Funding Basis Under Regulations

This note below details the adjustments that are made to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice to the resources that are specified by statutory provisions.

2018/19	Usable Reserves (note 26b)			Movements in Unusable Reserves (note 27) £000s
	Council Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	13,780	0	0	(13,780)
Revaluation losses on Property Plant and Equipment	10,770	0	0	(10,770)
Movements in the market value of Investment Properties	(641)	0	0	641
Capital grants and contributions applied	(18,816)	0	0	18,816
Revenue expenditure funded from capital under statute	751	0	0	(751)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,949	0	0	(8,949)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(4,577)	0	0	4,577
Capital expenditure charged against the Council Fund balance	(133)	0	0	133
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(20,720)	0	20,720	0
Application of grants to capital financing transferred to the Capital Adjustment Account	18,816	0	(18,816)	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,113)	3,113	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,017)	0	2,017
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,012	0	0	(2,012)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	33,264	0	0	(33,264)
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,151)	0	0	16,151
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(77)	0	0	77
Total Adjustments	24,114*	1,096	1,904	(27,114)

* This figure cross references to note 6 Expenditure and Funding Analysis.

Statement of Accounts 2018/19

2017/18	Usable Reserves (note 26b)			Movements in Unusable Reserves (note 27) £000s
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000s	£000s	£000s	
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	13,907	0	0	(13,907)
Revaluation losses on Property Plant and Equipment	6,653	0	0	(6,653)
Movements in the market value of Investment Properties	(451)	0	0	451
Capital grants and contributions applied	(8,959)	0	0	8,959
Revenue expenditure funded from capital under statute	1,987	0	0	(1,987)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,077	0	0	(8,077)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(4,347)	0	0	4,347
Capital expenditure charged against the Council Fund balance	(222)	0	0	222
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(11,337)	0	11,337	0
Application of grants to capital financing transferred to the Capital Adjustment Account	8,959	0	(8,959)	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,807)	2,807	0	0
Use of the Capital Receipts Reserve to finance new Capital expenditure	0	(1,053)	0	1,053
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	400	0	(400)
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(66)	0	0	66
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	33,444	0	0	(33,444)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,843)	0	0	14,843
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(288)	0	0	288
Total Adjustments	29,707*	2,154	2,378	(34,239)

* This figure cross references to note 6 Expenditure and Funding Analysis.

9. Events after the Reporting Period

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

The Statement of Accounts was authorised for issue by Mr N. Aurelius, CPFA, Assistant Chief Executive (Resources), on 25 June 2019. Events taking place after this date are not reflected in the financial statements or notes.

The Council has the following events after the Balance Sheet date to report:

- The accounting statements are required to reflect the conditions applying at the end of the financial year however, the pensions fund investment assets will move in line with the value of securities quoted on world stock exchanges which could increase or decrease. As the Pension Fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2019 and the date that the accounting statements are authorised for issue. This is known as a non-adjusting event.

10. Joint Operations (JOPs)

Torfaen County Borough Council is involved in the following joint arrangements. As per accounting policy u) the main financial statements of the Council have been compiled to include the relevant entries, and an analysis is provided in the tables below.

Gwent Archives Joint Committee (Archives) – This Joint Committee collects, preserves, and makes accessible to the public, documents relating to the area it serves.

Gwent Wide Integrated Community Equipment Service (GWICES) – This Greater Gwent service facilitates modern and closer integration for health and social care community equipment services.

Gwent Cremation Committee – This Joint Committee provides a cremation service to the former Gwent Councils. The figures for 2018/19 are estimates.

Cardiff Capital Region City Deal (CCRCD)

A Joint Working Agreement formally established the Cardiff Capital Region Joint Committee (the Regional Cabinet) as a Joint Committee, with delegated functions, from 1st March, 2017. It is a partnership between the 10 councils in South East Wales and its aim is to oversee the Region's economic growth and to deliver the commitments set out in the CCR City Deal, specifically in relation to the Wider Investment Fund, which amounts to £495 million, with £120 million being contributed by the 10 councils on a pro rata population basis. The arrangement has not been consolidated on grounds of materiality, but the position will be kept under continual review. The direct costs incurred by the Council are included in the accounts. In terms of capital spending the Council contributed £0.75 million in 2018/19 (£1.48 million in 2017/18).

Statement of Accounts 2018/19

Comprehensive Income and Expenditure Account for the year ended 31 March 2019					
	Torfaen £000s	GWICES £000s	Archives £000s	Cremation £000s	Total £000s
Other Services	1,046	0	4	0	1,050
Neighbourhood Services	28,429	0	0	(167)	28,262
Total non-affected lines	165,726	0	0	0	165,726
(Surplus)/Deficit on Continuing Operations	195,201	0	4	(167)	195,038
Net interest on the net pension liability (asset)	8,132	0	0	1	8,133
Interest payable and similar charges	5,803	0	0	220	6,023
Total non-affected lines	(185,517)	0	0	0	(185,517)
(Surplus)/Deficit on Provision of Services	23,619	0	4	54	23,677
Re-measurements re pension net liability (asset)	48,920	0	0	12	48,932
Total non-affected lines	(2,129)	0	0	0	(2,129)
Other Comprehensive Income & Expenditure	46,791	0	0	12	46,803
Total Comprehensive Income & Expenditure	70,410	0	4	66	70,480

Movement in Reserves Statement for the year ended 31 March 2019				
	GWICES £000s	Archives £000s	Cremation £000s	Total £000s
Balance at 31 March 2018	0	58	790	848
Total comprehensive income and expenditure*	0	(4)	(66)	(70)
Net Increase/Decrease before transfers to Reserves	0	(4)	(66)	(70)
Transfers to/from Earmarked Reserves	0	0	0	0
Increase/Decrease in Year	0	(4)	(66)	(70)
Balance at 31 March 2019 carried forward	0	54	724	778

Balance Sheet as at 31 March 2019				
Property Plant and Equipment	0	0	469	469
Long term asset	0	0	0	0
Short term debtors	0	0	0	0
Cash and cash equivalents	71	60	410	541
Short term creditors	(71)	(6)	(6)	(83)
Long term creditors	0	0	(90)	(90)
Other long term liabilities	0	0	(59)	(59)
Net Assets	0	54	724	778
Usable Reserves				
Earmarked reserves	0	(54)	(427)	(481)
Unusable Reserves				
Revaluation reserve	0	0	(231)	(231)
Pension reserve	0	0	59	59
Capital adjustment account	0	0	(125)	(125)
Total Reserves	0	(54)	(724)	(778)

The sole asset to be included within Torfaen's accounts relates to the Council's share of the Gwent Crematorium. The total asset value as at the 31 March 2019 is estimated at £2.2 million (£2.16 million as at 31 March 2018) with Torfaen's share equating to 21.3%. *Long term creditors in the Balance Sheet is £0.848 million (£0.915 million 2018/19) comprising the £0.09 million here and £0.758 million relating to other Torfaen long term creditors.

* Total comprehensive income and expenditure of £70,000 comprises £58,000 Deficit on provision of services and £12,000 Other comprehensive income and expenditure.

Statement of Accounts 2018/19

Comprehensive Income and Expenditure Account for the year ended 31 March 2018					
	Torfaen £000s	GWICES £000s	Archives £000s	Cremation £000s	Total £000s
Other Services	853	0	1	0	854
Neighbourhood Services	27,247	0	0	(219)	27,028
Total non-affected lines	158,530	0	0	0	158,530
(Surplus)/Deficit on Continuing Operations	186,630	0	1	(219)	186,412
Net interest on the net pension liability (asset)	7,874	0	0	1	7,875
Interest payable and similar charges	5,981	0	0	16	5,997
Total non-affected lines	(171,571)	0	0	0	(171,571)
(Surplus)/Deficit on Provision of Services	28,914	0	1	(202)	28,713
Re-measurements re pension net liability (asset)	(19,394)	0	0	(12)	(19,406)
Total non-affected lines	(195)	0	0	0	(195)
Other Comprehensive Income & Expenditure	(19,589)	0	0	(12)	(19,601)
Total Comprehensive Income & Expenditure	9,325	0	1	(214)	9,112

Movement in Reserves Statement for the year ended 31 March 2018					
	GWICES £000s	Archives £000s	Cremation £000s	Total £000s	
Balance at 31 March 2017	0	59	576	635	
Total comprehensive income and expenditure	0	(1)	214	213	
Net Increase/Decrease before transfers to Reserves	0	(1)	214	213	
Transfers to/from Earmarked Reserves	0	0	0	0	
Increase/Decrease in Year	0	(1)	214	213	
Balance at 31 March 2018 carried forward	0	58	790	848	

Balance Sheet as at 31 March 2018					
Property Plant and Equipment	0	0	460	460	
Long term asset	0	0	0	0	
Short term debtors	0	0	0	0	
Cash and cash equivalents	140	68	469	677	
Short term creditors	(140)	(10)	(3)	(153)	
Long term creditors	0	0	(102)	(102)	
Other long term liabilities	0	0	(34)	(34)	
Net Assets	0	58	790	848	
Usable Reserves					
Earmarked reserves	0	(58)	(489)	(547)	
Unusable Reserves	0	0	0	0	
Revaluation reserve	0	0	(187)	(187)	
Pension reserve	0	0	34	34	
Capital adjustment account	0	0	(148)	(148)	
Total Reserves	0	(58)	(790)	(848)	

Creditors analysis as at 31 March 2019					
	GWICES £000s	Archives £000s	Cremation £000s	Total £000s	
Other entities and individuals	0	0	6	6	
Other local Councils	71	6	0	77	
Total	71	6	6	83	

Creditors analysis as at 31 March 2018					
	GWICES £000s	Archives £000s	Cremation £000s	Total £000s	
Other entities and individuals	0	0	3	3	
Other local Councils	140	10	0	150	
Total	140	10	3	153	

11. Taxation and Non-Specific Grant Income

The amount of Council Tax that people pay is based on the value of their home. We place each home in one of nine valuation bands. To work out the Council Tax base we treat every private property as if it was in Band D. We then adjust for the number of properties entitled to a discount (such as for single occupancy). The number of properties in our 2018/19 Council Tax base was 33,390 (33,132 in 2017/18). We divide the total amount we, the Police and Crime Commissioner for Gwent and Community Councils of Torfaen need to raise through Council Tax by 33,390 this equals the Council Tax charge for a Band D property of £1,526.25 (£1,456.02 in 2017/18) with the Torfaen Council element being £1,241.61 of this in 2018/19 (£1,183.05 in 2017/18). The total amount is then multiplied by the fraction in the following table for each particular band to give the individual amount due for each band.

2017/18 Number Of properties	Band	House valuation (£)	Fraction of band D bill	2018/19 Number Of Properties
6,049	A	Up to 44,000	6/9	6,083
12,981	B	44,001 to 65,000	7/9	13,023
11,776	C	65,001 to 91,000	8/9	11,814
4,043	D	91,001 to 123,000	9/9	4,094
3,663	E	123,001 to 162,000	11/9	3,845
2,149	F	162,001 to 223,000	13/9	2,224
659	G	223,001 to 324,000	15/9	663
64	H	324,001 to 424,000	18/9	64
26	I	424,001 and above	21/9	26

The money we raised from Council Tax (after deductions) was as follows:

2017/18 £000s		2018/19 £000s
48,318	Council Tax collectable	51,132
(77)	Less the amount set aside for Council Tax not paid	(170)
48,241	Money we raised from Council Tax after deductions	50,962

For Non-Domestic Rates (NDR), the Welsh Government sets an amount for the rate in the pound (the multiplier) and the Valuation Office calculates the rateable value for each chargeable hereditament. The total rateable value of the Council equalled £56,905,268 on 31 March 2019 (£56,998,632 on 31 March 2018). We work out the rates payable by multiplying the rateable value by the multiplier. In 2018/19 the multiplier was 51.4p (49.9p in 2017/18). We collect NDR on behalf of the Welsh Government and pay the money we collect from local business into the Welsh Government National Pool. This is then re-distributed back to Councils on the basis of a fixed amount for every adult living in their area. The total amount redistributed from the National Pool to the Council in 2018/19 was £29.3 million (£29.6 million in 2017/18).

12. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/18 £000s	Capital Grants	2018/19 £000s
572	Safe Routes in the Community	350
617	Local Transport Plan	837
0	Highways Grant	978
2,356	21 st Century Schools	14,641
346	Vibrant and Viable Places	0
1,400	The Redevelopment of The British	0
0	Adventure Triangle	125
1,120	Bulking and Baling	0
3,607	Coed Eva Primary Re-Build	0
0	Childcare Grant Offer	500
1,319	Other	3,289
11,337	Total	20,720
	Capital Grants Credited to Services (REFCUS)	
1,627	Other	1,550
1,627	Total	1,550
	Revenue Grants Credited to Services	
	Education	
3,333	Post 16 Education Provision	3,118
2,686	Flying Start	0
0	Flexible Funding Programme	2,943
3,229	Education Improvement Grant	3,147
2,780	Pupil Deprivation Grant	2,794
2,239	Other	2,464
	Neighbourhoods/PPP	
2,664	Concessionary Fares	2,716
1,603	Sustainable Waste Management	476
677	Inspire to Work/Inspire to Achieve	772
1,779	Bridges into Work	421
770	Working Skills for Adults	198
2,095	Other	3,478
	Social Care and Housing	
3,438	Supporting People	0
0	Flexible Funding Programme	4,458
995	Intermediate Care Fund	1,584
912	Communities First	251
4,071	Other	1,678
	Resources/Information Technology/PSSU	
32,963	Dept. Works and Pensions - Housing Benefit Subsidy	29,530
1,401	Families First	0
465	Other	386
	Chief Executive Officer's	
73	Other	34
68,173	Total Revenue Grants credited to Services	60,448
	Non-Specific Grant Income	
29,607	Non-Domestic Rates (NDR)	29,298
99,424	Revenue Support Grant (RSG)	102,245
129,031	Total Non-Specific Grant Income	131,543

The Council also has revenue Grants Receipts in Advance totalling £274,284 (£207,746 in 2017/18).

In 2018/19 the Flexible Funding Programme grant replaced the grants known in 2017/18 as Flying Start, Families First and Supporting People.

13. Property, Plant and Equipment
13.1 Movements on Balances

Movement in 2018/19	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
As at 1 April 2018	395	267,497	15,713	97,525	6,812	9,644	397,586	700	398,286
Additions	0	5,524	10	2,620	438	19,837	28,429	0	28,429
Disposals	0	(242)	0	0	0	0	(242)	0	(242)
Revaluation increases recognised in the Revaluation Reserve	65	(1,062)	0	0	0	0	(997)	0	(997)
Revaluation decreases recognised in the Revaluation Reserve	0	(4,385)	0	0	0	0	(4,385)	0	(4,385)
Revaluation increases/(decrease) recognised in the Surplus or Deficit on the Provision of Services	0	(16,126)	0	0	0	0	(16,126)	0	(16,126)
Impairment	0	(126)	0	0	0	0	(126)	0	(126)
Derecognition – other	0	(5,931)	0	0	0	0	(5,931)	0	(5,931)
Asset reclassifications	0	3,550	0	0	0	(3,915)	(365)	0	(365)
Other movements in cost or valuation	0	0	0	0	0	0	0	32	32
As at 31 March 2019	460	248,699	15,723	100,145	7,250	25,566	397,843	732	398,575

Movement in 2018/19	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
As at 1 April 2018	(80)	(24,567)	(14,558)	(44,173)	(18)	0	(83,396)	(240)	(83,636)
Other movements in cost or valuation									
Depreciation charge	(26)	(9,605)	(242)	(3,907)	0	0	(13,780)	(23)	(13,803)
Depreciation written out on disposal	0	14	0	0	0	0	14	0	14
Depreciation written out to the Revaluation Reserve	80	12,902	0	0	0	0	12,982	0	12,982
Depreciation recognised in surplus/deficit of provision of services	0	13	0	0	0	0	13	0	13
As at 31 March 2019	(26)	(21,243)	(14,800)	(48,080)	(18)	0	(84,167)	(263)	(84,430)

Net Book Value									
As at 31 March 2019	434	227,456	923	52,065	7,232	25,566	313,676	469	314,145
As at 31 March 2018	315	242,930	1,155	53,352	6,794	9,644	314,190	460	314,650

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Comparatives 2017/18	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
As at 1 April 2017	395	284,701	15,031	94,200	6,501	3,305	404,133	675	404,808
Additions	0	6,404	682	3,325	311	7,743	18,465	0	18,465
Disposals	0	(1,611)	0	0	0	0	(1,611)	0	(1,611)
Revaluation increases recognised in the Revaluation Reserve	0	1,593	0	0	0	0	1,593	0	1,593
Revaluation decreases recognised in the Revaluation Reserve	0	(12,198)	0	0	0	0	(12,198)	0	(12,198)
Revaluation increases/(decrease) recognised in the Surplus or Deficit on the Provision of Services	0	(6,015)	0	0	0	0	(6,015)	0	(6,015)
Impairment	0	(2,342)	0	0	0	0	(2,342)	0	(2,342)
Derecognition - other	0	(3,502)	0	0	0	0	(3,502)	0	(3,502)
Asset reclassifications	0	467	0	0	0	(1,404)	(937)	0	(937)
Other movements in cost or valuation	0	0	0	0	0	0	0	25	25
As at 31 March 2018	395	267,497	15,713	97,525	6,812	9,644	397,586	700	398,286

Comparatives 2017/18	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
As at 1 April 2017	(64)	(27,832)	(14,043)	(40,327)	(18)	0	(82,284)	(217)	(82,501)
Other movements in cost or valuation									
Depreciation charge	(16)	(9,530)	(515)	(3,846)	0	0	(13,907)	(23)	(13,930)
Depreciation written out on disposal	0	291	0	0	0	0	291	0	291
Depreciation written out to the Revaluation Reserve	0	12,504	0	0	0	0	12,504	0	12,504
As at 31 March 2018	(80)	(24,567)	(14,558)	(44,173)	(18)	0	(83,396)	(240)	(83,636)

Net Book Value									
As at 31 March 2018	315	242,930	1,155	53,352	6,794	9,644	314,190	460	314,650
As at 31 March 2017	331	256,869	988	53,873	6,483	3,305	321,849	458	322,307

See accounting policy n) for how we depreciate our non-current assets.

13.2 Accounting for Schools

The following information relates to the Council's maintained schools.

31 March 2018				31 March 2019		
LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools		LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools
27	1	6	Number of schools	25	1	6
168,938	9,700	0	Value of land and buildings (£000s)	151,632	9,700	0

There is no value for land and buildings as at 31 March 2019 for voluntary aided schools as they are under the control of the relevant religious body and not the Council.

13.3 Revaluations

Valuations of land and buildings were carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors, by the following:

Individual	Organisation
Robert Flower MRICS	Torfaen County Borough Council
Victor Mbvundula MRICS	Torfaen County Borough Council

Revaluations were carried out as at 31 March 2019. Investment property and assets held for sale were valued as at 31 March 2019.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset. The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets.

Valuation of non-current assets	Other Land & Buildings £000s
31 March 2019	(8,513)
31 March 2018	(7,069)
31 March 2017	6,715
31 March 2016	(3,700)
31 March 2015	25,210
Total Cost or Valuation	12,643

The gross book values of the major assets that were revalued during 2018/19 are shown below.

Revaluations	2017/18 £000s	Gain/(Reduction) in value £000s	2018/19 £000s
Secondary schools	73,789	(17,629)	56,160
Crownbridge Special School	10,711	(2,220)	8,491
Blaenavon World Heritage Centre	2,553	(1,477)	1,076
Llanyravon Manor	610	(245)	365
Nethercourt Homeless Hostel	395	65	460

In addition, the valuers undertook review of all assets held in the other land and buildings category to ensure that the carrying value of assets last valued in previous years was not materially different from their current value. The review concluded that the fair value was not materially different from the carrying value at the Balance Sheet date.

13.4 Fair Value Measurement

The table below provides an analysis of the fair values of non-current assets grouped into levels one to three, based on the level to which the inputs to the measurement of fair value are observable. Accounting policy k) provides further detail. There are no movements between valuations levels 1 and 2.

2018/19	Level 1 Quoted Market Price £000s	Level 2 Observable Inputs £000s	Level 3 Unobservable Inputs £000s	Total 31 March 2019 £000s	Total (Gains)/ Losses £000s
Recurring fair value measurements					
Investment property – see note 15	0	0	14,966	14,966	(641)
Non-recurring fair value measurements					
Assets Held for Sale – see note 21	0	1,435	0	1,435	0
Surplus Assets	0	77	289	366	0

2017/18	Level 1 Quoted Market Price £000s	Level 2 Observable Inputs £000s	Level 3 Unobservable Inputs £000s	Total 31 March 2018 £000s	Total (Gains)/ Losses £000s
Recurring fair value measurements					
Investment property – see note 15	0	0	14,453	14,453	(451)
Non-recurring fair value measurements					
Assets Held for Sale – see note 21	0	4,047	0	4,047	280
Surplus Assets	0	222	289	511	0

The table below shows a reconciliation of fair value valuations and the balance sheet figures.

Fair Value	Balance Sheet	Variance		Fair Value	Balance Sheet	Variance
2017/18 £000s	2017/18 £000s	2017/18 £000s		2018/19 £000s	2018/19 £000s	2018/19 £000s
14,453	14,453	0	Investment Property	14,966	14,966	0
4,047	4,047	0	Assets Held for Sale	1,435	1,435	0

Fair valuation of investment property and assets held for sale varies from the balance sheet figure, because the valuation of assets held for sale includes an investment property. Also, for assets held for sale the balance sheet reflects the accounting policy of reporting the lower of fair valuation or carrying value.

The table below shows an analysis of movements in level 3 fair value measurements using significant unobservable inputs.

Investment Property 2017/18 £000s	Surplus Assets 2017/18 £000s	Total 2017/18 £000s		Investment Property 2018/19 £000s	Surplus Assets 2018/19 £000s	Total 2018/19 £000s
13,039	3,109	16,148	Balance 1 April	14,453	289	14,742
0	0	0	Transfers into level 3	0	0	0
0	0	0	Transfers out of level 3	0	0	0
			Gains or losses for the period :			
0	0	0	Included in Cost of Services in the CIES	0	0	0

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451	0	451	Included in the Other CIES	641	0	641
18	0	18	Purchases/Expenditure	52	0	52
945	(2,670)	(1,725)	Transfers To/From OLB	0	0	0
0	0	0	Revaluation To Revaluation Reserve	0	0	0
0	(150)	(150)	Sales	(180)	0	(180)
14,453	289	14,742	Balance 31 March	14,966	289	15,255
451	0	451	Change in unrealised gains and losses for assets held as at 31 March 2018	641	0	641

The table below shows quantitative information for fair value measurements of investment properties using significant unobservable inputs - level 3 valuations.

	Fair Value 31 March 2019	Valuation Technique	Unobservable Inputs	Range	Weighted Average
	£000s			%	%
Investment property	14,966	Income approach			
Includes:					
Industrial units			Vacancy rate	0-5.7	0.5
			Yield	9-15	n/a
Offices			Vacancy rate	0-1.5	0.2
			Yield	11-13	n/a
Shops			Vacancy rate	0-4.8	0.7
			Yield	10-12	n/a

	Fair Value 31 March 2018	Valuation Technique	Unobservable Inputs	Range	Weighted Average
	£000s			%	%
Investment property	13,808	Income approach			
Includes:					
Industrial units			Vacancy rate	0-2	2.3
			Yield	11-15	n/a
Offices			Vacancy rate	0-13	9.6
			Yield	11-13	n/a
Shops			Vacancy rate	0-2	3.6
			Yield	9.5-12	n/a

Sensitivity to Changes in Significant Unobservable Inputs

Significant changes in rental yield and vacancy levels or discount rate will result in a significantly lower or higher fair value.

13.5 Effect of Changes in Estimates

In 2018/19 the Council made no material changes to its accounting estimates for property, Plant and Equipment.

13.6 Impairment

The impairment review of our existing assets undertaken in 2018/19 by our valuers revealed the following changes in valuation of the Council's assets:

2017/18 Movement £000s	Impairment Review	2018/19 Movement £000s
(2,342)	Total movement in net book value	(126)

13.7 Capital Commitments

At 31 March 2019, the Council has entered into capital contracts, which in 2019/20 and 2020/21 are budgeted to cost £33.5 million. The major commitments are as follows, and are not included in the financial statements within this document.

	2019/20 £000s	2020/21 £000s
21 st Century Schools	24,967	3,968
The Redevelopment of The British	1,400	1,237
Adventure Triangle Regeneration Scheme	1,458	482
Total	27,825	5,687

13.8 Capital Expenditure and Capital Financing

The amount of capital expenditure incurred is shown below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. The Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed is analysed in the second part of this note.

2017/18 £000s		2018/19 £000s
125,679	Capital Financing Requirement at 1 April	131,568
	Capital investment	
18,465	Property, plant and equipment	28,429
18	Investment properties	52
1,987	Revenue expenditure funded from capital under statute	751
(1,053)	Capital receipts	(2,017)
(8,959)	Government grants and other contributions	(18,816)
	Sums set aside from revenue	
(222)	Direct revenue contributions	(133)
(4,347)	Minimum Revenue Provision (MRP)	(4,577)
131,568	Capital Financing Requirement at 31 March	135,257
5,889	Movement in year	3,689
	Explanation of movement in year	
2,689	Increase in underlying need to borrow (supported by government financial assistance)	2,685
7,224	Increase in underlying need to borrow (unsupported by government financial assistance)	5,416
323	Increase in underlying need to borrow (Salix loan)	165
10,236	Increase/(decrease) in Capital Financing Requirement	8,266
(4,347)	Less Minimum Revenue Provision (MRP)	(4,577)
5,889	Movement in year	3,689

14. Heritage Assets

The following table provides an analysis of the carrying values of heritage assets held by the Council.

2017/18 £000s		2018/19 £000s
0	Building	365
137	Sculpture	137
65	Civic Regalia	65
809	Environmental/Landscape	809
1,011	Total	1,376

Building

Llanyravon Manor is a detached three storey Grade 2 Listed Tudor Manor House of stone construction under pitched slate roof. The original building was a "2 up 2 down" cottage situated to the left of the entrance with the main attached building constructed circa 1650. The property was extensively refurbished in 2010 and 2011. The building was reclassified this year as a heritage asset; it was previously valued as an operational asset.

Sculpture

A sculpture of a group of pit ponies is on display in the Blaenavon Iron Works Museum.

Civic Regalia

This is a set of mayoral chains for the Mayor and Deputy Mayor and their consorts.

Environmental/Landscape Buildings and Structures

These are individual buildings or structures that have been identified within a wider landscape:

- Pontypool Park is an historic park with the following heritage assets:
 - a) The Shell Grotto - Constructed in 1794 with improvements c1830, the Grotto is circular built in rough stone with a shell interior. It is open to the public at specific times.
 - b) The "Ice" House - A unique, early 19th century, double chamber ice house.
 - c) Pontymoile Park Gates / Memorial Gates - Elaborate wrought iron gates, at the south east and south west entrances to the Park.

The remainder of the Park is included within operational assets within property, plant and equipment.

- Blaenavon Industrial Landscape – A World Heritage Site

There is a management plan for the preservation, protection, conservation, and promotion of the site. Only part of the wider site is in the ownership of the Council, and the following asset has been identified as a relevant heritage asset within it.

 - a) Aaron Brutes Bridge - This bridge originally dates from the period 1820-1845. It is a Scheduled Ancient Monument and is included in the UNESCO State of Conservation Monitoring Report.

During 2016/17 the Council purchased land at The British in Talywain and so acquired certain heritage assets that are in varying states of disrepair and have no value in accounting terms. These are the grade II listed British Ironworks Office and Quadrangle Building, and three scheduled ancient monuments – a Cornish pumping engine house, an air furnace and Cwmybyrgwm Chimney.

15. Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

2017/18 £000s		2018/19 £000s
13,241	Balance at 1 April	14,453
18	Subsequent expenditure	52
0	Disposals	(180)
451	Net gains/losses from fair value adjustments	641
743	Transfers (to)/from Property, Plant and Equipment	0
14,453	Balance at 31 March	14,966

16. Leases

Council as Lessee

Finance Leases

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the net amount of £194,770 (£219,914 in 2017/18).

The minimum lease payments are made up of the following amounts:

2017/18 £000s		2018/19 £000s
52	Finance lease liabilities (net present value of minimum lease payments) – current	27
168	Finance lease liabilities (net present value of minimum lease payments) - non-current	141
34	Finance costs payable in future years	27
254	Total	195

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

2017/18 Minimum Lease Payments £000s	2017/18 Finance Lease Liabilities £000s		2018/19 Minimum Lease Payments £000s	2018/19 Finance Lease Liabilities £000s
60	52	Not later than one year	31	27
164	142	Later than one year and no later than five years	132	113
30	26	Later than five years	32	28
254	220	Total	195	168

Operating Leases

The Council has acquired the majority of its fleet of vehicles and plant by entering into operating leases, with typical lives of between three and seven years depending on the leased asset. The Council also rents properties under operating type leases.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was as follows:

2017/18 £000s		2018/19 £000s
1,342	Minimum lease payments	1,038
(239)	Sub-lease payments receivable	(196)
1,103	Total	842

The minimum lease payments to be charged to future Comprehensive Income and Expenditure Statements under non-cancellable leases are as follows:

2017/18 £000s		2018/19 £000s
918	Not later than one year	809
2,032	Later than one year and not later than five years	1,273
523	Later than five years	435
3,473	Total	2,517

Council as Lessor

Operating Leases - The Council leases out property under operating leases primarily in relation to shops and industrial estates. The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

2017/18 £000s		2018/19 £000s
1,484	Not later than one year	1,409
4,431	Later than one year and not later than five years	3,693
2,437	Later than five years	2,173

17. Financial Instruments

Financial instruments balances

The table below reconciles the principal values for financial liabilities (borrowing) to the amortised cost valuation, as shown on the Balance Sheet. This is further split into short and long term borrowing amounts.

Total 31 March 2018 £000s	Borrowing: Reconciliation of Principal Amount to Amortised Cost	PWLB £000s	Market Loans £000s	Other £000s	Total 31 March 2019 £000s
(127,652)	Principal amount	(76,244)	(47,500)	(1,060)	(124,804)
(821)	Accruals	(725)	(188)	0	(913)
620	Other accounting adjustments*	2,628	(1,582)	86	1,132
(127,853)	Financial Liabilities at Amortised Cost (As Balance Sheet)	(74,341)	(49,270)	(974)	(124,585)
	Made up of:				
(24,256)	Short term borrowing	(5,290)	(625)	(120)	(6,035)
(103,597)	Long term borrowing	(69,051)	(48,645)	(854)	(118,550)
(127,853)	Financial Liabilities at Amortised Cost	(74,341)	(49,270)	(974)	(124,585)

*In 2007, some PWLB loans were restructured with a view to making net savings, i.e. the premium paid was more than offset by the interest saving. With the statutory override, provision is made to spread the write off of the premium over the period of the new loan. The new accounting standard IFRS 9 states that where the replacement loan is close in Net Present Value to the original loan, both the premium and the interest saving are recognised immediately. Therefore for PWLB loans, there is an accounting adjustment of £2,627,841 with the transition to IFRS 9. See further analysis below with the restatement of financial instruments for IFRS 9.

*The LOBO loans adjustment of £1,582,285 equates to the accounting requirement of disclosing loans at their amortised cost valuation using an effective interest rate calculation. Under the terms of LOBO loans, after the initial fixed period, the lender, at fixed intervals, has the option to increase the rate on the loan, which gives the borrower, (the Council), the option to repay the loan.

*Other accounting adjustments of £85,861 equates to the effective interest on Salix loans (totalling £1,060,068) which are accounted for as soft loans.

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

31 March 2018		Financial Instrument Balances	31 March 2019	
Long Term £000s	Short Term £000s		Long Term £000s	Short Term £000s
		Financial Liabilities At Amortised Cost:		
(103,597)	(24,256)	Borrowing (see table above for breakdown)	(118,550)	(6,035)
(813)	(15,226)	Creditors	(848)	(17,719)
0	(4,036)	Bank current account overdraft	0	(2,304)
		Financial Assets:		
		Amortised Cost		
0	8,004	Fixed term investments	0	19,007
0	26	Petty cash	0	26
117	19,187	Debtors	190	16,144
		Fair Value Through Profit & Loss:		
40	0	Investment in Shared Resource Services (Business Solutions Limited)	40	0
0	9,004	Cash equivalents-Money Market Funds & Local Authority Investments	0	0

Short-term creditors of £17,719,000 exclude £2,537,000 of non-contractual short-term creditors that do not meet the definition of financial liabilities at amortised cost.

Short-term debtors of £16,144,000 exclude £7,810,000 of non-contractual debtors that do not meet the criteria of loans and receivables.

Any accrued interest is categorised as 'short term'. Included within the above table is a shareholding in Shared Resource Services (Business Solutions Limited). Shares (representing 50% of the Company's capital) are carried at fair value of £40,000. Note 18 also refers to this shareholding.

New Accounting Standard IFRS 9

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and measurement of financial assets, the earlier recognition of the impairment of financial assets and the remeasurement of modified loan liabilities.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

Restatement of Financial Instruments for IFRS 9

New Classification as at 1 April 2018

	Carrying amount b/f at 1 April £000s	Amortised Cost £000s	Fair Value Through Profit & Loss £000s			
Previous Classifications-Financial Assets						
Loans & Receivables						
Money Market Funds	9,004	0	9,004			
Bank Call Accounts	8,004	8,004	0			
Petty Cash	26	26	0			
Debtors	19,304	19,304	0			
Available for Sale						
SRS (BS) Shares	40	0	40			
Reclassified amounts at 1 April 2018	36,378	27,334	9,044			
				Impact on GF Balance £000s	Impact on FIRR £000s	Impact on FIAA £000s
Remeasurements at 1 April 2018- Financial Assets		0	0	0	0	0
Remeasured carrying amounts at 1 April 2018-Financial Assets		27,334	9,044	0	0	0
Financial Liabilities at Amortised Cost	(25,372)	(25,372)	0	0	0	0
IFRS 9 - Non-extinguished PWLB Loans with Premiums		504	0	2,628	0	2,124
Remeasured carrying amounts at 1 April 2018-Financial Liabilities		(24,868)	0	2,628	0	2,124

Effect of reclassification on the Balance Sheet

This note shows how the adjusted brought forward balances at 1 April 2018 are incorporated into the Balance Sheet.

	Amortised Cost £000s	Fair Value Through Profit & Loss £000s	New Financial Instrument Balances £000s	Total Balance Sheet carrying amount £000s
Non-Current Investments	0	40	No change	No change
Long-term debtors	117	0	No change	No change
Current Investments	8,030	9,004	No change	No change
Current Debtors	19,187	0	No change	No change
PWLB Debt (EIR Loans only) - Long Term Debt	(25,372)	0	504	(24,868)

Financial Asset Classification

The investment in SRS (BS) shares of £40,000 has been reclassified from 'available for sale' to 'fair value through profit and loss', as there are no contractual payments comprising principal and interest. Fair value has primarily been determined on the value of the net assets of the company and related relevant factors.

Money market fund balances have been classified from 'loans and receivables' to 'fair value through profit and loss' as although contractual payments are determinable, they have elements which are performance related that are not specifically principal or interest.

Bank Call accounts have been reclassified from 'loans and receivables' to 'amortised cost' as the business model is to collect contractual cash flows only.

Financial Liability Classification

For PWLB modified loans, with the transition to IFRS9, there has been an adjustment to the opening carrying value of PWLB loans by £504,055. The remaining adjustment of £2,123,785 is shown within the Financial Instrument Adjustment Account. See note 27c below.

Fair Values of Assets and Liabilities

As at 31 March 2019 the Council has £19 million financial assets (investments) and £124.804 million financial liabilities (borrowing). The financial assets are classed as either at 'Amortised Cost' or 'Fair Value through Profit & Loss'. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and so a level 2 valuation has been applied (refer to page 29 for more details on valuation techniques). The fair values have been calculated using the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. The fair values for financial liabilities are as follows:

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31 March 2018				31 March 2019		
Principal £000s	Carrying Amount £000s	Fair value £000s		Principal £000s	Carrying Amount £000s	Fair Value £000s
(57,744)	(56,246)	(77,065)	PWLB debt	(76,244)	(74,341)	(94,200)
(69,908)	(71,607)	(130,483)	Non-PWLB debt	(48,560)	(50,244)	(106,304)
(127,652)	(127,853)	(207,548)	Total debt	(124,804)	(124,585)	(200,504)
(16,039)	(16,039)	(16,039)	Financial Instrument Creditors	(18,567)	(18,567)	(18,567)
(4,036)	(4,036)	(4,036)	Bank Current Account Overdraft	(2,304)	(2,304)	(2,304)
(147,727)	(147,928)	(227,623)	Total Financial Liabilities at Amortised Cost	(145,675)	(145,456)	(221,375)

The fair value figures are based on the following assumptions:

- For all loans (PWLB & Non PWLB) new borrowing rates have been applied to provide the fair value under debt redemption procedures.
- No early repayment or impairment is recognised. However, if the authority were to seek to repay loans, a penalty charge would be incurred for early redemption.
- The fair value of financial instrument creditors is taken to be the invoiced or billed amount.

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

The table below shows Council investment balances (financial assets) as at year end.

The table below shows Council investment balances (financial assets) as at year end. 31 March 2018			Investments	31 March 2019		
				Principal £000s	Carrying Amount £000s	Fair Value £000s
17,000	17,008	17,008	Investments <1 year	19,000	19,007	19,072
19,304	19,304	19,304	Financial Instrument debtors	16,334	16,334	16,334
36,304	36,312	36,312	Total Financial Assets	35,334	35,341	35,406

Note 17a. Financial Instrument – Gains and Losses

2017/18	Description	Financial Liabilities	Financial Assets		2018/19
		Amortised Cost	Amortised Cost	Fair Value through P&L	
£000s		£000s	£000s	£000s	£000s
44	Debt Management Expenses	53	0	0	53
3,169	Mortgage Loan Interest	3,170	0	0	3,170
2,895	PWLB Loan Interest	3,021	0	0	3,021
40	Temporary Borrowing	35	0	0	35
(10)	Other Interest	176	0	0	176
(154)	Former Gwent Debt	0	0	0	0
13	Finance Leases	11	0	0	11
0	Interest adjustment (transition to IFRS9)	(504)	0	0	(504)
0	Impairment Losses	61	0	0	61
5,997	Interest Payable & Similar Charges	6,023	0	0	6,023
(87)	Investment Income	0	(71)	(100)	(171)
(4)	Bank Interest	0	(25)	0	(25)
(91)	Interest & Investment Income	0	(96)	(100)	(196)
5,906	Net Impact on surplus/deficit on provision of service	6,023	(96)	(100)	5,827

18. Nature and Extent of Risks arising from Financial Instruments

The Council's treasury management activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council; also referred to as Counterparty risk or default risk;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

The Council's overall treasury management risk management procedures focus on the unpredictability of the financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are defined through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Treasury Management Code of Practice;
- by approving annually in advance prudential indicators for three years indicating:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures re maturity structure of its debt;
 - its maximum annual exposures to investments maturing beyond a year;

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.
- by the adoption of a Treasury Policy Statement and treasury management clauses within the financial regulations (FS016) of the Council's Constitution.

The above are required to be reported and approved at or before the Council's annual Council Tax setting budget and 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 Council's financial instrument exposure. Actual performance is also reported semi-annually to Members in the Treasury Management Activities Report. The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 27 February 2018 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for the 2018/19 debt level was set at £152.34 million. The Operational Boundary was expected to be £137.34 million. The maximum amounts of fixed and variable interest rate exposure were set at £137.34 million and £41.20 million respectively based on the Council's net debt.
- the maximum and minimum exposures to the maturity structure of debt are shown as part of 'Refinancing and maturity risk'.

All policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk is also referred to as counterparty or default risk. This risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. It is essentially the risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing or capital project financing. The risk is minimised through the Annual Investment Strategy.

The Annual Investment Strategy identifies counterparties for investment purposes based on specified criteria. As well as credit ratings the Council has regard to other measures such as market intelligence. Also, fixed investments are only for a three month period or six months with approval from the Assistant Chief Executive Officer (Resources). The full Investment Strategy for 2018/19 was approved by full Council on 27 February 2018 and is available on the Council's website.

The Council'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. With regard to deposits with banks and financial institutions, the Council has no actual experience of defaults over the last 5 financial years. No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect any losses from non-performance by any of its' counterparties in relation to deposits and the credit impairment losses have been assessed

as nil. The Council continues to use only UK domiciled financial institutions for investment purposes.

In relation to borrowing as at the 31 March 2019, the Council had nine lenders option/borrowers option (LOBOs) market loans totalling £31 million. These LOBOs are of a basic type and under the terms of these loans, after the initial fixed period, the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All nine loans have exited their fixed periods, and no alterations have been opted by the lender, and are therefore treated as variable loans. Due to interest rates remaining at such low levels, it is highly unlikely that these variable market loans will be called for a change in rates. The Council therefore does not consider these to carry any material credit risk

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

31 Mar 2018 Estimated maximum exposure to default and uncollectibility £000s		31 Mar 2019 Amount £000s (a)	31 Mar 2019 Historical experience of default % (b)	31 Mar 2019 Historical experience adjustment for market conditions % (c)	31 Mar 2019 Estimated maximum exposure to default and uncollectibility £000s (a * c)
28	Trade Debtors/Customers/lease receivables	5,576	0.19	0.19	11

The Council does not generally allow credit for its trade debtors and lease receivables such that £4.1 million of the £5.6 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2018 £000s		31 March 2019 £000s
6,950	Less than three months	1,671
322	Three to six months	451
804	Six months to one year	720
1,084	More than one year	1,261
9,160	Total	4,103

The quality of debtors is reflected in the level of the impairment allowance shown in Note 19 Debtors.

Collateral – during the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures outlined above involving 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 required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is required.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB provides access to longer term funds. The Council is 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.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of:

- longer term financial liabilities (debt) and
- longer term financial assets (investments)

Currently, this risk is managed by the treasury team's constant review of the debt portfolio for financial liabilities and by keeping investments very short term for financial assets. This is measured and reported in relevant prudential indicators.

The maturity analysis of financial liabilities (debt) is as follows:

31 March 2018 £000s		2018/19 Approved Max. Limits £000s		2018/19 Approved Min. Limits £000s		31 March 2019 £000s
(23,013)	Maturing in under 1 year (Short term)	50%	(62,402)	0%	0	(4,704)
(2,755)	Maturing in 1 to 2 years	30%	(37,441)	0%	0	(3,839)
(9,758)	Maturing in 2 to 5 years	50%	(62,402)	0%	0	(9,752)
(12,382)	Maturing in 5 to 10 years	75%	(93,603)	0%	0	(26,757)
(79,744)	Maturing over 10 years	100%	(124,804)	25%	(31,201)	(79,752)
(127,652)	Total					(124,804)

The table illustrates that borrowing levels have not breached the limits specified within the 2018/19 Prudential Report. The increase in the short-term debt is as a result of temporary borrowing being required at year end to fund cashflow. The Council's debt can be split further into category of lender:

31 March 2018 £000s		31 March 2019 £000s
(57,744)	Public works loan board	(76,244)
(46,000)	Banks	(46,000)
(21,400)	Local Authorities (Temporary Borrowing for cash flow purposes)	0
(1,500)	Other financial institutions	(1,500)
(1,008)	Other sources	(1,060)
(127,652)	Total	(124,804)

The maturity analysis of financial assets (Council investments only) is as follows:

31 March 2018 £000s		31 March 2019 £000s
17,000	Less than one year	19,000
17,000	Total	19,000

The figures illustrated above are shown as the outstanding principal value and not the amortised cost valuation. Figures in the Balance Sheet reflect amortised cost.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. The Council limits interest rate risk by placing investments very short term. The Council's debt is mainly fixed in nature and therefore there is little risk of volatility caused by changes in interest rates, except on the small proportion of LOBO loans. If the rates are altered on these, however, the Council has the option to repay them.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. If all interest rates had been 1% higher at 31 March 2019 (with all variables held constant) the financial effect would have been:

	£000s
Increase in interest payable on variable rate borrowings	310
Increase in interest receivable on variable rate investments	(80)
Impact on Surplus or Deficit on the Provision of Services	230
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(30,693)
Decrease in fair value of fixed rate investments	(26)
Impact on Other Comprehensive Income and Expenditure	165

For the assumptions on which these figures are based refer to page 62.

Price Risk

This is the risk that a monetary loss will occur due to the market value of a security or portfolio of securities declining in the future. The Council, excluding the Pension Fund, does not generally invest in instruments with this type of risk.

The Council's investment of £40,000 in the share capital of SRS (BS) (Business Solutions Limited), as outlined in notes 17 and 18, may increase price risk exposure, but due to the low level of the investment this is considered immaterial. Price risk only has a monetary impact if shares are sold at a loss.

19. Debtors

2017/18 £000s		2018/19 £000s
2,206	Central government bodies -	
6,828	- Non-Domestic Rates	1,581
	- Other	6,807
6,958	Other Councils	4,031
1,423	NHS bodies	1,094
3,394	Council Tax payers	3,637
(669)	Impairment - Council Tax payers	(723)
1,726	Benefit overpayments	1,879
(871)	Impairment - Benefit overpayments	(968)
8,043	Other entities and individuals (incl. trade debtors)	7,318
(707)	Impairment - Other entities and individuals (incl. trade debtors)	(702)
28,331	Total	23,954

19a. Debtors for Local Taxation

The past due date but not impaired amount for Council Tax can be analysed by age as follows:

31 March 2018 £000s		31 March 2019 £000s
1,456	Less than 1 year	1,448
500	1 year to 2 years	537
265	2 years to 3 years	347
158	3 years to 4 years	231
133	4 years to 5 years	124
213	More than 5 years	227
2,725	Total	2,914

The analysis above only shows those balances, where assessment has indicated that by exception no impairment is required.

20. Cash and Cash Equivalents

2017/18 £000s		2018/19 £000s
26	Cash held by the Council	26
(3,359)	Bank current accounts	(2,304)
9,004	Cash Equivalents-Money Market Funds/Other Local Authority Deposits	0
5,671	Total Cash and Cash Equivalents	(2,278)

21. Assets Held for Sale

2017/18 £000s		2018/19 £000s
7,108	Balance at 1 April	4,047
	Assets newly classified as held for sale:	
194	- Property, Plant and Equipment	0
(280)	Revaluation losses	0
(2,975)	Assets sold	(2,612)
4,047	Balance at 31 March	1,435

22. Creditors

2017/18 £000s		2018/19 £000s
(2,691)	Central government bodies	(4,127)
(1,402)	Other Councils	(1,244)
(92)	NHS bodies	(178)
(6)	Public corporations and trading funds	(1)
(12,092)	Other entities and individuals (incl. trade creditors)	(14,706)
(16,283)	Total	(20,256)

23. Provisions

2017/18 Total £000s		2018/19		
		Insurance £000s	Other Provisions £000s	Total £000s
(1,748)	Balance at 1 April	(1,391)	(8)	(1,399)
0	Additional provisions	(1,107)	0	(1,107)
338	Amounts used	821	8	829
(1,410)	Balance at 31 March	(1,677)	(0)	(1,677)

Insurance Provision covers obligations that have arisen during the year as a result of unsettled insurance claims. An analysis of claims "likely" to be settled is shown in the table below.

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Policy Type	Estimate of "Likely" Outcome £000s
Public Liability	934
Employers Liability	478
Motor	30
Internal Property	235
Balance at 31 March 2019	1,677

24. Other Long Term Liabilities

Other long term liabilities are amounts which we must pay back at some time after the next financial year or are amounts to be paid off over a period of time in yearly instalments. The Balance Sheet reflects the amortised values.

31 March 2018			31 March 2019	
Amortised Value £000s	Principal Value £000s		Amortised Value £000s	Principal Value £000s
(254)	(254)	Finance Leases	(195)	(195)
(296,923)	(296,923)	Liability related to defined benefit pension scheme	(363,058)	(363,058)
(297,177)	(297,177)	Total	(363,253)	(363,253)

25. Usable Reserves and Balances

Movements in the Council's usable reserves are summarised in the Movement in Reserves Statement on page 17. Service Area Balances assist in funding proposals specific to each Service Area, and the movement for each Service is shown in the following table:

	31 March 2018	Transfers 2018/19	31 March 2019
	£000s	£000s	£000s
Service Area Balances			
Social Care & Housing	(1,045)	701	(344)
Education	(1,094)	120	(974)
Chief Executive Services	(220)	94	(126)
Public Services Support Unit	(130)	28	(102)
Community Services	(29)	29	0
Neighbourhood Services	(595)	192	(403)
Resources	(156)	30	(126)
Total Service Area Balances	(3,269)	1,194	(2,075)

The movement on each Corporate Reserve and its purpose is shown below:

	31 March 2018	Transfers 2018/19	31 March 2019
	£000s	£000s	£000s
Corporate Reserves			
Early Intervention & Prevention (for preventative/demand management activities)	(358)	90	(268)
City deal financing (for borrowing costs)	(50)	50	0
Insurance (for self-insured element of claims)	(1,658)	608	(1,050)
Corporate Redundancies (for costs of redundancies & Profile project)	(1,534)	(157)	(1,691)
TCBC Elections (for unitary local council elections)	(59)	0	(59)
Section 106 (to fund maintenance arrangements per agreements)	(16)	16	0
Regeneration Partnerships (for regeneration work)	(166)	0	(166)
21 st Century Schools (for funding schools modernisation)	(2,447)	(718)	(3,165)
ICT Reserve	(344)	(8)	(352)
Planning & Public Protection – Local Plan	(414)	14	(400)
Strategic Change (for supporting corporate programmes)	0	(750)	(750)
Schools Maintenance (to provide targeted premises maintenance works)	0	(99)	(99)
	(7,046)	(954)	(8,000)
Revenue Grants Unapplied Reserve (holds grant where spend not yet incurred)	(444)	98	(346)
Total	(7,490)	(856)	(8,346)

26. Other Usable Reserves**a. School Balances**

2017/18 £000s		LEA Controlled Schools £000s	Voluntary Controlled Schools £000s	Voluntary Aided Schools £000s	2018/19 £000s
(1,571)	Primary schools	(1,694)	(98)	(304)	(2,096)
(381)	Secondary schools	(458)	0	(228)	(686)
(90)	Special schools	(115)	0	0	(115)
(2,042)	Total	(2,267)	(98)	(532)	(2,897)

b. Capital Receipts Reserve

2017/18 £000s		2018/19 £000s
(6,329)	Balance at 1 April	(8,483)
(3,207)	Receipts from sales of asset	(3,113)
1,053	Receipts used during the year	2,017
(8,483)	Balance at 31 March	(9,579)

27. Unusable Reserves**a. Revaluation Reserve**

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

2017/18 £000s		2018/19 £000s
(81,589)	Balance at 1 April	(75,532)
(8,397)	Upward revaluation of assets	(6,581)
8,202	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	4,452
(81,784)	Sub-total - (Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(77,661)
4,559	Difference between current value depreciation and historical cost depreciation	4,831
1,657	Accumulated gains on assets sold or scrapped	976
36	Adjustment for consolidation of JOPs	(44)
(75,532)	Balance at 31 March	(71,898)

b. 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.

2017/18 £000s		2018/19 £000s
(136,338)	Balance at 1 April	(126,939)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
13,907	Charges for depreciation and impairment of non-current assets	13,780
6,653	Revaluation losses on Property, Plant and Equipment	10,770
1,987	Revenue expenditure funded from capital under statute	751
8,077	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,949
30,624	Sub total of reversal items	34,250
(6,216)	Adjusting amounts written out of the Revaluation Reserve	(5,807)
24,408	Net written out amount of the cost of non-current assets consumed in the year	28,443
(1,053)	Use of the Capital Receipts Reserve to finance new capital spend	(2,017)
(8,959)	Capital grants and contributions credited to the Comprehensive Income and Expenditure	(18,816)

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	Statement that have been applied to capital financing	
(4,347)	Statutory provision for the financing of capital investment charged against the Council Fund	(4,577)
(222)	Capital expenditure charged against the Council Fund	(133)
(14,581)	Sub total capital financing	(25,543)
(451)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(641)
23	Adjustment for consolidation of JOPs	23
(126,939)	Balance at 31 March	(124,657)

c. 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.

2017/18 £000s		2018/19 £000s
2,123	Balance at 1 April	2,057
0	Opening Balance Adjustment with transition to IFRS 9	2,123
(48)	Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(104)
(18)	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	(7)
2,057	Balance at 31 March	4,069

The opening balance adjustment relates to the premiums incurred on PWLB loans which previously were added into the carrying value of the loan. With the transition to IFRS 9 these are now required to be written off from the Financial Instruments Adjustment Account over the period of the replacement loans.

d. 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.

2017/18 £000s		2018/19 £000s
297,807	Balance at 1 April	297,015
(19,394)	Re-measurements re pension net liability (asset)	48,920
33,352	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:	33,249
92	• IAS19 reversal	15
(14,843)	• Reversal of accrued strain costs	
	Employer's pensions contributions and direct payments to pensioners payable in the year	(16,151)
0	Effect of business combinations	0
(12)	Adjustment for consolidation of JOPs	12
22	• Re-measurements re pension net liability (asset)	22
(9)	• IAS19 reversal	(9)
	• Employer's pensions contributions and direct payments to pensioners payable in the year	
297,015	Balance at 31 March	363,073

e. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for holiday entitlements earned but not taken in the year. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000s		2018/19 £000s
2,230	Balance at 1 April	1,942
(2,230)	Settlement or cancellation of the accrual made at the end of the previous year	(1,942)
1,942	Amounts accrued at the end of the current year	1,865
1,942	Balance at 31 March	1,865

28. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

2017/18 £000s		2018/19 £000s
13,907	Depreciation	13,780
6,653	Impairment and downwards valuations	10,770
0	Amortisation	0
82	(Increase)/decrease in stock	22
(2,634)	(Increase)/decrease in debtors	4,406
(1,406)	Increase/(decrease) in creditors	3,694
(218)	Increase/(decrease) in impairment for bad debts	146
18,601	Movement in pension liability	17,110
8,077	Carrying amount of non-current assets and non-current asset held for sale, sold or derecognised	8,949
1,179	Other non-cash items charged to the net surplus or deficit on the provision of services	(956)
44,241	Total	57,921

29. Cash Flow Statement – Adjustment to net surplus or deficit on the provision of services that are investing and financing activities

2017/18 £000s		2018/19 £000s
(11,337)	Capital grant credited to the Comprehensive Income and Expenditure Statement	(20,720)
5,690	Interest paid and interest and dividends received	5,991
(5,647)	Total	(14,729)

30. Cash Flow Statement – Investment Activities

2017/18 £000s		2018/19 £000s
(22,345)	Purchase of property, plant & equipment, investment property and intangible assets	(30,327)
2,807	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	3,113
2	Proceeds from short term and long term investments	(11,004)
13,849	Other receipts from investing activities	20,201
(5,687)	Net cash flows from investing activities	(18,017)

31. Cash Flow Statement – Financing Activities

2017/18 £000s		2018/19 £000s
(1,290)	Cash receipts of short term and long term borrowing	15,461
(56)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(59)
2,422	Repayments of short and long term borrowing	(18,309)
(851)	Other payments for financing activities	(549)
225	Net cash flows from financing activities	(3,456)

32. Cash Flow Statement - Reconciliation of liabilities arising from financing activities

	1 April 2018 £000s	Financing cash flow £000s	Non-cash changes £000s	31 March 2019 £000s
Long-term borrowings	(104,639)	(15,461)	0	(120,100)
Short-term borrowings	(23,013)	18,309	0	(4,704)
Lease liabilities	(254)	59	0	(195)
Total liabilities from financing activities	(127,906)	2,907	0	(124,999)

33. Pooled Budgets for Health and Social Care

Under Section 33 of the National Health Service (Wales) Act 2006, three Partnership Agreements exist between Aneurin Bevan University Health Board (ABUHB) and the five Councils within its area. The Councils' transactions are included in the Social Care and Housing line of the Comprehensive Income and Expenditure Statement and the income and expenditure for each of the pooled budget arrangements is shown below.

1) Gwent Wide Integrated Community Equipment Service (GWICES)

This Greater Gwent service facilitates modern and closer integration for health and social care community equipment services. This service is delivered on a locality basis reflecting the boundaries of each Council. Torfaen is the lead Council.

2017/18 £000s		2018/19 £000s
	Funding Provided to the Pooled Budget	
(272)	Blaenau Gwent County Borough Council	(251)
(474)	Caerphilly County Borough Council	(461)
(307)	Monmouthshire County Council	(378)
(348)	Newport City Council	(325)
(370)	Torfaen County Borough Council	(367)
(85)	Torfaen County Borough Council - Telecare	(88)
(298)	Torfaen County Borough Council – ICF T1	(181)
(760)	Aneurin Bevan Health Board	(922)
(126)	Contribution to Lead Commissioner – Local Councils	(133)
(25)	Contribution to Lead Commissioner – Local Health Board	(24)
(230)	Community Resource Team	(236)
(3,295)	Total Funding	(3,366)
	Expenditure met from the Pooled Budget	
150	Staff	156
3,145	Non-Staff	3,210
3,295	Total Expenditure	3,366
0	Net (Surplus)/Deficit Arising on the Pooled Budget	0

2) The Gwent Frailty Programme

This programme provides integrated community based care services primarily aiming to avoid hospital admissions and assist independent living, and is delivered on a locality basis. Caerphilly County Borough Council has been appointed as the Lead Commissioner, and is responsible for the Section 33 Agreement, management of the pooled budget, and agreeing Annual Locality Commissioning Plans for the delivery of the Frailty services.

2017/18 £000s		2018/19 £000s
	Funding - Pooled Fund Contribution	
(559)	Blaenau Gwent County Borough Council	(579)
(2,168)	Caerphilly County Borough Council	(2,340)
(1,285)	Monmouthshire County Council	(1,387)
(1,637)	Newport City Council	(1,720)
(784)	Torfaen County Borough Council	(809)
(9,034)	Aneurin Bevan Health Board	(9,616)
(15,467)	Total Funding	(16,451)
	Pooled Fund - Reimbursements	
526	Blaenau Gwent County Borough Council	509
2,198	Caerphilly County Borough Council	2,288
1,212	Monmouthshire County Council	1,290
1,546	Newport City Council	1,682
590	Torfaen County Borough Council	682
8,173	Aneurin Bevan Health Board	8,619
409	Central Costs	615
830	Invest to Save Loan Repayment	830
15,484	Total Expenditure	16,515
17	Net in year (under)/overspend	64
(457)	Balance brought forward 1 April	(440)
(440)	Balance carried forward 31 March	(376)

3) Care Homes for Older People in Gwent

The Social Services and Wellbeing (Wales) Act (2014), effective from April 2018 envisages that this would be a single pooled fund which removes the traditional Health/Social care division between partners, offering flexibility in the single fund's use according to locally agreed needs. However, in the Gwent region and in other regions in Wales, the approach adopted towards the mechanics of the pooled fund arrangement is that (at least in its initial stage), it will not share financial risk nor introduce any potential cross-subsidy between the partners. Torfaen is the lead Council.

One of the anticipated benefits to an integrated regional commissioning approach to care homes is a coherent, strategic approach which will support the sector in its medium and longer term business planning and mitigate the current risks the sector is experiencing.

	2018/19 £000s
Funding - Pooled Fund Contribution	
Blaenau Gwent County Borough Council	(7,060)
Caerphilly County Borough Council	(21,136)
Monmouthshire County Council	(8,993)
Newport City Council	(16,449)
Torfaen County Borough Council	(9,986)
Aneurin Bevan Health Board	(34,972)
Total Funding	(98,596)

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Pooled Fund – Reimbursements	
Gwent Local Authority Residential Homes	14,895
Other Elderly Frail Residential Care	13,952
Other Elderly Mentally Infirm Residential Care	16,523
Elderly Frail Funded Nursing Care	18,772
Elderly Mentally Infirm Funded Nursing Care	7,694
Elderly Frail Continuing Health Care	8,591
Elderly Mentally Infirm Continuing Health Care	17,985
Step Up/Step Down	142
Lead Commissioner Costs	42
Total Expenditure	98,596
Net in year (under)/overspend	0
Balance brought forward 1 April	0
Balance carried forward 31 March	0

34. Members Allowances

The Council paid the following amounts to Members of the Council.

2017/18 £000s		2018/19 £000s
986	Total allowances and expenses	1,030

35. Officers Remuneration

The Council has to publish the organisation's pay multiple, that is the ratio between the highest paid employee and the median earnings across the organisation. The ratio of Chief Executive Pay to the median pay in Torfaen was as follows:

	2017/18	2018/19
Chief Executive's Pay	5.53	5.41
Median Pay 2019=£20,541 (2018=£20,138)	1	1

The following table shows the number of our employees who earned more than £60,000 in 2018/19 excluding Senior Officers, pensioners, and any teachers employed directly by schools, rather than the Council, for example those employed in a Voluntary Aided school. Employers' pension contributions are not included in the calculation of the remuneration that determines these bands.

Number of employees 2017/18		Pay bands £	Number of employees 2018/19	
Total	Number who left during the year		Total	Number who left during the year
11	0	60,000 to 64,999	12	0
15	0	65,000 to 69,999	17	0
8	1	70,000 to 74,999	8	1
2	1	75,000 to 79,999	2	1
4	1	80,000 to 84,999	4	1
1	0	85,000 to 89,999	2	0
2	1	90,000 to 94,999	0	0
0	0	95,000 to 99,999	2	1
0	0	100,000 to 104,999	0	0
0	0	105,000 to 109,999	0	0
0	0	110,000 to 114,999	0	0
0	0	115,000 to 119,999	0	0
0	0	120,000 to 124,999	0	0
0	0	125,000 to 129,999	1	1
0	0	130,000 to 134,999	2	2
43	4	Total	50	7

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The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for all employees are set out in the tables below. Other redundancies have been made as part of the Councils' rationalisation procedure and have occurred for such reasons as resignations, mutual agreement, and dismissal. The costs include redundancy costs and payments in lieu of notice at time of departure. Where applicable employers' national insurance contributions are included, as well as any strain costs which are the costs of the early payment of benefit payable by the Council to the Pension Fund when a member of staff over 55 is made redundant.

2018/19 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000s
£0 - £20,000	0	93	93	549
£20,001 - £40,000	0	22	22	584
£40,001 - £60,000	0	7	7	350
£60,001 - £80,000	0	2	2	146
£80,001 - £100,000	0	2	2	190
£100,001 - £150,000	0	1	1	100
£150,001 - £200,000	0	2	2	367

2017/18 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000s
£0 - £20,000	10	91	101	381
£20,001 - £40,000	3	10	13	380
£40,001 - £60,000	1	1	2	100
£60,001 - £80,000	0	1	1	64
£100,001 - £150,000	0	1	1	106
£150,001 - £200,000	1	0	1	162

35a. Senior Officers emoluments where salary is between £60,000 and £150,000 per year – 2018/19

2018/19 Post Title	Notes	Salary (including fees & allowances) £	Taxable expense allowances £	Compensation for loss of office £	Total remuneration excluding pension contributions £	TCBC's contribution to the Pension Fund £	Total remuneration including pension contributions £
Chief Executive	1	112,003	0	0	112,003	26,262	138,265
Assistant Chief Executive-Resources		90,698	0	0	90,698	21,405	112,103
Assistant Chief Executive- Strategy	2	59,625	0	0	59,625	14,072	73,697
Chief Officer Social Care and Housing		86,195	0	0	86,195	20,342	106,537
Head of Education Services		86,195	0	0	86,195	20,257	106,452
Chief Officer Neighbourhood, Planning and Public Protection		82,758	0	0	82,758	19,531	102,289
Chief Operating Officer – Shared Resource Services	3	87,555	0	0	87,555	19,420	106,975
Monitoring Officer and Assistant Chief Legal Officer		62,201	0	0	62,201	14,679	76,880

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Head of Public Services Support Unit and Senior Information Risk Owner		66,445	0	0	66,445	15,681	82,126
Head of Transformation and Improvement	4	27,377	0	0	27,377	6,461	33,838

Notes

1. The amount of £112,003 comprises £111,278 plus fees of £725 being the outstanding amount from 2017/8 for acting as the electoral returning officer in respect of the General Election.
2. The title of this post was previously Assistant Chief Executive-Communities. It is a part-time post and the annualised full time salary is £99,375.
3. The costs of the post of Chief Operating Officer – Shared Resource Services are shared equally between Torfaen County Borough Council, Monmouthshire County Council, Blaenau Gwent County Borough Council, Newport City Council and Gwent Police. The amounts shown in the table are the full costs of the post before any cost sharing.
4. Postholder commenced 12 November 2018. The annualised salary is £70,904.

35b. Senior Officers emoluments where salary is between £60,000 and £150,000 per year – 2017/18

2017/18 Post Title	Salary (including fees & allowances) £	Taxable expense allowances £	Compensation for loss of office £	Total remuneration excluding pension contributions £	TCBC's contribution to the Pension Fund £	Total remuneration including pension contributions £
Chief Executive	121,522	0	0	121,522	25,149	146,671
Assistant Chief Executive-Resources	87,168	0	0	87,168	19,700	106,868
Assistant Chief Executive-Communities	68,198	0	0	68,198	15,412	83,610
Chief Officer Social Care and Housing	81,429			81,429	18,403	99,832
Head of Education Services	80,995	0	0	80,995	18,187	99,182
Chief Officer Neighbourhood, Planning and Public Protection	18,333	0	0	18,333	4,143	22,476
Chief Officer Neighbourhood, Planning and Public Protection	33,205	0	0	33,205	7,504	40,709
Chief Operating Officer– Shared Resource Services	79,733	0	0	79,733	16,903	96,636

36. External Audit Costs

2017/18 £000s		2018/19 £000s
169	Fees payable with regard to external audit services carried out by the appointed auditor for the year	172
100	Fees payable in respect of statutory inspections	98
53	Fees for the certification of grant claims and returns	46
27	Fees in respect of other services provided	20
349	Total	336

The fees payable in respect of statutory inspections include a credit of £1,805.51 in relation to the 2016/17 performance fee. The fees for other services provided relate to an annual subscription to CFO Insights, which is a non-audit service.

37. Related Parties

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

Welsh Government

Welsh Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement, and in the subjective analysis in note 7 Expenditure and Income Analysed by Nature.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in note 34. During 2018/19 no individual Member advised on any related party transactions due to their role within the Council.

Officers

During 2018/19 no senior officer advised, when consulted, on any related party transactions due to their role within the Council.

Pension Funds

During 2018/19 the Council enacted with both the Greater Gwent (Torfaen) Pension Fund and the Teachers Pension Agency due to its role as an employer. Full details of the relationship with both organisations are disclosed in note 38.

Other Public Bodies subject to common control by central government

The Council has a pooled budget arrangement with Aneurin Bevan University Health Board for the provision of care services. Further details of the arrangement, the transactions and balances outstanding are detailed in note 33.

Cardiff Capital Region City Deal (CCRCD)

A Joint Working Agreement formally established the Cardiff Capital Region Joint Committee (the Regional Cabinet) as a Joint Committee, with delegated functions, from 1st March, 2017. It is a partnership between the 10 councils in South East Wales, including Torfaen County Borough Council. The arrangement has not been consolidated on grounds of materiality, but the position will be kept under review. Note 10 Joint Operations provides further information.

Entities Controlled or Significantly Influenced by the Council

Councils must consider whether they need to produce group accounts for interests held in other bodies/organisations, where they meet the definition of subsidiaries, associates and joint ventures. Torfaen has conducted a detailed review of all relationships in this regard, and

although the Council has interests in a number of companies, they do not meet the requirements for the preparation of Group Accounts. The Council has interests in the following companies:

(1) Shared Resource Services (Business Solutions Limited)

The company was incorporated in June 2011 with the aim of trading with the private and third sector. The shareholding Councils (Torfaen and Monmouthshire) invested £40,000 each in share capital. Notes 17 and 18 also refers to this. SRS (Business Solutions Limited) fits the accounting definition of a Joint Venture. The accounting position of the company is not material to the fair presentation of the financial position and transactions of the Council, or to the understanding of the Statement of Accounts. The accounting treatment therefore falls outside the requirement to prepare Group Accounts; this treatment is consistent with that adopted by Monmouthshire County Council.

31 March 2018 £000s Final		31 March 2019 £000s Draft
	Profit and Loss Account	
134	Total Operating Expenditure	126
(154)	Total Operating Income	(150)
(20)	(Profit)/Loss Before Tax	(24)
4	Tax	4
(16)	(Profit)/Loss After Tax	(20)
	Balance Sheet	
327	Current Assets	244
(207)	Current Liabilities	(104)
120	Net Current Assets	140
	Share Capital	
(40)	Torfaen CBC Capital Injection	(40)
(40)	Monmouthshire CC Capital Injection	(40)
(80)	Total Capital Injection	(80)
(24)	Balance Brought Forward	(40)
(16)	In Year Loss/(Profit)	(20)
(120)	Shareholders' Funds	(140)

(2) Education Achievement Service - (EAS)

The EAS aims to raise education standards in South East Wales. It is a joint company, limited by guarantee and wholly owned and completely controlled by the five Local Councils of Torfaen, Blaenau Gwent, Caerphilly, Monmouthshire, and Newport, but operating at arm's length. It is not a profit making company, and it is a separate legal entity. There is no lead Council with each being represented equally with a 20% interest, and having equal voting rights. This would trigger the minimum requirements to classify the EAS as an associate company and to include the company within group accounts, however there are a number of factors that counter indicate the Council having significant influence over the EAS, and an assessment has been made that the reader of the accounts is better served by presenting the financial results of the EAS as shown below. The company has a Board consisting of the Lead Director and elected member representatives from the partner Councils. Decisions are made

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on a majority vote basis. The Collaboration Agreement commits the Council to participating in the EAS Company for a minimum period of four years.

31 March 2018 £000s		31 March 2019 £000s
(3,399)	Regional element	(3,203)
(615)	Torfaen County Borough Council	(577)
(464)	Blaenau Gwent County Borough Council	(426)
(1,310)	Caerphilly County Borough Council	(1,238)
(501)	Monmouthshire County Council	(472)
(1,016)	Newport City Council	(958)
(179)	Other income	(67)
(7,484)	Total Operating Income	(6,941)
7,589	Total Operating Expenditure	6,922
105	(Profit)/Loss	(19)
(1,466)	Current creditors	(1,513)
967	Current debtors	869
210	Retained Balances	287

(3) Torfaen Leisure Trust (TLT)

The Trust is a non-profit distributing organisation (NPDO), which takes the form of a charitable company limited by guarantee run by a board of trustees made up of nine independent trustees, and two Torfaen councillors. The Council has less than 20% voting rights, and does not have influence over the organisation.

31 March 2018 £000s		31 March 2019 £000s
(1,564)	Torfaen County Borough Council – Service Fee	(1,521)
(3,277)	Other income	(3,092)
(4,841)	Total Operating Income	(4,613)
5,552	Total Operating Expenditure	4,958
711	(Profit)/Loss – Operating	345
(338)	Actuarial (gain)/loss on defined pension scheme	770
373	(Profit)/Loss	1,115
(414)	Current creditors	(488)
137	Current debtors	113

(4) Schools

Whilst the Council is deemed to control schools, and would normally be required to produce Group Accounts, CIPFA have determined that this is not necessary and the relevant transactions and balances will be accounted for in the single entity accounts. However, for disclosure purposes the schools are to be treated as subsidiaries of the Council. In compliance with this requirement the table below shows the number of schools and the surplus or deficit generated in the year by category of school. The cumulative balances are shown in note 26a. The policy regarding deficit balances is laid down in the Torfaen Scheme for Financing of Schools available from the Head of Education, Civic Centre, Pontypool NP4 6YB.

31 March 2018				31 March 2019		
LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools		LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools
1	0	0	Nursery	0	0	0
20	1	5	Primary	19	1	5
5	0	1	Secondary	5	0	1
1	0	0	Special	1	0	0
27	1	6	Total Number of schools	25	1	6

			In-Year (Surplus)/Deficit (£000s)			
(3)	0	0	Nursery	13	0	0
(240)	63	(79)	Primary	(405)	(98)	(36)
373	0	(15)	Secondary	(163)	0	(141)
0	0	0	Special	(25)	0	0
130	63	(94)	Total	(580)	(98)	(177)

38. Post Employment Benefits

The Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in two separate pension schemes the Local Government Pension Scheme (LGPS) and the Teachers' Pensions Scheme (TPS), both of which provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

Teachers Pension Scheme (TPS) – Unfunded Defined Benefit Scheme Accounted for as a Defined Contribution Scheme

Whilst this is an unfunded multi-employer defined benefit scheme it is required to be accounted for as if it were a defined contribution scheme, because the arrangements are such that the liabilities cannot ordinarily be identified specifically to the Council. A notional fund is used as the basis for calculating the employer's contribution rate paid by local authorities and valuations of the notional fund are undertaken every four years. This scheme is administered by the Teachers' Pensions Agency (TPA). No liability for future payments of these benefits is recognised in the Council's Balance Sheet.

In 2018/19, the Council paid £4,837,131 to the TPA in respect of teachers' retirement benefits, (£4,739,947 in 2017/18) representing 9.5% of pensionable pay (16.5% in 2017/18). In 2019/20 the expected contributions for the plan are £4.934 million (£4.835 million 2018/19).

There were no contributions recognised as a short-term creditor in the Balance Sheet at 31 March 2019 as the payment of £635,439 had already been paid (£630,981 in 2017/18).

Teachers' Discretionary Unfunded Post Employment Benefits

Under this scheme there are separate arrangements for the award of discretionary post employment benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. The total amount payable for these payments in 2018/19 was £1,498,521 and is recognised in the Council's Balance Sheet, and reflected in the tables that follow. The authority anticipates paying £1,534,485 in 2019/20 for these discretionary payments.

The Council is not responsible for any other employers' obligations under this pension plan.

The Local Government Pension Scheme – Funded Defined Benefit Scheme

This is a funded defined benefits scheme, meaning that the Council and employees pay contributions into the Greater Gwent (Torfaen) Pension Fund (The Fund), calculated at a level intended to balance the pension liabilities with investment assets. The amount included in the

Balance Sheet arising from the Council's obligation in respect of this defined benefit plan is in the table that follows. Torfaen County Borough Council is the administering authority for this Pension Fund. It is governed by the Superannuation Act 1972 and various secondary legislation relating to the Local Government Pension Scheme (LGPS). It is an occupational pension scheme for persons (other than teachers) employed by local authorities in Greater Gwent. The main employers are local authorities but there are also other organisations providing public services who are allowed to join either as scheduled or admitted bodies.

The Fund produces an annual report that contains further information regarding governance. The Council has delegated its functions as administering authority of the Fund to the Pensions Committee, which meets on a quarterly basis. The Committee decides on the investment policy most suitable to meet the liabilities within the Fund and has responsibility for the Fund's investment strategy and administrative arrangements.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the Council Fund the amounts required by statute as described in our accounting policies. Risk is inherent in many of the Funds activities, particularly as they relate to investments but the Pensions Committee recognises the need to reduce risk to a minimum where it is possible to do so without compromising investment returns and to limit risk to acceptable levels. The Fund's primary long term risk is that assets will fall short of its liabilities. Investment risk 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. Further detail concerning the risks the Fund, and Torfaen County Borough Council (as an employer) are exposed to is contained within the Pension Fund Annual Report that is produced.

The Local Government Pension Scheme – Discretionary Unfunded Post Employment Benefits

In addition, there are separate arrangements for the award of discretionary post employment benefits upon early retirement. These are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made, and are shown in the table below.

Employers' Contributions

With regard to impact on the authority's cash flows the objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council, as administering authority, has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are also monitored on an annual basis. The triennial valuation affecting the current contribution rates was completed 31 March 2016. The results of which have affected the contributions from 1 April 2017, employers contributions are set to rise by 1% in 2019/20. The next Actuarial Valuation will commence in March 2019, and will affect the contribution rates from 1st April 2020.

The authority anticipates paying £14,726,000 as basic expected contributions to the scheme in 2019/20. As an indication of the level of the Council's participation in the Greater Gwent (Torfaen) Pension Fund compared with other participating entities, the Council contributed 13.7% of the total contribution receivable by the Fund in 2018/19 (14.2% in 2017/18).

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The weighted average duration of the defined benefit obligation for scheme members is 18.7 years in 2018/19 (18.7 years 2017/18).

Transactions Relating to Post Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure and the Council Fund Balance via the Movement in Reserves during the year.

31 March 2018			Changes in the Fair Value of Plan Assets, Defined Benefits and Net Liability	31 March 2019		
Assets	Liabilities	Net liability/ (assets)		Assets	Liabilities	Net liability/ (assets)
£000s	£000s	£000s		£000s	£000s	£000s
(399,975)	0	(399,975)	Fair Value of Employer Assets	(415,812)	0	(415,812)
0	661,119	661,119	Present Value of Funded Liabilities	0	678,472	678,472
0	36,630	36,630	Present Value of Unfunded Liabilities	0	34,229	34,229
(399,975)	697,749	297,774	Opening Position at 31 March	(415,812)	712,701	296,889
			Service Cost			
0	25,003	25,003	Current Service Cost*	0	25,098	25,098
0	475	475	Past Service Costs (including curtailments)	0	111	111
0	25,478	25,478	Total Service Cost	0	25,209	25,209
			Net Interest			
(10,405)	0	(10,405)	Interest Income on Plan assets	(11,247)	0	(11,247)
0	18,279	18,279	Interest cost on Defined Benefit Obligation	0	19,379	19,379
(10,405)	18,279	7,874	Total Net Interest	(11,247)	19,379	8,132
(10,405)	43,757	33,352	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(11,247)	44,588	33,341
			Cashflows			
(3,760)	3,760	0	Plan Participants' Contributions	(3,922)	3,922	0
(12,823)	0	(12,823)	Employers' Contribution	(14,134)	0	(14,134)
(2,020)	0	(2,020)	Contribution for Unfunded Benefits	(2,017)	0	(2,017)
15,580	(15,580)	0	Benefits Paid	15,963	(15,963)	0
2,020	(2,020)	0	Unfunded Benefits Paid	2,017	(2,017)	0
(411,383)	727,666	316,283	Expected Closing Position	(429,152)	743,231	314,079
			Re-measurements re Pension Net Liability (Asset)			
0	0	0	Changes in Demographic Assumptions	0	0	0
0	(13,854)	(13,854)	Changes in Financial Assumptions	0	61,751	61,751
0	(1,111)	(1,111)	Other Experience	0	632	632
(4,429)	0	(4,429)	Return on Assets Excluding Amounts Included in Net Interest	(13,463)	0	(13,463)
(4,429)	(14,965)	(19,394)	Total Re-measurements Recognised in Other Comprehensive Income and Expenditure Statement	(13,463)	62,383	48,920
(415,812)	0	(415,812)	Fair Value of Employer Assets	(442,615)	0	(442,615)
0	678,472	678,472	Present Value of Funded Liabilities	0	770,841	770,841
0	34,229	34,229	Present Value of Unfunded Liabilities**	0	34,773	34,773
(415,812)	712,701	296,889	Closing Position at 31 March	(442,615)	805,614	362,999

*The current service costs includes an allowance for administration expenses of 0.5% of payroll

**This liability comprises of approximately £7,444,000 in respect of LGPS unfunded pensions and £27,329,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31st March 2019, it is assumed that all unfunded pensions are payable for the remainder of the members life. It is further assumed that 90% of pensions are married (or cohabitating) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the members death.

Re-measurements shown in the Comprehensive Income and Expenditure Statement include (£12,000) relating to Joint Operations (JOPs) as shown in note 10. The liabilities show the underlying commitments that the Council has in the long run to pay post employment

(retirement) benefits. The total net liability of £362,999,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme Actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The LGPS assets attributable to Torfaen County Borough Council comprised the following, they are shown at Bid Value as required under IAS19:

31 March 2018 £000s	31 March 2018 %	Asset Type	31 March 2019 £000s	31 March 2019 %
		Quoted instruments		
		Equity Securities:		
18,205	4	Consumer	11,656	3
12,522	3	Manufacturing	12,427	3
12,958	3	Energy & Utilities	10,546	2
17,793	4	Financial Institutions	16,168	4
7,356	2	Health and Care	6,314	1
6,005	1	Information Technology	5,843	1
2,955	1	Other	2,418	1
77,794	18	Total Quoted	65,372	15
		Unquoted instruments		
		Investment Funds		
239,655	59	Equities	252,685	57
67,421	16	Bonds	76,902	17
17,507	4	Others	33,539	8
10,040	2	Property	11,969	3
3,395	1	Cash and cash equivalents	2,148	0
338,018	82	Total Unquoted	377,243	85
415,812	100	Total Assets	442,615	100

Basis for Estimating Assets and Liabilities

The principal IAS19 assumptions used by the Actuary for these accounts are shown in the following table. Using the projected unit method the Actuary determines the figures at the Balance Sheet date using the latest scheme valuation as a base, which was 31 March 2016.

2017/18		Principal Actuarial Assumptions	2018/19	
Local Government Pension Scheme (Including Discretionary Arrangements)	Discretionary Benefits Arrangements (Teachers)		Local Government Pension Scheme (Including Discretionary Arrangements)	Discretionary Benefits Arrangements (Teachers)
		Mortality assumptions:		
		Longevity at 65 for current pensioners		
21.5 yrs	21.5 yrs	Men	21.5 yrs	21.5 yrs
23.9 yrs	23.9 yrs	Women	23.9 yrs	23.9 yrs
		Longevity at 65 for future pensioners		
23.6 yrs	N/A	Men	23.6 yrs	N/A
26.1 yrs	N/A	Women	26.1 yrs	N/A

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		Other assumptions:		
2.4%	2.4%	Rate of inflation (CPI)	2.5%	2.5%
2.8%	N/A	Rate of increase in salaries	2.9%	N/A
2.4%	2.4%	Rate of increase in pensions	2.5%	2.5%
2.7%	2.7%	Rate for discounting scheme liabilities	2.4%	2.4%
N/A	N/A	Take-up of option to convert annual pension into retirement lump sum	N/A	N/A

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur as whole year increases in life expectancy, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit method.

Sensitivity of Financial Assumptions Adopted

The tables below are sensitivity analyses for each significant actuarial assumption as they apply to the LGPS:

Sensitivity analysis as at 31 March 2019 – Torfaen County Borough Council's participation in Greater Gwent (Torfaen) Pension Fund (LGPS)		
Changes in assumptions at 31 March 2019	Approximate % increase to Employer Liability	Approximate monetary amount £000s
0.5% decrease in Real Discount Rate	11%	85,559
1 year increase in member life expectancy	3-5%	n/a
0.5% increase in Salary Increase Rate	2%	13,739
0.5% increase in the Pension Increase Rate	9%	70,269

McCloud Case – Risk and Uncertainty Concerning the Pensions Liability

The December 2018 McCloud legal judgement about age discrimination could result in more public sector pension scheme members having increased levels of transitional protection following the change from final salary to career average schemes. The Government sought leave to appeal against it, but this was rejected on 27 June 2019.

This has placed risks upon the assumptions that have been used to prepare the IAS19 post-employment benefit notes as this could impact future benefit payments.

The Government Actuary's Department assessed the impact of the judgement on the LGPS in their report on 10 June 2019. It set out that the estimated impact on scheme liabilities could be to increase active member liability by 3.2%.

The Fund's actuary has therefore completed a high level impact assessment exercise adjusting GAD's estimate to better reflect the Greater Gwent (Torfaen) Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate for Torfaen County Borough Council increases the total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employers' total membership) by 0.32% as at 31 March 2019, which equates to an increase of approximately £2.5 million.

As this increase is below the materiality level no changes have been made to the financial statements to reflect this estimated change in IAS19 pensions' liabilities. The final situation in terms of employer pensions liabilities and financial impact is still not entirely clear, since timescales for the full resolution of this matter could be lengthy and outcomes will be challenging to assess and quantify.

39. Trust Funds

As well as the Pension Fund we also manage the following Trust Fund. We do not include the dealings of this Trust Fund in our Comprehensive Income and Expenditure Statement or Balance Sheet.

Fund	Balance		Income		Expenditure		Balance
	All £s	31 March 2018	Investment	Other	Grants	Other	31 March 2019
Trevethin Community School Education Trust		205,364	1,042	0	0	0	206,406

40. Prior Period Restatement of Service Expenditure and Income

During the course of 2018/19 there were a number of changes to the Authority's management reporting structure at a reportable segment level, compared with 2017/18. To reflect these changes in the 2018/19 accounts the 2017/18 comparative figures have been restated. The following note provides details of the adjustments made in the Comprehensive Income and Expenditure Statement, (which only affect the Cost of Services segment) and the Expenditure and Funding Analysis to reflect these changes.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018 – Original and Restated

Original				Restated		
31 March 2018				31 March 2018		
Expenditure £000s	Income £000s	Net £000s		Expenditure £000s	Income £000s	Net £000s
102,118	(20,741)	81,377	Education Services	103,142	(19,965)	83,177
66,264	(21,892)	44,372	Social Care and Housing	69,757	(23,747)	46,010
38,634	(11,191)	27,443	Neighbourhood Services	45,290	(18,262)	27,028
1,554	(486)	1,068	Public Services Support Unit	1,620	(486)	1,134
3,040	0	3,040	Information Technology	3,040	0	3,040
43,123	(35,148)	7,975	Resources	43,958	(35,149)	8,809
11,078	(8,101)	2,977	Community Services	0	0	0
8,198	(182)	8,016	Chief Executive's Services	7,137	(132)	7,005
8,443	0	8,443	Council Tax Reduction Scheme	8,443	0	8,443
910	(63)	847	Corporate Property Maintenance	975	(63)	912
1,470	(616)	854	Other Services	1,470	(616)	854
284,832	(98,420)	186,412	Cost of Services	284,832	(98,420)	186,412

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018 – Restatement Movement

	Restatement Movements		
	31 March 2018		
	Expenditure £000s	Income £000s	Net £000s
Education Services	1,024	776	1,800
Social Care and Housing	3,493	(1,855)	1,638
Neighbourhood Services	6,656	(7,071)	(415)
Public Services Support Unit	66	0	66
Information Technology	0	0	0
Resources	835	(1)	834
Community Services	(11,078)	8,101	(2,977)
Chief Executive's Services	(1,061)	50	(1,011)
Council Tax Reduction Scheme	0	0	0
Corporate Property Maintenance	65	0	65
Other Services	0	0	0
Cost of Services	0	0	0

Expenditure and Funding Analysis - Original

Original 2017/18	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Council Fund (note 6b)	Net expenditure chargeable to the Council Fund balance	Adjustments between funding and accounting basis (note 6b)	Net expenditure in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Education Services	66,425	286	66,711	14,666	81,377
Social Care & Housing	40,952	250	41,202	3,170	44,372
Neighbourhood Services	17,660	(66)	17,594	9,849	27,443
Public Services Support Unit	906	(1)	905	163	1,068
Information Technology	2,825	99	2,924	116	3,040
Resources	5,192	1,078	6,270	1,705	7,975
Community Services	1,279	204	1,483	1,494	2,977
Chief Executive's Services	6,522	393	6,915	1,101	8,016
Capital Financing	10,302	(10,302)	0	0	0
Council Tax Reduction Scheme	8,443	0	8,443	0	8,443
South Wales Fire Service Levy	4,260	(4,260)	0	0	0
Corporate Property Maintenance	839	8	847	0	847
Other Services	2,578	(1,974)	604	250	854
Net Cost of Services	168,183	(14,285)	153,898	32,514	186,412

Expenditure and Funding Analysis - Restated

Restated 2017/18	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Council Fund (note 6b)	Net expenditure chargeable to the Council Fund balance	Adjustments between funding and accounting basis (note 6b)	Net expenditure in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Education Services	67,293	282	67,575	15,602	83,177
Social Care & Housing	41,824	430	42,254	3,756	46,010
Neighbourhood Services	17,205	(39)	17,166	9,862	27,028
Public Services Support Unit	963	0	963	171	1,134
Information Technology	2,825	99	2,924	116	3,040
Resources	5,913	1,085	6,998	1,811	8,809
Community Services	0	0	0	0	0
Chief Executive's Services	5,673	386	6,059	946	7,005
Capital Financing	10,302	(10,302)	0	0	0
Council Tax Reduction Scheme	8,443	0	8,443	0	8,443
South Wales Fire Levy	4,260	(4,260)	0	0	0
Corporate Property	904	8	912	0	912
Other Services	2,578	(1,974)	604	250	854
Net Cost of Services	168,183	(14,285)	153,898	32,514	186,412

Expenditure and Funding Analysis – Restated Movements

Restated Movements 2017/18	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Council Fund (note 6b)	Net expenditure chargeable to the Council Fund balance	Adjustments between funding and accounting basis (note 6b)	Net expenditure in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Education Services	868	(4)	864	936	1,800
Social Care & Housing	872	180	1,052	586	1,638
Neighbourhood Services	(455)	27	(428)	13	(415)
Public Services Support Unit	57	1	58	8	66
Information Technology	0	0	0	0	0
Resources	721	7	728	106	834
Community Services	(1,279)	(204)	(1,483)	(1,494)	(2,977)
Chief Executive's Services	(849)	(7)	(856)	(155)	(1,011)
Capital Financing	0	0	0	0	0
Council Tax Reduction Scheme	0	0	0	0	0
South Wales Fire Levy	0	0	0	0	0
Corporate Property	65	0	65	0	65
Other Services	0	0	0	0	0
Net Cost of Services	0	0	0	0	0

Note to the Expenditure and Funding Analysis - Original

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2017/18	Adjustments between accounting and funding basis							
	Other (Reserve funding)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments for capital purposes (note 1)	Net change for the pension adjustments (note 2)	Other differences (note 3)	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s	£000	£000s
Education Services	286	0	0	286	12,536	2,409	(279)	14,666
Social Care & Housing	250	0	0	250	592	2,569	9	3,170
Neighbourhood Services	(66)	0	0	(66)	7,725	2,129	(5)	9,849
Public Services Support Unit	(1)	0	0	(1)	0	163	0	163
Information Technology	32	67	0	99	127	0	(11)	116
Resources	(317)	1,395	0	1,078	793	1,147	(235)	1,705
Community Services	204	0	0	204	592	915	(13)	1,494
Chief Executive Services/Strategic	393	0	0	393	(40)	1,053	88	1,101
Capital Financing	0	(10,302)	0	(10,302)	0	0	0	0
Council Tax Reduction Scheme	0	0	0	0	0	0	0	0
South Wales Fire Service Levy	0	0	(4,260)	(4,260)	0	0	0	0
Corporate Property Maintenance	109	(101)	0	8	0	0	0	0
Other Services	(1,857)	0	(117)	(1,974)	0	250	0	250
Net Cost of Services	(967)	(8,941)	(4,377)	(14,285)	22,325	10,635	(446)	32,514

Note to the Expenditure and Funding Analysis – Restated

Restated adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2017/18	Adjustments between accounting and funding basis							
	Other (Reserve funding)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments for capital purposes (note 1)	Net change for the pension adjustments (note 2)	Other differences (note 3)	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s	£000	£000s
Education Services	282	0	0	282	13,713	2,101	(212)	15,602
Social Care & Housing	430	0	0	430	903	2,851	2	3,756
Neighbourhood Services	(39)	0	0	(39)	6,829	3,111	(78)	9,862
Public Services Support Unit	0	0	0	0	0	171	0	171
Information Technology	32	67	0	99	127	0	(11)	116
Resources	(310)	1,395	0	1,085	793	1,253	(235)	1,811
Community Services	0	0	0	0	0	0	0	0
Chief Executive Services/Strategic	386	0	0	386	(40)	898	88	946
Capital Financing	0	(10,302)	0	(10,302)	0	0	0	0
Council Tax reduction Scheme	0	0	0	0	0	0	0	0
South Wales Fire Levy	0	0	(4,260)	(4,260)	0	0	0	0
Corporate property	109	(101)	0	8	0	0	0	0
Other	(1,857)	0	(117)	(1,974)	0	250	0	250
Net Cost of Services	(967)	(8,941)	(4,377)	(14,285)	22,325	10,635	(446)	32,514

Note to the Expenditure and Funding Analysis – Restated Movements

Restated Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2017/18	Adjustments between accounting and funding basis							
	Other (Reserve funding)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments for capital purposes (note 1)	Net change for the pension adjustments (note 2)	Other differences (note 3)	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s	£000	£000s
Education Services	(4)	0	0	(4)	1,177	(308)	67	936
Social Care & Housing	180	0	0	180	311	282	(7)	586
Neighbourhood Services	27	0	0	27	(896)	982	(73)	13
Public Services Support Unit	1	0	0	1	0	8	0	8
Information Technology	0	0	0	0	0	0	0	0
Resources	7	0	0	7	0	106	0	106
Community Services	(204)	0	0	(204)	(592)	(915)	13	(1,494)
Chief Executive Services/Strategic	(7)	0	0	(7)	0	(155)	0	(155)
Capital Financing	0	0	0	0	0	0	0	0
Council Tax reduction Scheme	0	0	0	0	0	0	0	0
South Wales Fire Levy	0	0	0	0	0	0	0	0
Corporate property	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Net Cost of Services	0	0	0	0	0	0	0	0