

# Torfaen County Borough Council

## Statement of Accounts 2019/20



**Nigel Aurelius, CPFA**  
**Assistant Chief Executive (Resources)**

Statement of Accounts 2019/20

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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 miles<sup>2</sup> along a 12 mile long valley in South East Wales. 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 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 is the most northerly settlement in the borough. In 2000, UNESCO added the Blaenavon Industrial Landscape as a World Heritage Site. Blaenavon is famous for the Big Pit coal mining museum and its 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 2020) of the Council is 27 Labour, 8 Independent, 5 Individual Independent and 4 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 2020 (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, & Senior Information Risk Owner (SIRO))
- **Corporate Resources** (Procurement, Finance, Audit, Legal Services, Asset Mgt, Commercial Estates, Strategic HR, Payroll, Employee Services, Revenues & Benefits, Customer Services and Pensions)
- **Chief Executive's Services** (Strategic Mgt, Transformation, Communications, Policy Making, Committee and Member Support, Elections and Administrative Support).

Services are supported by the SRS, 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 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. 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 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 the joint committees, and other joint arrangements it is involved in, are incorporated into the main financial statements. Separate statements of accounts are produced for all administered joint committees, and the Greater Gwent (Torfaen) Pension Fund. Further details of the joint operations are provided in note 10 on page 45, whilst the accounts for the Pension Fund can be obtained at Greater Gwent (Torfaen) Pension Fund website.

Within the Statement of Accounts, the Comprehensive Income & Expenditure Statement (CIES) set 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 2019/20**

The 2019/20 budget was approved in March 2019 with a £267 million gross revenue budget was financed from £90 million of service specific government grants and fees and charges for services. The net budget of £177 million was funded by £133 million of unhypothecated funding from Welsh Government and £44 million by Council Tax. During the financial year the approved revenue budget was supplemented with a number of approvals from the General Fund (£556,000).

The 2019/20 revenue out-turn has produced a net overspend position of £20,000 against the £177 million budget. Within that overall minimal variance, there has been a significant overspend in the Social Care & Housing service area (net £1.9 million); which can be attributed to the continued increased demand on the Children's Social Care placements budget (£2.8 million overspend to budget) and a net overspend of £144,000 across the wider Neighbourhood Services area. These adverse positions have been offset by a number of service areas underspending to their budget allocations, by the Council amending its' MRP policy in line with the decision taken by Council on the 3 March 2020, and by writing back to the revenue budget a decommitted reserve sum; these latter two one off actions provided funding of £837,000 to support the out turn position.

The Social Care and Housing and Neighbourhoods service area reserves have been used to assist with their overspends (total £199,000); whilst the underspend relating to Education has been added to the Post 16 change management reserve. The residual net overspend of £20,000 was financed by a contribution from the general fund balance.

In addition, the funding of the 2019/20 school redundancy costs and other Service area redundancy costs were amended from revenue resources to a capital resource; this change in funding has allowed a transfer of £612,000 to be made to a new specific reserve to assist with the additional costs of responding to the Covid-19 pandemic.

Further details on the out-turn position are provided in the May 2020 Cabinet report.

Statement of Accounts 2019/20

The revenue position of the Council is summarised as follows:

	Working Budget £000s	Actual spend £000s	Variance £000s	Transfer to / (from) Reserves £000s	Variance after balance Transfers £000s
Education Services	69,967	69,435	(532)	532	0
Social Care and Housing	44,454	46,352	1,898	(108)	1,790
Neighbourhood Services	18,627	18,771	144	(91)	53
Public Services Support Unit	982	988	6	0	6
Information Technology	2,975	2,790	(185)	88	(97)
Resources	6,604	6,596	(8)	3	(5)
Chief Executive's Services	6,089	5,908	(181)	0	(181)
Capital Finance	11,140	10,490	(650)	(380)	(1,030)
Council Tax Reduction Scheme	9,336	9,281	(55)	0	(55)
T22 Support /Early Intervention	493	476	(17)	0	(17)
South Wales Fire Service Levy	4,337	4,337	0	0	0
Other	1,136	594	(542)	0	(542)
Corporate Property Maintenance	911	920	9	0	9
Corporate Mitigations	(89)	0	89	0	89
<b>Net cost of services</b>	<b>176,962</b>	<b>176,938</b>	<b>(24)</b>	<b>44</b>	<b>20</b>
Add back use of general fund in year included in management accounts					556
<b>Movement in General Fund balance</b>					<b>576</b>

The cost of services in the above table are reported on a management accounting basis, i.e. the same basis as the budget reports used for in year internal reporting. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) of £193.7 million is different to the £176.9 million above, because it is prepared on a financial accounting basis, as specified by accounting guidelines. Note 6 on page 38 reconciles the figures.

In providing its day to day services the Council incurred a gross actual spend of £280.8 million comprising employee costs of £128.9 million, running costs of £141.2 million and capital costs of some £10.7 million. To fund these costs the Council received £40.8 million from fees, charges and other income, £44.3 million from Council Tax and £194.5 million from Government grants.

**General and specific reserves/balances:** The following summarises the Council's general and service area balances, together with corporate reserves. Further information on these can be found in note 23 on page 65.

Reserves & Provisions	31 March 2017 £000s	31 March 2018 £000s	31 March 2019 £000s	31 March 2020 £000s
Council Fund Balance	5,754	5,394	5,372	4,796
Service Area Balances	4,196	3,269	2,075	1,806
School Balances	2,141	2,042	2,897	1,668
Insurance Reserves & Provisions	2,867	3,061	2,727	2,974
Corporate Reserves	3,972	5,388	6,950	6,735
Provisions (excluding insurance)	7	7	0	0

**Capital spending:** In addition to the revenue spending outlined earlier the Council also spent £34.8 million on its assets as follows:

	Original budget	Working budget	Actual	Slippage
	£000s	£000s	£000s	£000s
Education	0	3,066	1,636	1,430
Education – School Ed Tech	0	1,149	1,149	0
21 <sup>st</sup> Century schools	24,967	29,060	23,545	5,515
Social Care & Housing	1,100	2,130	1,820	310
Neighbourhoods	4,600	11,377	5,370	6,007
Cardiff City Capital Region	314	0	0	0
Corporate	1,419	1,011	1,255	(244)
<b>Total</b>	<b>32,400</b>	<b>47,793</b>	<b>34,775</b>	<b>13,018</b>

The sources of funding of the capital spend were £2.7 million Government approved borrowing, £7.6 million prudential borrowing, £19.8 million specific grants / contributions received, and £4.7 million from capital receipts.

Our 2019/20 capital programme included spending on schools, roads and footpaths, and maintaining and developing our buildings. We continued to implement our 21<sup>st</sup> Century Schools Programme, which covered the construction of the new Croesyceiliog Comprehensive School and the new consolidated Post 16 College.

The 2019/20 capital programme experienced £13 million of slippage, with £5.5 million relating to the 21<sup>st</sup> Century Schools Programme that arose from actual spend on site varying to previously submitted contractor returns. Other slippage arose through the late receipt of additional grant funding from Welsh Government, the continued refinement of project configurations, and also the impact of the winter weather on the highways programme. The schemes affected by slippage and the additional resource have been rescheduled and will be carried forward into 2020/21 and later years along with the associated funding.

#### **Cardiff Capital Region City Deal (CCRCD)**

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 a wider £495 million Investment Fund, which comprises the ten constituent councils' commitment to borrow £120 million over the 20 years together with £375 million from the UK Government. This Council will make a 6.1% contribution to the £120 million with the percentage being based on its proportion of the regional population, and fund the annual costs of this investment. No capital contribution was required in 2019/20 (£0.75 million in 2018/19) as the forecasted spend did not materialise. The Investment Fund is the responsibility of the CCRCD Regional Cabinet.

**Significant capital receipts:** No significant capital receipts were received in 2019/20. All receipts received totalled £0.3 million. The Council currently ring fences all capital receipts to support its 21<sup>st</sup> 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 2019/20 community halls, offices, civic centre, Ty



Blaen depot, household waste recycling centre, indoor market were revalued. The programme for subsequent years is as follows:

- 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.
- 2022/23 - primary schools, nursery schools and day centres

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 2019/20 the gross value of our assets has changed from £416.3 million to £433.9 million, through recognising the in-year asset enhancing spend of £26.2 million; the 2019/20 rolling asset revaluations decreasing their held value by £1.4 million; and the sale of assets valued at £7.2 million. Further details are outlined in note 13.3.

**Borrowing arrangements and sources of funds:** The Council's overall borrowing, on a principal valuation basis, totalled £150.1 million as at 31 March 2020 (£124.8 million 31 March 2019), as follows:

31 March 2019 £000s		31 March 2020 £000s
76,244	Public Works Loan Board (PWLB)	71,679
46,000	Banks	56,000
2,560	Other sources	2,421
0	Temporary borrowing ( <i>for year-end cash flow requirements</i> )	20,000
<b>124,804</b>	<b>Total</b>	<b>150,100</b>

Further information is disclosed in note 17 on page 57. The Council continued to operate within its limits as required by the Local Government Act 2003 and the CIPFA Prudential Code.

**Collection of Council Tax and Non-Domestic Rates:** The 2019/20 Council Tax charge for Torfaen County Borough Council was £1,315.49 for properties in valuation Band D (£1,241.61 for 2018/19). We collected 96.7% in year of the total due (96.8% 2018/19). Non-Domestic Rates collection equated to 98.8% in 2019/20 (96.6% in 2018/19). During the year £30,795 Council Tax and £68,885 Non-Domestic Rates' debts were written off (£117,208 and £301,070 in 2018/19).

**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 2019/20 shows a net liability of £312 million (£363 million in 2018/19). This figure will vary each year depending on the Actuary's assumptions, and over the year to 31 March 2020 the greater than expected investment returns have outweighed the changes in the financial assumptions. Note 36 shows a comparison of the assumptions. The date of the latest actuarial valuation was 31 March 2019. This updated the employers' contribution rates from April 2020 until 31 March 2023. The rates will remain the same at 23.2% for the first two years and increase to 24.2% for the final year.

In **Looking to the future** the Council continues, like all Local Authorities, to be facing rising demands for its services and constraints on resources. Details regarding the 2020/21 budget and Council's latest Medium Term financial projections were considered by Council in March 2020. The documents can be obtained via the following website:

<http://modern.gov.torfaen.gov.uk/ieListDocuments.aspx?CId=137&MId=5799>.

The following outlines the key areas from the documents, together with a commentary upon the impacts of the Covid-19 pandemic.

**2020/21:** In setting its 2020/21 revenue budget the Council approved £1 million of savings measures (excluding schools) to ensure that an approved budget was delivered. An annual Council Tax increase of 3.95% was also approved. This change in Council Tax increased the annual Band D charge by £51.96 to £1,367.45. The 2020/21 percentage increase of 3.95% ranked the Council as the 5<sup>th</sup> lowest of the 22 Welsh local authorities for Band D. The Torfaen actual charge of £1,367.45 was the 13<sup>th</sup> lowest for Band D in Wales; the Welsh average Band D was £1,380.

**The Medium Term:** In March 2020 Council approved its Medium Term Financial Plan (MTFP) for 2021 to 2025, which identified a further £12 million financial challenge to be addressed to ensure that balanced financial plans are achieved over the term of the plan. These projections arise from:

- 1) Rising demand for, and the cost of services and associated pay related and pensions pressures. These additional costs are estimated to be £29.2 million over the duration of the MTFP.
- 2) An annual modelled increases to Council Tax, which provides net additional funding of £5.6 million over the 4 years.
- 3) The level of unhypothecated Welsh Government funding has been assumed to increase by 2% in cash terms for each year over the life of the MTFP providing £11.6 million.
- 4) Specific grants are scheduled to end during the lifetime of the MTFP; it is assumed that the services supported will cease to be provided unless alternative external funding is secured by the service area.

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.

The Council's **Forward Capital Programme** principally supports the three policy frameworks of the 21<sup>st</sup> Century Schools programme, Disabled Facilities Grants and asset protection, whilst also ensuring Torfaen only invests money in assets that we are likely to retain. Within the five year programme £7 million is currently classified as unallocated across the years of the capital programme; the allocation of the resource to schemes will be guided by member priorities. The total investment over the next five years amounts to £46 million.

### **Responding to the Global Covid-19 pandemic**

For the majority of 2019/20 the Council operated in a 'business as usual' manner; however, in March 2020, as result of the Covid-19 pandemic an emergency response necessitated the Council changing how it delivers its services. The following paragraphs summarise the key changes:

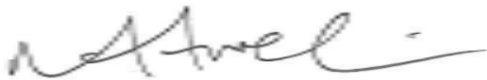
- Much of the administrative business undertaken continued with officers working remotely.
- Immediate business critical services were maintained i.e. waste collection, school hubs, social care, benefits etc. Staff within other services that have either been closed or the service reduced were redeployed as appropriate.
- The Council provided representation to the Gwent Strategic Coordinating Group and sub groups for strategic and operational decision making. The Council also established an emergency response team which, alongside the Council's Cabinet and Senior Leadership Team, oversaw the response / delivery.

In terms of the financial impact of the Covid-19 situation it has been recognised that it will have a significant impact upon ongoing operations and the finances associated with providing our services. The Council, through its partnering arrangements, continues to work with the Welsh Government, the Welsh Local Government Association (WLGA) and other councils to ensure support to enable core services to be delivered. In terms of its own activity, whilst the Council only set its 2020/21 budget on the 3 March 2020, it is reviewing and updating its financial forecasts, and it is anticipated that the resultant revised financial plan for 2020/21 will be available for consideration after the first quarter of 2020/21. There will inevitably be difficult choices arising from this review, but it is too early to speculate what those will be. Alongside the review of 2020/21, we are also considering how changes required to move from the “current response/recovery” phases to the new “steady state” phase may affect future year budgets and the MTFP.

In identifying an additional resource to provide financial resilience for the Covid-19 response, the Council, through this closing process, has established an initial reserve and this will be supplemented by in year resources in 2020/21. In relation to cash flow considerations the Welsh Government altered the funding profile in respect of its core funding to ensure all Councils had sufficient cash flow from the outset of the 2020/21 financial year. Further extra funding has also been allocated by the Welsh Government for clearly defined areas of additional expenditure and income loss, and reimbursement is retrospective and on a claims basis.

The **Annual Governance Statement** 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)**

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**Presiding Member at Council Certificate**

I can confirm that the Council approved the Statement of Accounts on 15 September 2020.



**Councillor Jessica Powell, 15 September 2020**  
**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 2020.

**Signed:**



**Nigel Aurelius, CPFA**  
**Assistant Chief Executive (Resources)**  
**Date: 15 September 2020**

## **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 2020 under the Public Audit (Wales) Act 2004.

Torfaen County Borough Council's 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 2020 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 2020 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 2020.

#### **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.

#### **Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings**

I draw attention to Note 4 to the financial statements, which describes a material valuation uncertainty clause in the valuation report on land, building and investment property assets by the property valuer, arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

#### **Emphasis of Matter – effects of COVID-19 on the valuation of pooled property units at Greater Gwent Pension Fund**

The Greater Gwent Pension Fund, of which Torfaen County Borough Council is an admitted body, holds investments in Pooled Property Units. I draw attention to Note 4 to the financial statements, which describes a material valuation uncertainty clause in the valuation report on Pooled Property Units, arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

### **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 12 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 2020; and
- 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:

- proper 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 as 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](http://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: 15 September 2020

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 5 June 2020.



## 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 2020

31 March 2019				31 March 2020			Notes
Expenditure £000s	Income £000s	Net £000s		Expenditure £000s	Income £000s	Net £000s	
107,832	(20,760)	87,072	Education Services	104,246	(23,443)	80,803	
71,069	(22,748)	48,321	Social Care and Housing	75,181	(25,001)	50,180	
47,339	(19,077)	28,262	Neighbourhood Services	49,501	(21,539)	27,962	
1,675	(512)	1,163	Public Services Support Unit	1,852	(574)	1,278	
3,078	(116)	2,962	Information Technology	3,056	0	3,056	
41,465	(31,758)	9,707	Resources	39,165	(29,971)	9,194	
6,604	(121)	6,483	Chief Executive's Services	7,209	(265)	6,944	
8,793	0	8,793	Council Tax Reduction Scheme	9,281	0	9,281	
782	0	782	Corporate Property Maintenance	851	(28)	823	
443	0	443	Early Prevention and Intervention	779	(20)	759	
1,996	(946)	1050	Other Services	4,130	(698)	3,432	
291,076	(96,038)	195,038	Cost of Services	295,251	(101,539)	193,712	6a,6b
			<u>Other Operating Expenditure</u>				
1,529	0	1,529	Precepts - Community Councils	1,651	0	1,651	
7,975	0	7,975	Precept - Police and Crime Commissioner for Gwent	8,608	0	8,608	
4,307	0	4,307	Levy - South Wales Fire Authority	4,336	0	4,336	
108	0	108	Levy - Home Office - Coroners Courts	153	0	153	
8,769	(2,933)	5,836	(Gain)/Loss on disposal of non-current assets	12,867	(162)	12,705	
			<u>Financing and Investment Income and Expenditure</u>				
6,023	0	6,023	Interest payable and similar charges	6,842	0	6,842	17a
0	(196)	(196)	Interest and investment income and expenditure	0	(253)	(253)	17a
19,380	(11,247)	8,133	Net interest on the net pension liability (asset)	19,561	(10,667)	8,894	
0	(641)	(641)	Changes in the fair value of investment properties	733	(634)	99	
663	(1,791)	(1,128)	Income/expenditure related to investment properties	685	(1,758)	(1,073)	
125	(207)	(82)	(Gain)/Loss on trading operations – controlled server	104	(207)	(103)	
			<u>Taxation and Non-Specific Grant Income</u>				
0	(20,720)	(20,720)	Recognised capital grants and contributions	0	(18,891)	(18,891)	12
0	(50,962)	(50,962)	Council Tax	0	(54,571)	(54,571)	11
0	(29,298)	(29,298)	Non-Domestic Rates (NDR)	0	(29,540)	(29,540)	12
0	(102,245)	(102,245)	Revenue Support Grant (RSG)	0	(103,110)	(103,110)	12
339,955	(316,278)	23,677	(Surplus)/Deficit on Provision of Services	350,791	(321,332)	29,459	
		(2,129)	(Surplus)/deficit on revaluation of non-current assets			(2,795)	25a
		48,932	Re-measurements re pension net liability (asset)			(75,448)	
		46,803	Other Comprehensive Income and Expenditure			(78,243)	
		70,480	Total Comprehensive Income and Expenditure			(48,784)	

## 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 2020

Movement in Reserves Statement for the year ended 31 March 2020	Council Fund Balance £000s	Corporate Earmarked Reserves and Service Area Balances (note 23) £000s	Total Council Fund £000s	School Balances (note 24a) £000s	Capital Receipts Reserve (note 24b) £000s	Capital Grants Unapplied £000s	Total Usable Reserves (notes 23 & 24) £000s	Unusable Reserves (note 25) £000s	Total Reserves £000s	Total JOPs Reserves (note 10) £000s	Total Reserves £000s
<b>Balance at 31 March 2019</b>	5,372	10,421	15,793	2,897	9,579	4,394	32,663	(172,749)	(140,086)	778	(139,308)
<b>Movement in reserves during 2019/20</b>											
<b>Total Comprehensive Income and Expenditure</b>	(28,070)	0	(28,070)	(1,229)	0	0	(29,299)	78,204	48,905	(121)	48,784
Adjustments between accounting basis and funding basis under regulations (note 8)	27,347	0	27,347	0	(4,428)	1,715	24,634	(24,634)	0	0	0
<b>Net increase/(decrease) before transfers to Reserves</b>	(723)	0	(723)	(1,229)	(4,428)	1,715	(4,665)	53,570	48,905	(121)	48,784
Transfers to/(from) Earmarked Reserves	147	(147)	0	0	0	0	0	0	0	0	0
<b>Increase/(decrease) in Year</b>	(576)	(147)	(723)	(1,229)	(4,428)	1,715	(4,665)	53,570	48,905	(121)	48,784
<b>Balance at 31 March 2020 carried forward</b>	4,796	10,274	15,070	1,668	5,151	6,109	27,998	(119,179)	(91,181)	657	(90,524)

### 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
<b>Balance at 31 March 2020 carried forward</b>	27,998	(119,179)	657	(90,524)
Incorporate JOPs Reserves	326	331	(657)	0
<b>Balance at 31 March 2020 carried forward</b>	<b>28,324</b>	<b>(118,848)</b>	<b>0</b>	<b>(90,524)</b>

Statement of Accounts 2019/20

<b>Movement in Reserves Statement for the year ended 31 March 2019</b>	<b>Council Fund Balance</b>	<b>Corporate Earmarked Reserves and Service Area Balances (note 23)</b>	<b>Total Council Fund Balances</b>	<b>School Balances (note 24a)</b>	<b>Capital Receipts Reserve (note 24b)</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves (notes 23 &amp; 24)</b>	<b>Unusable Reserves (note 25)</b>	<b>Total Reserves</b>	<b>Total JOPs Reserves (note 10)</b>	<b>Total Reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>

<b>Balance at 31 March 2018</b>	5,394	10,759	16,153	2,042	8,483	2,490	29,168	(98,844)	(69,676)	848	(68,828)
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<b>Movement in reserves during 2018/19</b>											
<b>Total Comprehensive Income and Expenditure</b>	(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
<b>Net increase /(decrease) before transfers to Reserves</b>	<b>(360)</b>	<b>0</b>	<b>(360)</b>	<b>855</b>	<b>1,096</b>	<b>1,904</b>	<b>3,495</b>	<b>(73,905)</b>	<b>(70,410)</b>	<b>(70)</b>	<b>(70,480)</b>
Transfers to/(from) Earmarked Reserves	338	(338)	0	0	0	0	0	0	0	0	0
<b>Increase/(decrease) in Year</b>	<b>(22)</b>	<b>(338)</b>	<b>(360)</b>	<b>855</b>	<b>1,096</b>	<b>1,904</b>	<b>3,495</b>	<b>(73,905)</b>	<b>(70,410)</b>	<b>(70)</b>	<b>(70,480)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>5,372</b>	<b>10,421</b>	<b>15,793</b>	<b>2,897</b>	<b>9,579</b>	<b>4,394</b>	<b>32,663</b>	<b>(172,749)</b>	<b>(140,086)</b>	<b>778</b>	<b>(139,308)</b>

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

	<b>Usable Reserves</b>	<b>Unusable Reserves</b>		<b>JOPs Reserves</b>	<b>Total Reserves</b>
<b>Balance at 31 March 2019 carried forward</b>	32,663	(172,749)		778	<b>(139,308)</b>
Incorporate JOPs Reserves	481	297		(778)	<b>0</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>33,144</b>	<b>(172,452)</b>		<b>0</b>	<b>(139,308)</b>

## Balance Sheet

The Balance Sheet summarises the Council's financial position as at 31 March 2020. 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 2020

31 March 2019 £000s		31 March 2020 £000s	Notes
314,145	Property, Plant and Equipment	323,010	13
1,376	Heritage Assets	1,376	14
14,966	Investment Property	14,869	15
40	Long Term Investments	40	17
190	Long Term Debtors	184	
<b>330,717</b>	<b>Long Term Assets</b>	<b>339,479</b>	
19,007	Short-term Investments	8,007	17
615	Inventories	585	
23,954	Short Term Debtors	34,592	19
(2,278)	Cash And Cash Equivalents	10,390	20
1,435	Assets Held for Sale	1,585	
<b>42,733</b>	<b>Current Assets</b>	<b>55,159</b>	
(6,035)	Short Term Borrowing	(25,502)	17
(20,256)	Short Term Creditors	(18,228)	21
(274)	Grants Receipts in Advance-Revenue	(462)	12
(1,865)	Provision for Accumulated Absences	(2,411)	
<b>(28,430)</b>	<b>Current Liabilities</b>	<b>(46,603)</b>	
(848)	Long term Creditors	(1,005)	
(1,677)	Provisions	(1,590)	
(118,550)	Long Term Borrowing	(124,233)	17
(363,253)	Other Long Term Liabilities	(311,731)	22
<b>(484,328)</b>	<b>Long Term Liabilities</b>	<b>(438,559)</b>	
<b>(139,308)</b>	<b>Net Liabilities</b>	<b>(90,524)</b>	
(5,372)	Council Fund	(4,796)	MiRS
(2,075)	Council Fund - Service Area Balances	(1,806)	23
(8,346)	Corporate Earmarked Reserves	(8,468)	23
(481)	Earmarked Reserves - JOPs	(326)	10
(2,897)	School Balances	(1,668)	24a
(9,579)	Capital Receipts Reserve	(5,151)	24b
(4,394)	Capital Grants Unapplied	(6,109)	
<b>(33,144)</b>	<b>Usable Reserves</b>	<b>(28,324)</b>	
(71,898)	Revaluation Reserve	(68,951)	25a
363,073	Pensions Reserve	311,879	25d
(124,657)	Capital Adjustment Account	(130,471)	25b
4,069	Financial Instruments Adjustment Account	3,980	25c
1,865	Short Term Accumulating Absences Account	2,411	
<b>172,452</b>	<b>Unusable Reserves</b>	<b>118,848</b>	
<b>139,308</b>	<b>Total Reserves</b>	<b>90,524</b>	

## 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 2019/20

2018/19 £000s		2019/20 £000s	Notes
<b>(23,677)</b>	<b>Net surplus or (deficit) on the provision of services</b>	<b>(29,459)</b>	
57,921	Adjustments to net surplus or deficit on the provision of services for non-cash movements	39,240	26
(14,729)	Reversal of operating activity included in the net surplus or deficit on the provision of services that are shown separately	(12,574)	27
(5,991)	Interest paid and interest and dividends received	(6,317)	
<b>13,524</b>	<b>Net cash flows from operating activities</b>	<b>(9,110)</b>	
(18,017)	Investment Activities	(2,403)	28
(3,456)	Financing Activities	24,181	29
<b>(7,949)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>12,668</b>	
5,671	Cash and cash equivalents at the beginning of the reporting period	(2,278)	
<b>(2,278)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>10,390</b>	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 2019/20 (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 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. 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 assets**

Under 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. A principle-based approach is taken to the classification of financial assets.

Financial assets are classified 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 – The Expected Credit Loss Model**

A loss allowance is 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.

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 immaterial 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 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 value 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 service potential (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:

<b>Asset Type</b>	<b>Depreciation Period</b>
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 and is put to Council if it is proposed to vary the terms of the original Statement during the year. The policy for

supported borrowing is to recover the opening Capital Financing Requirement (CFR) for 2019-20 over 40 years and subsequent annual supported borrowing will also be recovered over 40 years on a straight line basis, whereas for unsupported borrowing the asset life method is used or as directed by Welsh Government.

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 35, 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. Similarly, a voluntary controlled school is owned by the Hopkins and Hill Trust. Note 3 also refers. For these voluntary aided schools and the voluntary controlled school capital expenditure 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

At the balance sheet date, the following relevant new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long-Term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

It is unlikely that any of the above will have an impact upon the financial statements.

- IFRS 16 – Leases

This Standard removes the previous lease classifications of operating and finance leases and will require local authorities that are lessees to recognise all leases on their balance sheets as right-of-use assets (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. However, it should be noted that CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021. The expected impact on the 1 April 2021 balance sheet is to increase property, plant and equipment assets by approximately £2 million, with an opposing entry to increase other long-term liabilities by £2 million and in overall revenue budget terms the change is expected to be broadly neutral.

## 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:

- 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. Similarly, there is one Voluntary Controlled school where the ownership resides with a Trust - The Hopkins and Hill Charitable Trust. 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 35 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 1 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 are 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 2020 which are subject to the highest risk of estimation uncertainty in the forthcoming financial year are as follows:

- An issue in relation to the reporting of valuations as at 31 March 2020 is the outbreak of Covid-19. All valuations provided to the Council by its valuers this year have been reported subject to a 'Material Uncertainty Clause' on the basis of RICS guidance. This is true for all asset classes subject to valuations. The valuations contain the following clause:

'The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a 'global pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep valuations under frequent review.'

At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

- 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 £2.84 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 £2.14 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 2020 the Council had outstanding debtors totalling £37.1 million. A review of these outstanding balances was undertaken and an impairment allowance made totalling £2.5 million. The current economic climate makes this assessment more difficult. 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. A sensitivity analysis of these assumptions is provided in Note 36. To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2019 valuation data to ensure that it is captured in the 31 March 2020 IAS19 balance sheet figures. The impact is separately recorded as a past service cost such that £1,574,000 of the total £2,196,000 relate to it. However, since this was calculated a consultation has been published by Ministry of Housing, Communities and Local Government (MHCLG) on the proposed remedy for the McCloud issue. It was published in July 2020 and is due to close in October 2020. This has provided a clearer indication of the benefit changes arising from the McCloud judgement, and significantly it limits its eligibility to members who were active at 31st March 2012. The allowance that has already been made in our past service costs however, based on analysis by GAD, assumed that this would apply to all members in the scheme. Our Actuary has estimated that should the revised scheme operate as per the consultation, then this will reduce the allowance made within our published accounts 2019/20 by more than half.
- The Greater Gwent Pension Fund, of which Torfaen County Borough Council is an admitted body, holds investments in Pooled Property Units. As a result of Covid-19, valuations as at 31 March 2020 were not readily available due to the closure of the markets and therefore no trade price was available on which to base a valuation. The Property valuers therefore included an estimation uncertainty clause into the reports. The Local Government Pension Scheme property assets attributable to Torfaen County Borough Council account for £10.197m or 3% of total assets.

## **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.

2019/20	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	69,435	1,336	70,771	10,032	80,803
Social Care & Housing	46,352	495	46,847	3,333	50,180
Neighbourhood Services	18,771	145	18,916	9,046	27,962
Public Services Support Unit	988	63	1,051	227	1,278
Information Technology	2,790	103	2,893	163	3,056
Resources	6,596	1,169	7,765	1,429	9,194
Community Services					
Chief Executive's Services	5,908	75	5,983	961	6,944
Capital Financing	10,490	(10,490)	0	0	0
Council Tax Reduction Scheme	9,281	0	9,281	0	9,281
South Wales Fire Service Levy	4,337	(4,337)	0	0	0
Corporate Property Maintenance	920	(97)	823	0	823
Early Intervention	476	283	759	0	759
Other Services	594	(671)	(77)	3,509	3,432
<b>Net Cost of Services</b>	<b>176,938</b>	<b>(11,926)</b>	<b>165,012</b>	<b>28,700</b>	<b>193,712</b>
<b>Other Income and Expenditure</b>					
Other Operating Expenditure		4,467	14,549	12,904	27,453
Financing and Investment Income and Expenditure		10,156	9,772	4,634	14,406
Taxation and Non-Specific Grant Income		0	(187,221)	(18,891)	(206,112)
<b>Total Other Income and Expenditure</b>		<b>14,623</b>	<b>(162,900)</b>	<b>(1,353)</b>	<b>(164,253)</b>
<b>Surplus or deficit</b>	<b>176,938</b>	<b>2,697</b>	<b>2,112</b>	<b>27,347*</b>	<b>29,459</b>

<b>Opening Council Fund balance at 31 March 2019</b>		<b>(5,372)</b>	
Deficit on Council Fund in year (above)		2,112	
- Adjust for JOPs reserves (note 10)		(160)	
- Adjust for Schools reserves (MiRS)		(1,229)	
Deficit on Council Fund in year per MiRS		723	
Adjust for transfer from reserves		(147)	
<b>Closing Council Fund balance at 31 March 2020</b>		<b>(4,796)**</b>	

\*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.

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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 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
<b>Net Cost of Services</b>	<b>170,841</b>	<b>(9,673)</b>	<b>161,168</b>	<b>33,870</b>	<b>195,038</b>
<b>Other Income and Expenditure</b>					
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)
<b>Total Other Income and Expenditure</b>	<b>0</b>	<b>11,394</b>	<b>(161,605)</b>	<b>(9,756)</b>	<b>(171,361)</b>
<b>Surplus or deficit</b>	<b>170,841</b>	<b>1,721</b>	<b>(437)</b>	<b>24,114*</b>	<b>23,677</b>

<b>Opening Council Fund balance at 31 March 2018</b>		<b>(5,394)</b>	
Deficit 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		<b>360</b>	
Adjust for transfer from reserves		(338)	
<b>Closing Council Fund balance at 31 March 2019</b>		<b>(5,372)**</b>	

\* 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 2019/20	Other (Reserve funding and impairment losses)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments between accounting and funding basis			
					Adjustments for capital purposes (note 1)	Net change for the pension adjustments (note 2)	Other differences (note 3)	Total adjustments
	£000	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Education Services	1,336	0		1,336	6,824	2,696	512	10,032
Social Care & Housing	495	0	0	495	404	2,923	6	3,333
Neighbourhood Services	145	0	0	145	5,570	3,294	182	9,046
Public Services Support Unit	63	0	0	63	0	221	6	227
Information Technology	0	103	0	103	163	10	(10)	163
Resources	(181)	1,350	0	1,169	44	1,446	(61)	1,429
Community Services								
Chief Executive Services/Strategic	75	0	0	75	0	966	(5)	961
Capital Financing	0	(10,490)	0	(10,490)	0	0	0	0
Council Tax Reduction Scheme	0	0	0	0	0	0	0	0
South Wales Fire Service Levy	0	0	(4,337)	(4,337)	0	0	0	0
Corporate Property Maintenance	0	(97)	0	(97)	0	0	0	0
Early intervention	283	0	0	283	0	0	0	0
Other Services	(518)	0	(153)	(671)	0	3,509	0	3,509
<b>Net Cost of Services</b>	<b>1,698</b>	<b>(9,134)</b>	<b>(4,490)</b>	<b>(11,926)</b>	<b>13,005</b>	<b>15,065</b>	<b>630</b>	<b>28,700</b>
<b>Other Income and Expenditure</b>								
Other Operating Expenditure	(23)	0	4,490	4,467	12,705	0	199	12,904
Financing and Investment Income	839	9,317	0	10,156	99	8,891	(4,356)	4,634
Taxation and Non-Specific Grant Income	0	0	0	0	(18,891)	0	0	(18,891)
<b>Total Other Income and Expenditure</b>	<b>816</b>	<b>9,317</b>	<b>4,490</b>	<b>14,623</b>	<b>(6,087)</b>	<b>8,891</b>	<b>(4,157)</b>	<b>(1,353)</b>
<b>Surplus or deficit</b>	<b>2,514</b>	<b>183</b>	<b>0</b>	<b>2,697</b>	<b>6,918</b>	<b>23,956</b>	<b>(3,527)</b>	<b>27,347</b>

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Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2018/19	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	(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 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			91	0	0	0	0
Other	(709)	0	(108)	(817)	0	964	0	964
<b>Net Cost of Services</b>	<b>1,431</b>	<b>(6,689)</b>	<b>(4,415)</b>	<b>(9,673)</b>	<b>25,168</b>	<b>9,058</b>	<b>(356)</b>	<b>33,870</b>
<b>Other Income and Expenditure</b>								
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)
<b>Total Other Income and Expenditure</b>	<b>290</b>	<b>6,689</b>	<b>4,415</b>	<b>11,394</b>	<b>(18,091)</b>	<b>8,132</b>	<b>203</b>	<b>(9,756)</b>
<b>Surplus or deficit</b>	<b>1,721</b>	<b>0</b>	<b>0</b>	<b>1,721</b>	<b>7,077</b>	<b>17,190</b>	<b>(153)</b>	<b>24,114</b>

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

**7. Expenditure and Income Analysed by Nature**

31 March 2019 £000s		31 March 2020 £000s
132,893	Employee benefits expenses	144,831
135,034	Other services expenses	138,809
23,909	Depreciation, amortisation, impairment and revaluation movement	13,104
25,403	Interest payments	26,403
13,947	Precepts & levies	14,777
8,769	Loss on disposal of non-current assets	12,867
<b>339,955</b>	<b>Total Expenditure</b>	<b>350,791</b>
(38,070)	Fees charges & other service income	(39,911)
(11,443)	Interest and investment income	(10,920)
(80,260)	Income from council tax and NDR	(84,111)
(183,572)	Government grants and contributions	(186,228)
(2,933)	Gains on disposal of non-current assets	(162)
<b>(316,278)</b>	<b>Total Income</b>	<b>(321,332)</b>
<b>23,677</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>29,459</b>

The Council's various income streams have been assessed and classified in line with the 2019/20 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.

2019/20	Usable Reserves			Movements in Unusable Reserves (note 25) £000s
	Council Fund Balance £000s	Capital Receipts Reserve (note 24b) £000s	Capital Grants Unapplied £000s	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	13,796	0	0	(13,796)
Revaluation losses on Property Plant and Equipment	(791)	0	0	791
Movements in the market value of Investment Properties	169	0	0	(169)
Capital grants and contributions applied	(17,176)	0	0	17,176
Revenue expenditure funded from capital under statute	0	0	0	0
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	12,943	0	0	(12,943)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(4,268)	0	0	4,268
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(18,891)	0	18,891	0
Application of grants to capital financing transferred to the Capital Adjustment Account	17,176	0	(17,176)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(307)	307	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(4,735)	0	4,735
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(89)	0	0	89
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	41,830	0	0	(41,830)
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,591)	0	0	17,591
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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	546	0	0	(546)
<b>Total Adjustments</b>	<b>27,347*</b>	<b>(4,428)</b>	<b>1,715</b>	<b>(24,634)</b>

\* This figure cross references to note 6 Expenditure and Funding Analysis and the MiRS on page 17.

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2018/19	Usable Reserves			Movements in Unusable Reserves (note 25)
	Council Fund Balance	Capital Receipts Reserve (note 24b)	Capital Grants Unapplied	
	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,012	0	0	(2,012)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
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
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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
<b>Total Adjustments</b>	<b>24,114*</b>	<b>1,096</b>	<b>1,904</b>	<b>(27,114)</b>

\* This figure cross references to note 6 Expenditure and Funding Analysis and the MiRS on page 18.

## **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 15 September 2020. 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 2020 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 2019/20 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 no contribution was required in 2019/20 (£0.75 million in 2018/19).

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<b>Comprehensive Income and Expenditure Account for the year ended 31 March 2020</b>					
	<b>Torfaen £000s</b>	<b>GWICES £000s</b>	<b>Archives £000s</b>	<b>Cremation £000s</b>	<b>Total £000s</b>
Other Services	3,439	0	(7)	0	3,432
Neighbourhood Services	28,143	0	0	(181)	27,962
Total non-affected lines	162,318	0	0	0	162,318
<b>(Surplus)/Deficit on Continuing Operations</b>	<b>193,900</b>	<b>0</b>	<b>(7)</b>	<b>(181)</b>	<b>193,712</b>
Interest payable and similar charges	6,496	0	0	346	6,842
Net interest on the net pension liability (asset)	8,892	0	0	2	8,894
Total non-affected lines	(179,989)	0	0	0	(179,989)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>29,299</b>	<b>0</b>	<b>(7)</b>	<b>167</b>	<b>29,459</b>
Re-measurements re pension net liability (asset)	(75,409)	0	0	(39)	(75,448)
Total non-affected lines	(2,795)	0	0	0	(2,795)
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>(78,204)</b>	<b>0</b>	<b>0</b>	<b>(39)</b>	<b>(78,243)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(48,905)</b>	<b>0</b>	<b>(7)</b>	<b>128</b>	<b>(48,784)</b>
<b>Movement in Reserves Statement for the year ended 31 March 2020</b>					
	<b>GWICES £000s</b>	<b>Archives £000s</b>	<b>Cremation £000s</b>	<b>Total £000s</b>	
<b>Balance at 31 March 2019</b>	<b>0</b>	<b>54</b>	<b>724</b>	<b>778</b>	
<b>Total comprehensive income and expenditure*</b>	<b>0</b>	<b>7</b>	<b>(128)</b>	<b>(121)</b>	
<b>Net Increase/Decrease before transfers to Reserves</b>	<b>0</b>	<b>7</b>	<b>(128)</b>	<b>(121)</b>	
Transfers to/from Earmarked Reserves	0	0	0	0	
<b>Increase/Decrease in Year</b>	<b>0</b>	<b>7</b>	<b>(128)</b>	<b>(121)</b>	
<b>Balance at 31 March 2020 carried forward</b>	<b>0</b>	<b>61</b>	<b>596</b>	<b>657</b>	
<b>Balance Sheet as at 31 March 2020</b>					
Property Plant and Equipment	0	0	468	468	
Long term asset	0	0	0	0	
Short term debtors	0	6	0	6	
Cash and cash equivalents	70	66	336	472	
Short term creditors	(70)	(11)	(94)	(175)	
Long term creditors	0	0	(79)	(79)	
Other long term liabilities	0	0	(35)	(35)	
<b>Net Assets</b>	<b>0</b>	<b>61</b>	<b>596</b>	<b>657</b>	
<b>Usable Reserves</b>					
Earmarked reserves	0	(61)	(265)	<b>(326)</b>	
<b>Unusable Reserves</b>					
Revaluation reserve	0	0	(231)	<b>(231)</b>	
Pension reserve	0	0	35	<b>35</b>	
Capital adjustment account	0	0	(135)	<b>(135)</b>	
<b>Total Reserves</b>	<b>0</b>	<b>(61)</b>	<b>(596)</b>	<b>(657)</b>	

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 2020 is estimated at £2.2 million (£2.2 million as at 31 March 2019) with Torfaen's share equating to 21.3%. \*Long term creditors in the Balance Sheet is £1.005 million (£0.848 million 2019/20) comprising the £0.079 million here and £0.926 million relating to other Torfaen long term creditors.

\* Total comprehensive income and expenditure of £121,000 comprises £160,000 Deficit on provision of services and (£39,000) Other comprehensive income and expenditure.

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<b>Comprehensive Income and Expenditure Account for the year ended 31 March 2019</b>					
	<b>Torfaen £000s</b>	<b>GWICES £000s</b>	<b>Archives £000s</b>	<b>Cremation £000s</b>	<b>Total £000s</b>
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
<b>(Surplus)/Deficit on Continuing Operations</b>	<b>195,201</b>	<b>0</b>	<b>4</b>	<b>(167)</b>	<b>195,038</b>
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)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>23,619</b>	<b>0</b>	<b>4</b>	<b>54</b>	<b>23,677</b>
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)
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>46,791</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>46,803</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>70,410</b>	<b>0</b>	<b>4</b>	<b>66</b>	<b>70,480</b>

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

<b>Balance Sheet as at 31 March 2019</b>				
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)
<b>Net Assets</b>	<b>0</b>	<b>54</b>	<b>724</b>	<b>778</b>
<b>Usable Reserves</b>				
Earmarked reserves	0	(54)	(427)	(481)
<b>Unusable Reserves</b>				
Revaluation reserve	0	0	(231)	(231)
Pension reserve	0	0	59	59
Capital adjustment account	0	0	(125)	(125)
<b>Total Reserves</b>	<b>0</b>	<b>(54)</b>	<b>(724)</b>	<b>(778)</b>

<b>Debtors analysis as at 31 March 2020</b>				
	<b>GWICES £000s</b>	<b>Archives £000s</b>	<b>Cremation £000s</b>	<b>Total £000s</b>
Other entities and individuals	0	6	0	6
Other local Councils	0	0	0	0
<b>Total</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>

<b>Creditors analysis as at 31 March 2020</b>				
	<b>GWICES £000s</b>	<b>Archives £000s</b>	<b>Cremation £000s</b>	<b>Total £000s</b>
Other entities and individuals	0	0	94	94
Other local Councils	70	11	0	81
<b>Total</b>	<b>70</b>	<b>11</b>	<b>94</b>	<b>175</b>

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



## 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 2019/20 Council Tax base was 33,685 (33,390 in 2018/19). 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 33,685. This equals the Council Tax charge for a Band D property of £1,620.05 (£1,526.25 in 2018/19) with the Torfaen Council element being £1,315.49 of this in 2019/20 (£1,241.61 in 2018/19). 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.

2018/19 Number Of properties	Band	House valuation (£)	Fraction of band D bill	2019/20 Number Of Properties
6,083	A	Up to 44,000	6/9	6,145
13,023	B	44,001 to 65,000	7/9	13,065
11,814	C	65,001 to 91,000	8/9	11,837
4,094	D	91,001 to 123,000	9/9	4,168
3,845	E	123,001 to 162,000	11/9	3,995
2,224	F	162,001 to 223,000	13/9	2,293
663	G	223,001 to 324,000	15/9	670
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:

2018/19 £000s		2019/20 £000s
51,132	Council Tax collectable	54,710
(170)	Less the amount set aside for Council Tax not paid	(139)
<b>50,962</b>	<b>Money we raised from Council Tax after deductions</b>	<b>54,571</b>

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 £56,746,306 on 31 March 2020 (£56,905,268 on 31 March 2019). We work out the rates payable by multiplying the rateable value by the multiplier. In 2019/20 the multiplier was 52.6p (51.4p in 2018/19). 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 2019/20 was £29.5 million (£29.3 million in 2018/19).

## 12. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/19 £000s	Capital Grants	2019/20 £000s
350	Safe Routes in the Community	78
837	Local Transport Plan	1,164
978	Highways Grant	652
14,641	21 <sup>st</sup> Century Schools	10,079
125	Adventure Triangle	880
500	Childcare Grant Offer	124
1,186	Schools Maintenance Grant	1,253
2,103	Other	4,661
<b>20,720</b>	<b>Total</b>	<b>18,891</b>
	<b>Capital Grants Credited to Services (REFCUS)</b>	
1,550	Other	2,534
<b>1,550</b>	<b>Total</b>	<b>2,534</b>
	<b>Revenue Grants Credited to Services</b>	
	<b>Education</b>	
3,118	Post 16 Education Provision	3,180
2,943	Children and Communities	2,592
3,147	Education Improvement Grant	3,156
2,794	Pupil Deprivation Grant	2,791
0	Teachers' Pension Grant	1,230
2,464	Other	3,320
	<b>Neighbourhoods/PPP</b>	
2,716	Concessionary Fares	2,761
476	Sustainable Waste Management	529
772	Inspire to Work/Inspire to Achieve	768
421	Bridges into Work	513
198	Working Skills for Adults	154
3,478	Other	4,623
	<b>Social Care and Housing</b>	
3,483	Housing Support Grant	3,523
1,584	Intermediate Care Fund	2,596
975	Children and Communities Grant	1,168
251	Communities First	246
0	Sustainable Social Services	951
1,678	Other	1,359
	<b>Resources/Information Technology/PSSU</b>	
29,530	Dept. Works and Pensions - Housing Benefit Subsidy	26,981
386	Other	1,319
	<b>Chief Executive Officer's</b>	
34	Other	98
<b>60,448</b>	<b>Total Revenue Grants credited to Services</b>	<b>63,858</b>
	<b>Non-Specific Grant Income</b>	
29,298	Non-Domestic Rates (NDR)	29,540
102,245	Revenue Support Grant (RSG)	103,110
<b>131,543</b>	<b>Total Non-Specific Grant Income</b>	<b>132,650</b>

The Council also has revenue Grants Receipts in Advance totalling £462,515 (£274,284 in 2018/19).

## 13. Property, Plant and Equipment (PPE)

It should be noted that all valuations presented in this section are reported on the basis of 'material valuation uncertainty' that is less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case due to the Covid-19 pandemic. Note 4 provides further detail.

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**13.1 Movements on Balances**

The following tables present the accounting entries that impact on the value of PPE.

Analysis of Gross Book Values in 2019/20	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
<b>As at 1 April 2019</b>	<b>460</b>	<b>248,699</b>	<b>15,723</b>	<b>100,145</b>	<b>7,250</b>	<b>25,566</b>	<b>397,843</b>	<b>732</b>	<b>398,575</b>
Additions	0	12,351	517	2,464	1,074	15,452	31,858	0	31,858
Disposals	0	(7,149)	0	0	0	0	(7,149)	0	(7,149)
Revaluation increases recognised in the Revaluation Reserve	0	1,333	0	0	0	0	1,333	0	1,333
Revaluation decreases recognised in the Revaluation Reserve	0	(2,336)	0	0	0	0	(2,336)	0	(2,336)
Revaluation increases/(decrease) recognised in the Surplus or Deficit on the Provision of Services	0	1,068	0	0	0	0	1,068	0	1,068
Derecognition – other	0	(6,031)	0	0	0	0	(6,031)	0	(6,031)
Asset reclassifications	0	19,243	0	0	0	(19,159)	84	0	84
Other movements in cost or valuation	0	0	0	0	0	0	0	22	22
Impairment		(1,235)					(1,235)		(1,235)
<b>As at 31 March 2020</b>	<b>460</b>	<b>265,943</b>	<b>16,240</b>	<b>102,609</b>	<b>8,324</b>	<b>21,859</b>	<b>415,435</b>	<b>754</b>	<b>416,189</b>

Analysis of Depreciation in 2019/20	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
<b>As at 1 April 2019</b>	<b>(26)</b>	<b>(21,243)</b>	<b>(14,800)</b>	<b>(48,080)</b>	<b>(18)</b>	<b>0</b>	<b>(84,167)</b>	<b>(263)</b>	<b>(84,430)</b>
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
Depreciation charge	(26)	(9,453)	(332)	(3,985)	0	0	(13,796)	(23)	(13,819)
Depreciation written out on disposal	0	313	0	0	0	0	313	0	313
Depreciation written out to the Revaluation Reserve	0	4,494	0	0	0	0	4,494	0	4,494
Depreciation recognised in surplus/deficit of provision of services	0	181	0	0	0	0	181	0	181
Depreciation written out on Impairment		82					82		82
<b>As at 31 March 2020</b>	<b>(52)</b>	<b>(25,626)</b>	<b>(15,132)</b>	<b>(52,065)</b>	<b>(18)</b>	<b>0</b>	<b>(92,893)</b>	<b>(286)</b>	<b>(93,179)</b>

Net Book Value									
As at 31 March 2020	408	240,317	1,108	50,544	8,306	21,859	<b>322,542</b>	468	<b>323,010</b>
As at 31 March 2019	434	227,456	923	52,065	7,232	25,566	<b>313,676</b>	469	<b>314,145</b>

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Analysis of Gross Book Values 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
<b>As at 1 April 2018</b>	<b>395</b>	<b>267,497</b>	<b>15,713</b>	<b>97,525</b>	<b>6,812</b>	<b>9,644</b>	<b>397,586</b>	<b>700</b>	<b>398,286</b>
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
<b>As at 31 March 2019</b>	<b>460</b>	<b>248,699</b>	<b>15,723</b>	<b>100,145</b>	<b>7,250</b>	<b>25,566</b>	<b>397,843</b>	<b>732</b>	<b>398,575</b>

Analysis of Depreciation 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
<b>As at 1 April 2018</b>	<b>(80)</b>	<b>(24,567)</b>	<b>(14,558)</b>	<b>(44,173)</b>	<b>(18)</b>	<b>0</b>	<b>(83,396)</b>	<b>(240)</b>	<b>(83,636)</b>
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
<b>As at 31 March 2019</b>	<b>(26)</b>	<b>(21,243)</b>	<b>(14,800)</b>	<b>(48,080)</b>	<b>(18)</b>	<b>0</b>	<b>(84,167)</b>	<b>(263)</b>	<b>(84,430)</b>

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

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 2019				31 March 2020		
LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools		LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools
25	1	6	Number of schools	25	1	6
151,632	9,700	0	Value of land and buildings (£000s)	178,433	0	0

There is no value for land and buildings as at 31 March 2020 for voluntary aided and voluntary controlled schools as they are now all under the control of the relevant religious body or a trust 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
Daniel Morris MRICS	Torfaen County Borough Council

Revaluations were carried out as at 31 March 2020. Investment property and assets held for sale were valued as at 31 March 2020.

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 gives an indication of the progress of the Council's five year rolling programme for the revaluation of non-current assets. Additions, disposals and transfers of assets as well as one-off valuations of properties need to be taken into account to compare to the gross book values in note 13.1 so variances can occur.

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles Plant Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
<b>Carried at historic cost</b>	<b>0</b>	<b>0</b>	16,240	102,609	8,324	21,859	<b>149,032</b>
<b>Valued at current value as at:</b>							
31 March 2020	0	51,331	0	0	0	0	<b>51,331</b>
31 March 2019	460	68,919	0	0	0	0	<b>69,379</b>
31 March 2018	0	88,347	0	0	0	0	<b>88,347</b>
31 March 2017	0	42,952	0	0	0	0	<b>42,952</b>
31 March 2016	0	13,759	0	0	0	0	<b>13,759</b>
<b>Total Cost or Valuation</b>	<b>460</b>	<b>265,308</b>	<b>16,240</b>	<b>102,609</b>	<b>8,324</b>	<b>21,859</b>	<b>414,800</b>

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The gross book values of the major assets that were revalued during 2019/20 are shown below.

Revaluations	2018/19 £000s	Gain/(Reduction) in value £000s	2019/20 £000s
Community Education	10,876	566	11,442
Community Centres	6,536	257	6,793
Household Waste Centre	2,107	115	2,222
Civic Centre	2,550	(150)	2,400
Offices	1,460	226	1,686

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.

2019/20	Level 1 Quoted Market Price £000s	Level 2 Observable Inputs £000s	Level 3 Unobservable Inputs £000s	Total 31 March 2020 £000s	Total (Gains)/ Losses £000s
<b>Recurring fair value measurements</b>					
Investment property – see note 15	0	0	14,869	14,869	97
<b>Non-recurring fair value measurements</b>					
Assets Held for Sale	0	1,585	0	1,585	(150)
Surplus Assets	0	52	339	391	(25)

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
<b>Recurring fair value measurements</b>					
Investment property – see note 15	0	0	14,966	14,966	(641)
<b>Non-recurring fair value measurements</b>					
Assets Held for Sale –	0	1,435	0	1,435	0
Surplus Assets	0	77	289	366	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
2018/19 £000s	2018/19 £000s	2018/19 £000s		2019/20 £000s	2019/20 £000s	2019/20 £000s
14,966	14,966	0	Investment Property	14,869	14,869	0
1,435	1,435	0	Assets Held for Sale	1,585	1,585	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.

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

Investment Property 2018/19	Surplus Assets 2018/19	Total 2018/19		Investment Property 2019/20	Surplus Assets 2019/20	Total 2019/20
£000s	£000s	£000s		£000s	£000s	£000s
14,453	289	14,742	<b>Balance 1 April</b>	14,966	289	15,255
0	0	0	Transfers into level 3	0	25	25
			<b>Gains or losses for the period :</b>			
641	0	641	Included in the Other CIES	(169)	0	(169)
52	0	52	Purchases/Expenditure	383	0	383
0	0	0	Transfers To/From OLB	(250)	0	(250)
0	0	0	Revaluation To Revaluation Reserve	0	25	25
(180)	0	(180)	Sales	(61)	0	(61)
14,966	289	15,255	<b>Balance 31 March</b>	14,869	339	15,208
513	0	513	Change in unrealised gains and losses for assets held as at 31 March 2019	(97)	50	(47)

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

	Fair Value 31 March 2020	Valuation Technique	Unobservable Inputs	Range	Weighted Average
	£000s			%	%
Investment property	14,869	Income approach			
Includes:					
Industrial units			Vacancy rate	0-2.1	0.2
			Yield	9-13	n/a
Offices			Vacancy rate	0-1.5	0.2
			Yield	12-13	n/a
Shops			Vacancy rate	0-4.8	0.6
			Yield	10.5-13	n/a

	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

### 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 2019/20 the Council made no material changes to its accounting estimates for property, plant and equipment. However, note 4 refers to particular valuation uncertainties for 2019/20 due to the Covid-19 pandemic.

### 13.6 Capital Commitments

At 31 March 2020, the Council has entered into capital contracts, which in 2020/21 and 2021/22 are budgeted to cost £14.2 million. The major commitments are as follows, and are not included in the financial statements within this document.

	2020/21 £000s	2021/22 £000s
21 <sup>st</sup> Century Schools	7,675	3,674
The Redevelopment of The British	1,237	0
Adventure Triangle Regeneration Scheme	1,632	0
<b>Total</b>	<b>10,544</b>	<b>3,674</b>

### 13.7 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.

2018/19 £000s		2019/20 £000s
<b>131,568</b>	<b>Capital Financing Requirement at 1 April</b>	<b>135,257</b>
	<b>Capital investment</b>	
28,429	Property, plant and equipment	31,858
52	Investment properties	383
751	Revenue expenditure funded from capital under statute	0
(2,017)	Capital receipts	(4,735)
(18,816)	Government grants and other	(17,176)
	<b>Sums set aside from revenue</b>	
(133)	Direct revenue contributions	0
(4,577)	Minimum Revenue Provision (MRP)	(4,268)
<b>135,257</b>	<b>Capital Financing Requirement at 31 March</b>	<b>141,319</b>
<b>3,689</b>	<b>Movement in year</b>	<b>6,062</b>
	<b>Explanation of movement in year</b>	
2,685	Increase in underlying need to borrow (supported by government financial assistance)	2,743
5,416	Increase in underlying need to borrow (unsupported by government financial assistance)	7,587
165	Increase in underlying need to borrow (Salix loan)	0
<b>8,266</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>10,330</b>
(4,577)	Less Minimum Revenue Provision (MRP)	(4,268)
<b>3,689</b>	<b>Movement in year</b>	<b>6,062</b>

### 14. Heritage Assets

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

2018/19 £000s		2019/20 £000s
365	Building – Llanyravon Manor – Tudor Grade II listed stone Manor House	365
137	Sculpture – Group of pit ponies at Blaenavon Iron Works Museum	137
65	Civic Regalia – Mayoral chains	65
809	Environmental/Landscape – within Pontypool Park (Shell Grotto, Ice House, memorial gates), within Blaenavon World Heritage Site (Aaron Brutes Bridge) and various ancient buildings and monuments in various states of repair on land at The British, Talywain	809
<b>1,376</b>	<b>Total</b>	<b>1,376</b>



## 15. Investment Properties

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

2018/19 £000s		2019/20 £000s
14,453	<b>Balance at 1 April</b>	14,966
52	Subsequent expenditure	383
(180)	Disposals	(61)
641	Net gains/losses from fair value adjustments	(169)
0	Transfers (to)/from Property, Plant and Equipment	(250)
14,966	<b>Balance at 31 March</b>	14,869

## 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 £150,308 ( £194,770 in 2018/19).

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

2018/19 £000s		2019/20 £000s
27	Finance lease liabilities (net present value of minimum lease payments) – current	27
141	Finance lease liabilities (net present value of minimum lease payments) - non-current	106
27	Finance costs payable in future years	17
195	<b>Total</b>	150

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

2018/19 Minimum Lease Payments £000s	2018/19 Finance Lease Liabilities £000s		2019/20 Minimum Lease Payments £000s	2019/20 Finance Lease Liabilities £000s
31	27	Not later than one year	31	27
132	113	Later than one year and no later than five years	100	89
32	28	Later than five years	19	17
195	168	<b>Total</b>	150	133

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:

2018/19 £000s		2019/20 £000s
1,038	Minimum lease payments	1,027
(196)	Sub-lease payments receivable	(187)
842	<b>Total</b>	840

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

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2018/19 £000s		2019/20 £000s
809	Not later than one year	708
1,273	Later than one year and not later than five years	1,876
435	Later than five years	1,227
<b>2,517</b>	<b>Total</b>	<b>3,811</b>

### 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:

2018/19 £000s		2019/20 £000s
1,409	Not later than one year	1,352
3,693	Later than one year and not later than five years	2,298
2,173	Later than five years	2,212

## 17. Financial Instruments

The outbreak of coronavirus has had an impact on the global and UK economy, and therefore the values of assets and liabilities. The Council is well placed to manage these impacts and has used market data from the reporting date to prudently reflect them in the valuation of its assets and liabilities in line with proper accounting practice. Although market tensions have made the accurate valuation of some financial instruments more difficult, Torfaen has no exposure to equities or other difficult to value instruments, and no complex liabilities.

### 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 2019 £000s	Borrowing: Reconciliation of Principal Amount to Amortised Cost	PWLB £000s	Market Loans £000s	Temporary Loans £000s	Other £000s	Total 31 March 2020 £000s
(124,804)	Principal amount	(71,679)	(57,500)	(20,000)	(921)	<b>(150,100)</b>
(913)	Accruals	(392)	(198)	(2)	0	<b>(592)</b>
1,132	Other accounting adjustments*	2,469	(1,579)	0	67	<b>957</b>
<b>(124,585)</b>	<b>Financial Liabilities at Amortised Cost (As Balance Sheet)</b>	<b>(69,602)</b>	<b>(59,277)</b>	<b>(20,002)</b>	<b>(854)</b>	<b>(149,735)</b>
	<b>Made up of:</b>					
(6,035)	Short term borrowing	(2,742)	(2,637)	(20,002)	(121)	<b>(25,502)</b>
(118,550)	Long term borrowing	(66,860)	(56,640)	0	(733)	<b>(124,233)</b>
<b>(124,585)</b>	<b>Financial Liabilities at Amortised Cost</b>	<b>(69,602)</b>	<b>(59,277)</b>	<b>(20,002)</b>	<b>(854)</b>	<b>(149,735)</b>

\*The PWLB loans adjustment of £2,468,606 equates to the accounting requirement of disclosing loans at their amortised cost valuation using an effective interest rate calculation. It also allows for premiums associated with the loans to be written off over the remaining life of the loan.

\*The LOBO loans adjustment of £1,578,790 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 £67,230 equates to the effective interest on Salix loans (totalling £920,873) which are accounted for as soft loans.

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

31 March 2019		Financial Instrument Balances	31 March 2020	
Long Term £000s	Short Term £000s		Long Term £000s	Short Term £000s
		<b>Financial Liabilities At Amortised Cost:</b>		
(118,550)	(6,035)	Borrowing (see table above for breakdown)	(124,233)	(25,502)
(848)	(17,719)	Creditors	(1,005)	(17,239)
0	(2,304)	Bank current account overdraft	0	(7,104)
		<b>Financial Assets:</b>		
		<b>Amortised Cost</b>		
0	19,007	Fixed term investments	0	8,007
0	26	Petty cash	0	17
190	16,144	Debtors	184	21,577
		<b>Fair Value Through Profit &amp; Loss:</b>		
40	0	Investment in Shared Resource Services (Business Solutions Limited)	40	0
0	0	Cash equivalents-Money Market Funds & Local Authority Investments	0	17,005

Short-term creditors of £17,239,000 exclude £989,000 of non-contractual short-term creditors that do not meet the definition of financial liabilities at amortised cost.

Short-term debtors of £21,577,000 exclude £13,015,000 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. 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. Note 18 also refers to this shareholding.

Money market fund balances have been classified as '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 classified to 'amortised cost' as the business model is to collect contractual cash flows only.

#### Fair Values of Assets and Liabilities

As at 31 March 2020 the Council has £25.0 million financial assets (investments) and £150.1 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 28 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 2019				31 March 2020		
Principal £000s	Carrying Amount £000s	Fair value £000s		Principal £000s	Carrying Amount £000s	Fair Value £000s
(76,244)	(74,341)	(94,200)	PWLB debt	(71,679)	(69,602)	(91,073)
(48,560)	(50,244)	(106,304)	Non-PWLB debt	(78,421)	(80,133)	(142,550)
<b>(124,804)</b>	<b>(124,585)</b>	<b>(200,504)</b>	<b>Total debt</b>	<b>(150,100)</b>	<b>(149,735)</b>	<b>(233,623)</b>
(18,567)	(18,567)	(18,567)	Financial Instrument Creditors	(18,244)	(18,244)	(18,244)
(2,304)	(2,304)	(2,304)	Bank Current Account Overdraft	(7,104)	(7,104)	(7,104)
<b>(145,675)</b>	<b>(145,456)</b>	<b>(221,375)</b>	<b>Total Financial Liabilities at Amortised Cost</b>	<b>(175,448)</b>	<b>(175,083)</b>	<b>(258,971)</b>

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.

31 March 2019				31 March 2020		
Principal £000s	Carrying Amount £000s	Fair Value £000s	Investments	Principal £000s	Carrying Amount £000s	Fair Value £000s
19,000	19,007	19,072	Investments <1 year	25,000	25,012	24,999
16,334	16,334	16,334	Financial Instrument debtors	21,761	21,761	21,761
<b>35,334</b>	<b>35,341</b>	<b>35,406</b>	<b>Total Financial Assets</b>	<b>46,761</b>	<b>46,773</b>	<b>46,760</b>

**Note 17a. Financial Instrument – Gains and Losses**

2018/19 £000s	Description	Financial Liabilities	Financial Assets		2019/20 £000s
		Amortised Cost £000s	Amortised Cost £000s	Fair Value through P&L £000s	
53	Debt Management Expenses	84	0	0	84
3,170	Mortgage Loan Interest	3,195	0	0	3,195
3,021	PWLB Loan Interest	3,074	0	0	3,074
35	Temporary Borrowing	49	0	0	49
176	Other Interest	321	0	0	321
11	Finance Leases	8	0	0	8
(504)	Interest adjustment (transition to IFRS9)	0	0	0	0
61	Impairment Losses	111	0	0	111
<b>6,023</b>	<b>Interest Payable &amp; Similar Charges</b>	<b>6,842</b>	<b>0</b>	<b>0</b>	<b>6,842</b>
(171)	Investment Income	0	(103)	(113)	(216)
(25)	Bank Interest	0	(37)	0	(37)
<b>(196)</b>	<b>Interest &amp; Investment Income</b>	<b>0</b>	<b>(140)</b>	<b>(113)</b>	<b>(253)</b>
<b>5,827</b>	<b>Net Impact on surplus/deficit on provision of service</b>	<b>6,842</b>	<b>(140)</b>	<b>(113)</b>	<b>6,589</b>

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

The economic impact of the Covid-19 pandemic presents challenges to the financial services industry and its institutions. The main risk to the Council is credit risk, its ability to raise finance and to a limited degree the interest rate payable and receivable on new loans and investments. However, these risks are mitigated as described in this note.

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government, Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

### **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 2019/20 was approved by full Council on 5 March 2019 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 immaterial. The Council continues to use only UK domiciled financial institutions for investment purposes.

The assessment of credit losses is based on information about past events, current conditions but also future forecasts. The economic outlook for the Councils' financial assets (investments and debtors) as a result of the Covid-19 pandemic must be taken into account when making this assessment. The Council needs to consider the risk of default of its financial assets, the exposure to that default risk and the estimated loss as a result of the default. Although facing similar events, each Council's expected credit losses will be individual to their debt portfolios, the nature of their financial assets held at amortised cost and the impact of the pandemic in its local area (as well as national economic events). In particular, the Council has reflected higher underlying credit risk conditions when calculating its Expected Credit Losses (ECL) to reflect the strained market conditions, in line with the requirements of IFRS 9. That being said; as explained in note 17 this Council has no exposure to equities or other difficult to value instruments, and no complex liabilities, and all risks are minimised as described in this note.

The main exposure for financial assets for Torfaen is considered to be its direct investments with banks and even then the 12 month expected credit loss is immaterial. Steps have been taken to mitigate this risk even further by reducing the investment period on call accounts to 31 day notice accounts (previously 95 day) and only retaining one of those (the other is due for repayment on 16 June 2020).

In relation to borrowing as at the 31 March 2020, 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 2019 Estimated maximum exposure to default and uncollectibility £000s		31 Mar 2020 Amount  £000s (a)	31 Mar 2020 Historical experience of default  % (b)	31 Mar 2020 Historical experience adjustment for market conditions % (c)	31 Mar 2020 Estimated maximum exposure to default and uncollectibility £000s (a * c)
11	Trade Debtors/Customers/lease receivables	7,816	0.17	0.17	13

The Council does not generally allow credit for its trade debtors and lease receivables such that £7.4 million of the £7.8 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2019 £000s		31 March 2020 £000s
1,671	Less than three months	4,641
451	Three to six months	435
720	Six months to one year	1,007
1,261	More than one year	1,302
<b>4,103</b>	<b>Total</b>	<b>7,385</b>

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 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. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

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

31 March 2019 £000s		2019/20 Approved Max. Limits £000s		2019/20 Approved Min. Limits £000s		31 March 2020 £000s
(4,704)	Maturing in under 1 year (Short term)	50%	(75,050)	0%	0	(24,339)
(3,839)	Maturing in 1 to 2 years	30%	(45,030)	0%	0	(3,876)
(9,752)	Maturing in 2 to 5 years	50%	(75,050)	0%	0	(10,053)
(26,757)	Maturing in 5 to 10 years	75%	(112,575)	0%	0	(27,088)
(79,752)	Maturing over 10 years	100%	(150,100)	25%	(37,525)	(84,744)
<b>(124,804)</b>	<b>Total</b>					<b>(150,100)</b>

The table illustrates that borrowing levels have not breached the authorised limit specified within the 2019/20 Prudential Report and only exceeded the operational boundary for a short period at year end. A breach is acceptable for short time periods only, and was due to the increase in the short-term debt as a result of temporary borrowing being required at year end to fund emergency grants payable under government initiatives in response to Covid-19.

The Council's debt can be split further into category of lender:

31 March 2019 £000s		31 March 2020 £000s
(76,244)	Public works loan board	(71,679)
(46,000)	Banks	(56,000)
0	Local Authorities (Temporary Borrowing for cash flow purposes)	(20,000)
(1,500)	Other financial institutions	(1,500)
(1,060)	Other sources	(921)
<b>(124,804)</b>	<b>Total</b>	<b>(150,100)</b>

The increase in the value of loans with banks is as a result of a £10 million loan taken on 17 March with a market lender for a period of 20 years at a favourable rate.

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

31 March 2019 £000s		31 March 2020 £000s
19,000	Less than one year	25,000
<b>19,000</b>	<b>Total</b>	<b>25,000</b>

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 and as stated earlier have taken further steps in this regard due to Covid-19 concerns. 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 Bank of England reacted to the coronavirus pandemic by reducing the base rate from 0.75% to 0.25% and then nine days later, in an emergency response, a further cut to a record low of 0.1%.

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 2020 (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	(214)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>96</b>
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)	(33,292)
Decrease in fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	(43)

For the assumptions on which these figures are based refer to page 59.

### 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.



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**19. Debtors**

2018/19 £000s		2019/20 £000s
1,581	Central government bodies -	1,764
6,807	- Non-Domestic Rates	11,772
	- Other	
4,031	Other Councils	1,742
1,094	NHS bodies	3,709
3,637	Council Tax payers	4,094
(723)	Impairment - Council Tax payers	(830)
1,879	Benefit overpayments	1,837
(968)	Impairment - Benefit overpayments	(909)
7,318	Other entities and individuals (incl. trade debtors)	12,183*
(702)	Impairment - Other entities and individuals (incl. trade debtors)	(770)
<b>23,954</b>	<b>Total</b>	<b>34,592</b>

\*Included in the £12,183,000 is £3,290,000 in relation to prepayments for Covid-19 Business Grants from Welsh Government.

**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 2019 £000s		31 March 2020 £000s
1,448	Less than 1 year	1,616
537	1 year to 2 years	579
347	2 years to 3 years	364
231	3 years to 4 years	269
124	4 years to 5 years	172
227	More than 5 years	264
<b>2,914</b>	<b>Total</b>	<b>3,264</b>

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

**20. Cash and Cash Equivalents**

2018/19 £000s		2019/20 £000s
26	Cash held by the Council	17
(2,304)	Bank current accounts	(6,632)
0	Cash Equivalents-Money Market Funds/Other Local Authority Deposits	17,005
<b>(2,278)</b>	<b>Total Cash and Cash Equivalents</b>	<b>10,390</b>

**21. Creditors**

2018/19 £000s		2019/20 £000s
(4,127)	Central government bodies	(2,344)
(1,244)	Other Councils	(1,592)
(178)	NHS bodies	(304)
(1)	Public corporations and trading funds	(1)
(14,706)	Other entities and individuals (incl. trade creditors)	(13,987)
<b>(20,256)</b>	<b>Total</b>	<b>(18,228)</b>

## 22. 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 2019			31 March 2020	
Amortised Value £000s	Principal Value £000s		Amortised Value £000s	Principal Value £000s
(195)	(195)	Finance Leases	(150)	(150)
(363,058)	(363,058)	Liability related to defined benefit pension scheme	(311,581)	(311,581)
<b>(363,253)</b>	<b>(363,253)</b>	<b>Total</b>	<b>(311,731)</b>	<b>(311,731)</b>

## 23. 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 2019	Transfers 2019/20	31 March 2020
	£000s	£000s	£000s
<b>Service Area Balances</b>			
Social Care & Housing	(344)	153	(191)
Education	(974)	(93)	(1,067)
Chief Executive Services	(126)	6	(120)
Public Services Support Unit	(102)	37	(65)
Neighbourhood Services	(403)	132	(271)
Resources	(126)	34	(92)
<b>Total Service Area Balances</b>	<b>(2,075)</b>	<b>269</b>	<b>(1,806)</b>

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

	31 March 2019	Transfers 2019/20	31 March 2020
	£000s	£000s	£000s
<b>Corporate Reserves</b>			
Early Intervention & Prevention (for preventative/demand management activities)	(268)	268	0
Insurance (for self-insured element of claims)	(1,050)	(335)	(1,385)
Corporate Redundancies (for costs of redundancies & Profile project)	(1,691)	587	(1,104)
Covid-19 (to provide funds for pandemic-related response costs)	0	(612)	(612)
TCBC Elections (for unitary local council elections)	(59)	0	(59)
Regeneration Partnerships (for regeneration work)	(166)	59	(107)
21 <sup>st</sup> Century Schools (for funding schools modernisation)	(3,165)	(112)	(3,277)
ICT Reserve	(352)	(88)	(440)
Planning & Public Protection – Local Plan	(400)	107	(293)
Strategic Change (for supporting corporate programmes)	(750)	37	(713)
Schools Maintenance (to provide targeted premises maintenance works)	(99)	(31)	(130)
	<b>(8,000)</b>	<b>(120)</b>	<b>(8,120)</b>
Revenue Grants Unapplied Reserve (holds grant where spend not yet incurred)	(346)	(2)	(348)
<b>Total</b>	<b>(8,346)</b>	<b>(122)</b>	<b>(8,468)</b>

## 24. Other Usable Reserves

### a. School Balances

2018/19 £000s		LEA Controlled Schools £000s	Voluntary Controlled Schools £000s	Voluntary Aided Schools £000s	2019/20 £000s
(2,096)	Primary schools	(1,181)	(87)	(196)	(1,464)
(686)	Secondary schools	144	0	(200)	(56)
(115)	Special schools	(148)	0	0	(148)
<b>(2,897)</b>	<b>Total</b>	<b>(1,185)</b>	<b>(87)</b>	<b>(396)</b>	<b>(1,668)</b>

**b. Capital Receipts Reserve**

2018/19 £000s		2019/20 £000s
<b>(8,483)</b>	<b>Balance at 1 April</b>	<b>(9,579)</b>
(3,113)	Receipts from sales of asset	(307)
2,017	Receipts used during the year	4,735
<b>(9,579)</b>	<b>Balance at 31 March</b>	<b>(5,151)</b>

**25. 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.

2018/19 £000s		2019/20 £000s
<b>(75,532)</b>	<b>Balance at 1 April</b>	<b>(71,898)</b>
(6,581)	Upward revaluation of assets	(5,172)
4,452	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	2,377
<b>(77,661)</b>	<b>Sub-total - (Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services</b>	<b>(74,693)</b>
4,831	Difference between current value depreciation and historical cost depreciation	4,577
976	Accumulated gains on assets sold or scrapped	1,165
(44)	Adjustment for consolidation of JOPs	0
<b>(71,898)</b>	<b>Balance at 31 March</b>	<b>(68,951)</b>

**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.

2018/19 £000s		2019/20 £000s
<b>(126,939)</b>	<b>Balance at 1 April</b>	<b>(124,657)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
13,780	Charges for depreciation and impairment of non-current assets	13,796
10,770	Revaluation losses on Property, Plant and Equipment	(791)
751	Revenue expenditure funded from capital under statute	0
8,949	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	12,943
<b>34,250</b>	<b>Sub total of reversal items</b>	<b>25,948</b>
(5,807)	Adjusting amounts written out of the Revaluation Reserve	(5,742)
<b>28,443</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>20,206</b>
(2,017)	Use of the Capital Receipts Reserve to finance new capital spend	(4,735)
(18,816)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(17,176)
(4,577)	Statutory provision for the financing of capital investment charged against the Council Fund	(4,268)
(133)	Capital expenditure charged against the Council Fund	0
<b>(25,543)</b>	<b>Sub total capital financing</b>	<b>(26,179)</b>
(641)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	169
23	Adjustment for consolidation of JOPs	(10)
<b>(124,657)</b>	<b>Balance at 31 March</b>	<b>(130,471)</b>

**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.

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2018/19 £000s		2019/20 £000s
4,180	<b>Balance at 1 April</b>	4,069
(104)	Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(86)
(7)	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	(3)
4,069	<b>Balance at 31 March</b>	3,980

**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.

2018/19 £000s		2019/20 £000s
297,015	<b>Balance at 1 April</b>	363,073
48,920	Re-measurements re pension net liability (asset)	(75,409)
33,249	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:	41,532
15	• IAS19 reversal	298
	• Reversal of accrued strain costs	
(16,151)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,591)
12	Adjustment for consolidation of JOPs	(39)
22	• Re-measurements re pension net liability (asset)	25
(9)	• IAS19 reversal	(10)
	• Employer's pensions contributions and direct payments to pensioners payable in the year	
363,073	<b>Balance at 31 March</b>	311,879

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

2018/19 £000s		2019/20 £000s
13,780	Depreciation	13,796
10,770	Impairment and downwards valuations	(791)
22	(Increase)/decrease in stock	30
4,406	(Increase)/decrease in debtors	(9,097)
3,694	Increase/(decrease) in creditors	(1,721)
146	Increase/(decrease) in impairment for bad debts	116
17,110	Movement in pension liability	24,239
8,949	Carrying amount of non-current assets and non-current asset held for sale, sold or derecognised	12,943
(956)	Other non-cash items charged to the net surplus or deficit on the provision of services	(275)
57,921	<b>Total</b>	39,240

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

2018/19 £000s		2019/20 £000s
(20,720)	Capital grant credited to the Comprehensive Income and Expenditure Statement	(18,891)
5,991	Interest paid and interest and dividends received	6,317
(14,729)	<b>Total</b>	(12,574)

**28. Cash Flow Statement – Investment Activities**

2018/19 £000s		2019/20 £000s
(30,327)	Purchase of property, plant & equipment, investment property and intangible assets	(34,745)
3,113	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	308
(11,004)	Proceeds from short term and long term investments	11,005
20,201	Other receipts from investing activities	21,029
(18,017)	<b>Net cash flows from investing activities</b>	(2,403)

**29. Cash Flow Statement – Financing Activities**

2018/19 £000s		2019/20 £000s
15,461	Cash receipts of short term and long term borrowing	5,661
(59)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(45)
(18,309)	Repayments of short and long term borrowing	19,635
(549)	Other payments for financing activities	(1,070)
<b>(3,456)</b>	<b>Net cash flows from financing activities</b>	<b>24,181</b>

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

	1 April 2019 £000s	Financing cash flow £000s	Non-cash changes £000s	31 March 2020 £000s
Long-term borrowings	(120,100)	(5,661)	0	(125,761)
Short-term borrowings	(4,704)	(19,635)	0	(24,339)
Lease liabilities	(195)	45	0	(150)
<b>Total liabilities from financing activities</b>	<b>(124,999)</b>	<b>(25,251)</b>	<b>0</b>	<b>(150,250)</b>

**31. 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.

2018/19 £000s		2019/20 £000s
	<b>Funding Provided to the Pooled Budget</b>	
(251)	Blaenau Gwent County Borough Council	(258)
(461)	Caerphilly County Borough Council	(449)
(378)	Monmouthshire County Council	(323)
(325)	Newport City Council	(331)
(367)	Torfaen County Borough Council	(361)
(88)	Torfaen County Borough Council - Telecare	(86)
(181)	Torfaen County Borough Council – ICF T1	(400)
(922)	Aneurin Bevan Health Board	(904)
(133)	Contribution to Lead Commissioner – Local Councils	(101)
(24)	Contribution to Lead Commissioner – Local Health Board	(20)
(236)	Community Resource Team	(165)
<b>(3,366)</b>	<b>Total Funding</b>	<b>(3,398)</b>
	<b>Expenditure met from the Pooled Budget</b>	
156	Staff	121
3,210	Non-Staff	3,277
<b>3,366</b>	<b>Total Expenditure</b>	<b>3,398</b>
<b>0</b>	<b>Net (Surplus)/Deficit Arising on the Pooled Budget</b>	<b>0</b>

**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.

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2018/19 £000s		2019/20 £000s
	<b>Funding - Pooled Fund Contribution</b>	
(579)	Blaenau Gwent County Borough Council	(576)
(2,340)	Caerphilly County Borough Council	(2,310)
(1,387)	Monmouthshire County Council	(1,361)
(1,720)	Newport City Council	(1,768)
(809)	Torfaen County Borough Council	(842)
(9,616)	Aneurin Bevan Health Board	(9,714)
<b>(16,451)</b>	<b>Total Funding</b>	<b>(16,571)</b>
	<b>Pooled Fund - Reimbursements</b>	
509	Blaenau Gwent County Borough Council	438
2,288	Caerphilly County Borough Council	2,132
1,290	Monmouthshire County Council	1,291
1,682	Newport City Council	1,810
682	Torfaen County Borough Council	715
8,619	Aneurin Bevan Health Board	8,673
615	Central Costs	580
830	Invest to Save Loan Repayment	819
<b>16,515</b>	<b>Total Expenditure</b>	<b>16,458</b>
<b>64</b>	<b>Net in year (under)/overspend</b>	<b>(113)</b>
(440)	Balance brought forward 1 April	(376)
<b>(376)</b>	<b>Balance carried forward 31 March</b>	<b>(489)</b>

### 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		2019/20 £000s
	<b>Funding - Pooled Fund Contribution</b>	
(7,060)	Blaenau Gwent County Borough Council	(7,505)
(21,136)	Caerphilly County Borough Council	(22,039)
(8,993)	Monmouthshire County Council	(9,738)
(16,449)	Newport City Council	(17,329)
(9,986)	Torfaen County Borough Council	(10,714)
(34,972)	Aneurin Bevan Health Board	(37,651)
<b>(98,596)</b>	<b>Total Funding</b>	<b>(104,976)</b>
	<b>Pooled Fund – Reimbursements</b>	
14,895	Gwent Local Authority Residential Homes	14,447
13,952	Other Elderly Frail Residential Care	14,789
16,523	Other Elderly Mentally Infirm Residential Care	19,131
18,772	Elderly Frail Funded Nursing Care	19,590
7,694	Elderly Mentally Infirm Funded Nursing Care	8,085
8,591	Elderly Frail Continuing Health Care	9,321
17,985	Elderly Mentally Infirm Continuing Health Care	19,331
142	Step Up/Step Down	220
42	Lead Commissioner Costs	62
<b>98,596</b>	<b>Total Expenditure</b>	<b>104,976</b>
<b>0</b>	<b>Net in year (under)/overspend</b>	<b>0</b>
0	Balance brought forward 1 April	0
<b>0</b>	<b>Balance carried forward 31 March</b>	<b>0</b>

**32. Members Allowances**

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

2018/19 £000s		2019/20 £000s
1,030	Total allowances and expenses	1,050

**33. 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:

	2018/19	2019/20
Chief Executive's Pay	5.41	4.67
Median Pay 2020=£23,836 (2019=£20,541)	1	1

The following table shows the number of our employees who earned more than £60,000 in 2019/20 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. The table also includes the relevant employees of the Shared Resource Services; we share their costs with the other constituent bodies of the service.

Number of employees 2018/19		Pay bands £	Number of employees 2019/20	
Total	Number who left during the year		Total	Number who left during the year
12	0	60,000 to 64,999	20	1
17	0	65,000 to 69,999	12	2
8	1	70,000 to 74,999	15	0
2	1	75,000 to 79,999	3	1
4	1	80,000 to 84,999	2	1
2	0	85,000 to 89,999	2	0
0	0	90,000 to 94,999	1	1
2	1	95,000 to 99,999	1	0
0	0	100,000 to 104,999	1	1
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	1	1
0	0	120,000 to 124,999	0	0
1	1	125,000 to 129,999	0	0
2	2	130,000 to 134,999	0	0
<b>50</b>	<b>7</b>	<b>Total</b>	<b>58</b>	<b>8</b>

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.

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2019/20 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	11	28	39	217
£20,001 - £40,000	2	11	13	387
£40,001 - £60,000	2	3	5	228
£60,001 - £80,000	0	2	2	135
£80,001 - £100,000	0	2	2	171
£100,001 - £150,000	0	1	1	137
Over £200,000	0	1	1	281

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

**33a. Senior Officers emoluments where salary is between £60,000 and £150,000 per year – 2019/20**

2019/20 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	113,509	0	0	113,509	27,152	140,661
Assistant Chief Executive-Resources		92,512	0	0	92,512	22,573	115,085
Assistant Chief Executive- Strategy	2	59,999	0	0	59,999	14,640	74,639
Chief Officer Social Care and Housing		90,348	0	0	90,348	22,045	112,393
Head of Education Services		89,648	0	0	89,648	21,874	111,522
Chief Officer Neighbourhood, Planning and Public Protection		90,348	0	0	90,348	22,045	112,393
Chief Operating Officer – Shared Resource Services	3	89,491	0	0	89,491	20,762	110,253
Monitoring Officer and Assistant Chief Legal Officer		63,445	0	0	63,445	15,481	78,926
Head of Public Services Support Unit and Senior Information Risk Owner		70,717	0	0	70,717	17,255	87,972
Head of Transformation and Improvement		73,859	0	0	73,859	18,022	91,881

Notes

1. The amount of £113,509 comprises £111,278 plus fees of £2,231 being the amount for acting as the electoral returning officer in respect of the December 2019 General Election (£743 outstanding).
2. This is a part-time post and the annualised full time salary is £99,999.
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.



**33b. 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 remuneratio n excluding pension contributio ns £	TCBC's contribution to the Pension Fund £	Total remuneration including pension contributions £
Chief Executive	1	112,003	0	0	112,003	26,262	<b>138,265</b>
Assistant Chief Executive-Resources		90,698	0	0	90,698	21,405	<b>112,103</b>
Assistant Chief Executive-Strategy	2	59,625	0	0	59,625	14,072	<b>73,697</b>
Chief Officer Social Care and Housing		86,195			86,195	20,342	<b>106,537</b>
Head of Education Services		86,195	0	0	86,195	20,257	<b>106,452</b>
Chief Officer Neighbourhood, Planning and Public Protection		82,758	0	0	82,758	19,531	<b>102,289</b>
Chief Operating Officer– Shared Resource Services	3	87,555	0	0	87,555	19,420	<b>106,975</b>
Monitoring Officer and Assistant Chief Legal Officer		62,201	0	0	62,201	14,679	<b>76,880</b>
Head of Public Services Support Unit and Senior Information Risk Owner		66,445	0	0	66,445	15,681	<b>82,126</b>
Head of Transformation and Improvement	4	27,377	0	0	27,377	6,461	<b>33,838</b>

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.

**34. External Audit Costs**

2018/19 £000s		2019/20 £000s
172	Fees payable with regard to external audit services carried out by the appointed auditor for the year	172
98	Fees payable in respect of statutory inspections	98
46	Fees for the certification of grant claims and returns	42
20	Fees in respect of other services provided	0
<b>336</b>	<b>Total</b>	<b>312</b>

The fees payable in respect of statutory inspections include a credit of £1,882.02 in relation to the 2017/18 performance fee. The 2018/19 fees for 'other services provided' related to an annual subscription to CFO Insights, which is a non-audit service. This was not renewed in 2019/20.

**35. 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 2019/20 is shown in note 32. During 2019/20 no individual Member advised on any related party transactions due to their role within the Council.

### **Officers**

During 2019/20 no senior officer advised, when consulted, on any related party transactions due to their role within the Council.

### **Pension Funds**

During 2019/20 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 36.

### **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 31.

### **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.

(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 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 2019 £000s		31 March 2020 £000s
(3,203)	Regional element	(3,089)
(577)	Torfaen County Borough Council	(538)
(426)	Blaenau Gwent County Borough Council	(421)
(1,238)	Caerphilly County Borough Council	(1,198)
(472)	Monmouthshire County Council	(461)
(958)	Newport City Council	(931)
(67)	Other income	(190)
<b>(6,941)</b>	<b>Total Operating Income</b>	<b>(6,828)</b>
<b>6,922</b>	<b>Total Operating Expenditure</b>	<b>6,801</b>
<b>(19)</b>	<b>(Profit)/Loss</b>	<b>(27)</b>
(1,513)	Current creditors	(5,374)
869	Current debtors	2,098
<b>287</b>	<b>Retained Balances</b>	<b>280</b>

(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 2019 £000s		31 March 2020 £000s
(1,521)	Torfaen County Borough Council – Service Fee	(1,432)
(3,092)	Other income	(3,169)
<b>(4,613)</b>	<b>Total Operating Income</b>	<b>(4,601)</b>
<b>4,958</b>	<b>Total Operating Expenditure</b>	<b>5,303</b>
<b>345</b>	<b>(Profit)/Loss – Operating</b>	<b>702</b>
770	Actuarial (gain)/loss on defined pension scheme	(1,701)
<b>1,115</b>	<b>(Profit)/Loss</b>	<b>(999)</b>
(488)	Current creditors	(574)
113	Current debtors	82

(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 24a. 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 2019				31 March 2020		
LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools		LEA Controlled Schools	Voluntary Controlled Schools	Voluntary Aided Schools
0	0	0	Nursery	0	0	0
19	1	5	Primary	19	1	5
5	0	1	Secondary	5	0	1
1	0	0	Special	1	0	0
<b>25</b>	<b>1</b>	<b>6</b>	<b>Total Number of schools</b>	<b>25</b>	<b>1</b>	<b>6</b>
			<b>In-Year (Surplus)/Deficit (£000s)</b>			
13	0	0	Nursery	0	0	0
(405)	(98)	(36)	Primary	512	12	108
(163)	0	(141)	Secondary	602	0	28
(25)	0	0	Special	(33)	0	0
<b>(580)</b>	<b>(98)</b>	<b>(177)</b>	<b>Total</b>	<b>1,081</b>	<b>12</b>	<b>136</b>

### 36. 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 2019/20, the Council paid £6,254,674 to the TPA in respect of teachers' retirement benefits, (£4,837,131 in 2018/19) representing 23.6% of pensionable pay (16.4% in 2018/19). In 2020/21 the expected contributions for the plan are £6.379 million.

There were no contributions recognised as a short-term creditor in the Balance Sheet at 31 March 2020 as the payment of £848,247 had already been paid (£635,439 in 2018/19).

### **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 2019/20 was £1,502,281 and is recognised in the Council's Balance Sheet, and reflected in the tables that follow. The authority anticipates paying £1,527,820 in 2020/21 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.

The latest Actuarial Valuation as at 31 March 2019 has been completed, and covers the contribution rates from 1 April 2020 until 31 March 2023. The rates will remain the same at 23.2% for the first two years and increase to 24.2% for the final year.

The authority anticipates paying £15,460,941 as basic expected contributions to the scheme in 2020/21. 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 13.9% of the total contribution receivable by the Fund in 2019/20 (13.7% in 2018/19).

## 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 2019			Changes in the Fair Value of Plan Assets, Defined Benefits and Net Liability	31 March 2020		
Assets	Liabilities	Net liability/ (assets)		Assets	Liabilities	Net liability/ (assets)
£000s	£000s	£000s		£000s	£000s	£000s
(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
<b>(415,812)</b>	<b>712,701</b>	<b>296,889</b>	<b>Opening Position at 31 March</b>	<b>(442,615)</b>	<b>805,614</b>	<b>362,999</b>
			<b>Service Cost</b>			
0	25,098	25,098	Current Service Cost*	0	30,459	30,459
0	111	111	Past Service Costs (including curtailments)	0	2,196	2,196
<b>0</b>	<b>25,209</b>	<b>25,209</b>	<b>Total Service Cost</b>	<b>0</b>	<b>32,655</b>	<b>32,655</b>
			<b>Net Interest</b>			
(11,247)	0	(11,247)	Interest Income on Plan assets	(10,667)	0	(10,667)
0	19,379	19,379	Interest cost on Defined Benefit Obligation	0	19,559	19,559
<b>(11,247)</b>	<b>19,379</b>	<b>8,132</b>	<b>Total Net Interest</b>	<b>(10,667)</b>	<b>19,559</b>	<b>8,892</b>
<b>(11,247)</b>	<b>44,588</b>	<b>33,341</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(10,667)</b>	<b>52,214</b>	<b>41,547</b>
			<b>Cashflows</b>			
(3,922)	3,922	0	Plan Participants' Contributions	(4,130)	4,130	0
(14,134)	0	(14,134)	Employers' Contribution	(15,603)	0	(15,603)
(2,017)	0	(2,017)	Contribution for Unfunded Benefits	(1,988)	0	(1,988)
15,963	(15,963)	0	Benefits Paid	17,854	(17,854)	0
2,017	(2,017)	0	Unfunded Benefits Paid	1,988	(1,988)	0
<b>(429,152)</b>	<b>743,231</b>	<b>314,079</b>	<b>Expected Closing Position</b>	<b>(455,161)</b>	<b>842,116</b>	<b>386,955</b>
			<b>Re-measurements re Pension Net Liability (Asset)</b>			
0	0	0	Changes in Demographic Assumptions	0	(33,858)	(33,858)
0	61,751	61,751	Changes in Financial Assumptions	0	(73,172)	(73,172)
0	632	632	Other Experience	0	(18,400)	(18,400)
(13,463)	0	(13,463)	Return on Assets Excluding Amounts Included in Net Interest	50,021	0	50,021
<b>(13,463)</b>	<b>62,383</b>	<b>48,920</b>	<b>Total Re-measurements Recognised in Other Comprehensive Income and Expenditure Statement</b>	<b>50,021</b>	<b>(125,430)</b>	<b>(75,409)</b>
(442,615)	0	(442,615)	Fair Value of Employer Assets	(405,140)	0	(405,140)
0	770,841	770,841	Present Value of Funded Liabilities	0	687,312	687,312
0	34,773	34,773	Present Value of Unfunded Liabilities**	0	29,374	29,374
<b>(442,615)</b>	<b>805,614</b>	<b>362,999</b>	<b>Closing Position at 31 March</b>	<b>(405,140)</b>	<b>716,686</b>	<b>311,546</b>

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

\*\*This liability comprises of approximately £6,034,000 in respect of LGPS unfunded pensions and £23,340,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31<sup>st</sup> March 2020, it is assumed that all unfunded pensions are

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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 £39,000 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 £311,879,000 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 2019 £000s	31 March 2019 %	Asset Type	31 March 2020 £000s	31 March 2020 %
		<b>Quoted instruments</b>		
		Equity Securities:		
		Consumer	10,909	3
11,656	3	Manufacturing	11,935	3
12,427	3	Energy & Utilities	9,959	2
10,546	2	Financial Institutions	13,416	3
16,168	4	Health and Care	5,775	1
6,314	1	Information Technology	6,114	2
5,843	1	Other	1,817	0
2,418	1	<b>Total Quoted</b>	<b>59,925</b>	<b>14</b>
<b>65,372</b>	<b>15</b>	<b>Unquoted instruments</b>		
		Investment Funds		
		Equities	234,048	58
252,685	57	Bonds	67,974	17
76,902	17	Others	29,435	7
33,539	8	Property	10,197	3
11,969	3	Cash and cash equivalents	3,561	1
2,148	0	<b>Total Unquoted</b>	<b>345,215</b>	<b>86</b>
<b>377,243</b>	<b>85</b>	<b>Total Assets</b>	<b>405,140</b>	<b>100</b>
<b>442,615</b>	<b>100</b>			

## 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 2019.

2018/19		Principal Actuarial Assumptions	2019/20	
Local Government Pension Scheme (Including Discretionary Arrangements)	Discretionary Benefits Arrangements (Teachers)		Local Government Pension Scheme (Including Discretionary Arrangements)	Discretionary Benefits Arrangements (Teachers)
		<b>Mortality assumptions:</b>		
		Longevity at 65 for current pensioners		
21.5 yrs	21.5 yrs	Men	20.6 yrs	20.6 yrs
23.9 yrs	23.9 yrs	Women	22.9 yrs	22.9 yrs
		Longevity at 65 for future pensioners		
23.6 yrs	N/A	Men	21.6 yrs	N/A
26.1 yrs	N/A	Women	24.6 yrs	N/A
		<b>Other assumptions:</b>		
2.5%	2.5%	Rate of inflation (CPI)	1.9%	1.9%
2.9%	N/A	Rate of increase in salaries	2.2%	N/A
2.5%	2.5%	Rate of increase in pensions	1.9%	1.9%
2.4%	2.4%	Rate for discounting scheme liabilities	2.3%	2.3%
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 longevity assumptions, have been updated to those adopted by the Pension Fund in the 2019 funding valuation and have resulted in a modest reduction in life expectancies, which has served to reduce the liabilities. The rate of salary increase is derived from RPI/CPI assumptions at the reporting date and uses the same methodology as the 2019 funding valuation, which means that they are assumed to be 0.3% above CPI.

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 2020 – Torfaen County Borough Council's participation in Greater Gwent (Torfaen) Pension Fund (LGPS)		
Changes in assumptions at 31 March 2020	Approximate % increase to Employer Liability	Approximate monetary amount £000s
0.5% decrease in Real Discount Rate	10%	71,273
1 year increase in member life expectancy	3%-5%	N/A
0.5% increase in Salary Increase Rate	1%	8,634
0.5% increase in the Pension Increase Rate	9%	1,923