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EXPLANATORY FOREWORD

1. **INTRODUCTION TO THE STATEMENT OF ACCOUNTS**

These accounts consist of the following financial statements:

a) **Statement of Accounting Policies**

The purpose of this Statement is to explain the basis of the figures in the Accounts. It outlines the accounting policies that have been adopted.

b) **Consolidated Revenue Account**

This summarises the income and expenditure incurred on the day to day running of all the Council's activities, shows the net cost of these activities, and how this has been financed from general government grants and by local taxpayers.

c) **Consolidated Balance Sheet**

This shows the Council's financial position as at 31st March 2006, where the net worth of assets was £90m. The statement summarises the Council's assets and liabilities, the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets used in the Council's operations.

d) **Cash Flow Statement**

This explains the financial position in cash terms and shows that the Council's cash position was increased by £0.39m.

e) **Statement of Total Movements in Reserves**

This shows all the gains and losses of the Authority recognised in the period. It differentiates between those which have not been recognised in the Consolidated Revenue Account and separates the movements between the revenue and capital reserves.

f) **Statement of Internal Control**

The Accounts and Audit (Wales) regulations came into force from the 1st April 2005. Regulation 4 imposes a new requirement to publish a Statement of Internal Control (SIC) replacing the Statement of Internal Financial Control. The purpose of the SIC process is to provide a continuous review of effectiveness of an organisation's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

g) **Statement of Responsibilities for the Statement of Accounts**

This sets out the responsibilities of the Council and the Assistant Director - Finance (Section 151 Officer) for the preparation of the Statement of Accounts.

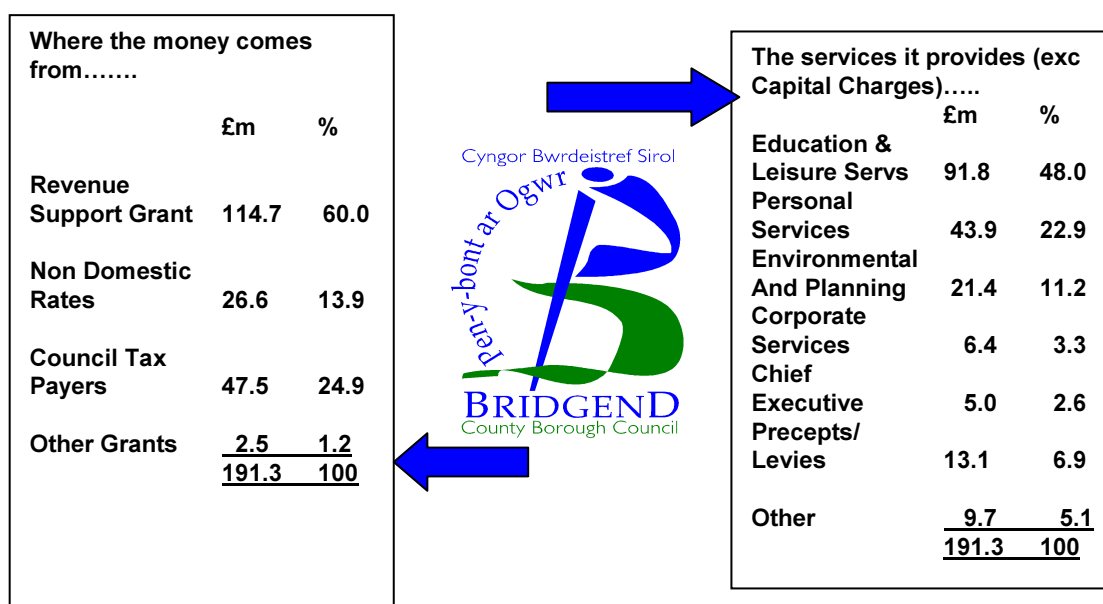
h) **Types of Expenditure**

The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

Revenue expenditure covers spending on the day to day costs of services such as staff salaries, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income received from council tax payers, business ratepayers, the fees and charges made for certain services, and by the grants received from government.

Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

2. REVENUE SPENDING ON THE SERVICES WE PROVIDE



The Revenue Budget

The main components of the Authority's budget for 2005-06 and how these compare with actual income and expenditure are set out below:

Actual		Revised	Actual	Variance
04/05		Budget	05/06	05/06
£'000		05/06	05/06	05/06
		£'000	£'000	£'000
	Directorates			
86,245	Education, Leisure & Community Services	104,714	105,160	446
39,082	Personal Services	44,147	45,039	892
21,053	Environmental & Planning Services	31,961	32,302	341
5,482	Corporate Services	8,360	8,233	(127)
4,046	Office of the Chief Executive	5,153	5,144	(9)
155,908	Net Cost of Services	194,335	195,878	1,543
12,852	Precepts & Levies	13,148	13,133	(15)
(681)	General Contingencies	1,083	(724)	(1,807)
9,086	AMRA/Capital Financing	9,300	9,469	169
177,165	Net Expenditure	217,866	217,756	(110)
2,107	Appropriation to/(from) Reserves	(1,000)	626	1,626
(105,278)	Revenue Support Grant	(114,713)	(114,713)	-
(1,997)	General Government Grants	(2,354)	(2,493)	(139)
(26,586)	Non Domestic Rates	(26,560)	(26,564)	(4)
(44,915)	Council Tax	(45,891)	(47,500)	(1,609)
496	Net (Under)/Overspend on Services	27,348	27,112	(236)

The revised budget and actual expenditure includes £27.348m of capital charges.

The processes for sound budget management are firmly established within the Authority with regular reports to Cabinet. The revised budget reflects any budget transfers from central funds and reserves to cover unplanned expenditure, the apportionment of central costs or capital charges.

The above is based on the Council's structure of five Directorates and non-specific expenditure as it is monitored throughout the financial year. This differs from the Consolidated Revenue Account detailed within the Primary Financial Statements which follows the Best Value Accounting Code of Practice structure for services.

Overall Financial Position at 31st March 2006

The financial position as at the 31st March 2006 showed an overall over-spend on Directorates' expenditure within the year of £1,543k.

There was an underspend of £1,807k on General Contingencies mainly due to monies transferred in from the Insurance Provision (£1.2m). However, this was mainly offset by the establishing of a reserve for Insurance which is why the Appropriation to Reserves shows an overspend of £1,626m.

Capital financing costs were slightly higher than expected producing an overspend of £169k due to the minimum revenue provision (see note 19 page 58) being higher than anticipated. However, due to additional Council Tax income received during the year a surplus of £236k resulted. Explanations for the most significant variances within individual Directorates are given below:

Education, Leisure and Community Services

An overspend of £446k has been incurred with the main under and overspends being detailed in the table below.

<u>Overspends</u>	<u>£k</u>
Ancillary Support	100
Out - County Education	115
Home to School Transport	206
Library Service	150
Sport and Recreation Contract	143
School Meals Service	87
Various Arts and Entertainment	<u>66</u>
	<u>867</u>
<u>Underspends</u>	
Special Needs Resource Bases	(88)
Behaviour Support Service	(52)
Special Schools Out – County Recoupment	(180)
Schools Retirement Budget	(63)
Management Support	<u>(60)</u>
	<u>(443)</u>
<u>Other Net Overspends</u>	<u>22</u>
<u>Net Overspend</u>	<u>446</u>

✚ In terms of special needs funding, overspends on the ancillary support budget of £100k due to the ever-increasing demands on the service were partly offset by underspends on the Behaviour Support Service and staffing vacancies at Resource Bases within the Authority. An overspend on places for Bridgend pupils out of county of £115k was more than offset by an underspend of £180k on inter-authority recoupment for special needs pupils. This resulted from higher demand for Bridgend Special School places from other local authorities than was originally budgeted for. In total, the special needs service ended the year on budget.

✚ There was an underspend on the retirement budget for schools of £63k. This arose due to fewer redundancies and early retirements in the financial year than the budget allowed for. There was also an underspend at directorate management level due to the vacancy for the Executive Director, which was not filled until January 2006. This created a further underspend of £60k.

✚ The home to school transport overspent by £206k as a result of increased daily costs arising from new contracts and re-letting of existing contracts. The costs of fuel and insurance have contributed to this overspend.

✚ The catering contract overspent by £156k. This occurred mainly as a result of falling numbers following the e-coli outbreak, but was coupled with increased food costs as the service strives to meet additional nutritional standards. Meal prices to pupils were frozen in this financial year. On the other hand there was a slight underspend of £69k on the client budget for school meals, mostly in the special schools, leaving a net overspend on the school meals service of £87k.

✚ The Sports and Leisure Management Contract exceeded its allocated budget by £143k. The reasons for this are mainly historical (set out in detail in a “Hot Spot” report to Cabinet in October 2005) and can in the main be attributed to the significant budget cuts the service has had to absorb since Local Government Reorganisation, the increase in staffing costs following the implementation of the Single Status and Minimum Wage Agreements and more recently the rise in energy costs.

✚ The library service overspent its budget by £150k during 2005-06 and again the reasons for this are mainly historical (set out in detail in a “Hot Spot” report to Cabinet in October 2005). They can be attributed to significant increases in repair and maintenance costs and costs arising from supporting longer opening hours and ICT initiatives. The Library Service has received growth in its 2006-07 revenue budget to cover these cost increases.

This overspend will be partly offset by an underspend of £236k brought forward from 2004/05. Some of the more problematic budgets have been awarded additional funding in 2006/07 to try to alleviate the difficulties faced.

Personal Services

The Personal Services budget was overspent by £892k in 2005/06. The main under and overspends being detailed in the table below.

<u>Overspends</u>	<u>£k</u>
Children’s placements – inability to achieve target savings	767
Children’s services – commissioning and social work, senior management and support services – increased staffing levels/costs and inability to achieve vacancy control savings	441
Disability aids – increased need	121
Home Care – target savings of £583k not fully met	135
Transport costs –service users attending day services	86
	<u>1,550</u>
<u>Underspends</u>	
Services for Adults – reduction in long term/respite care home placement costs due to increased income from charges and reduction in the average number of people assessed as needing such care	(525)
Supporting People Grant - lower than anticipated	(139)
	<u>(664)</u>
Other Net Overspends	6
Net Overspend	<u>892</u>

The critical budget issue continued to be the impact on costs of the increase in the number of Looked After Children. The original budget for 2005/06 included a requirement to save over £1m on children’s placements in specialist facilities or agency foster care. It became clear very early in the financial year that this was not going to be achieved and Members were alerted to this in a budget “hot spot” report in June 2005 and in subsequent budget monitoring reports. A Children’s Cabinet Committee was set up as a consequence. In addition to this

issue there were other increased costs in children's services due to the introduction of interim management arrangements and the need to increase front line capacity and support.

Finding offsetting savings was difficult because the Directorate's budget already reflected the Council's budget strategy requirement to achieve savings of £1.6m in other service areas mainly Adult Services. This was also a very challenging target but it was largely achieved. The Directorate also ensured a much lower actual overspend than was feared half way through the year by taking deliberate action to contain expenditure and by making savings from the impact of reductions in service demand and additional income.

The overall overspend of £892k is partly offset by a carry forward underspend of £176k from previous years which reduces the overall impact to £716k.

Environmental and Planning

The Directorate of Environmental and Planning overspent by £341k in 2005/06. However, due to the continued efforts of budget managers to restrict their expenditure this figure is lower than anticipated. The main overspends are detailed in the table below.

<u>Overspends</u>	<u>£k</u>
Waste Management	260
Highways	81
Car Parking	126
Bridgend Bus Station	<u>61</u>
	<u>528</u>
Other Net Underspends	<u>(187)</u>
Net Overspend	<u>341</u>

Explanations for material variances within the Directorate are given below.

Waste Management

The Waste Management service was a volatile area for the Directorate in 2005/06. There were increased costs of the Material Recovery and Energy Centre (MREC) facility and landfill sites. As a result, the Directorate Management Team ensured it was given the highest priority. This attention ensured a stable service for the Borough throughout the year. The increased costs resulted in an overspend of £560k. However, a waste management reserve had been created to partly fund these anticipated costs, reducing this figure to £260k. This continues to be a challenging area for the Directorate in the forthcoming year.

Architectural Services

The Architectural Services section is funded from fees earned for designing and supervising the Authority's capital programme. Long term staff sickness during the previous financial year meant that fees earned were less than anticipated. However, with a full complement of staff in 2005/06, and pro-active management, the section has been able to achieve a surplus in the year thereby aiming to break even on a rolling three year basis.

Highways

The Highways service reports an overspend of £81k in 2005/06. This was mainly due to the late snowfall and icy conditions during the year at an estimated cost of £50k. The inclement weather late in the financial year meant that the planned, and on-going, highways works could not be halted to offset these additional costs resulting in an overspend.

The remainder of the overspend relates to the timing of the highway design checks and supervision income being received. The costs have been incurred, but the income has yet to be received, this cannot be prudently reserved due to the uncertainty of its receipt.

Transportation

During the budget process for 2005/06, there was a commitment to: increase car parking charges, charge for car parking during the Christmas period, and charge for additional parking areas within the Borough. This commitment was built into the budget, as a budget cut, resulting in an income target of £1.3 million, 28% higher than the previous year. During the year Cabinet made the decision not to make these changes to the charging policy but the Directorates' budget was not amended to reflect this. Although the car parking income increased during the year, by a respectable 5%, it was far from the 28% that was required. This resulted in a £126k overspend in 2005/06.

There was a £61k overspend in respect of maintenance and facilities management at the new bus station. A proportion of these costs are one-off items of expenditure relating to finalising the amenities. These costs have partly been financed with underspends due to vacant posts being held during the year. Transportation is overspent by £79k overall after netting off various underspends.

Corporate Services

The Directorate of Corporate Services underspent by £127k in 2005/06. There were a number of variances across the Directorate making up this figure as detailed in the table below.

<u>Overspends</u>	<u>£k</u>
I.T. Division	126
Property Services	123
	<u>249</u>

<u>Underspends</u>	<u>£k</u>
Housing Benefit Subsidy (prior yr adj.)	(136)
Finance Division	(165)
Scrutiny & Member Services	(33)
Human Resources	(26)
Legal Services	(16)
	<u>(376)</u>

Net Overspend (127)

- ✚ The IT Division overspent by £126k. This is mainly attributable to three areas; the Design Unit (£55k), increased advertising costs for recruitment of staff (£20k) and the cost of using a contents server package for reports on the intranet called Stellent (£8k).
- ✚ Property Services overspent by £123k. This was mainly due to the installation of the new fire alarm system in Civic Offices which was required for health and safety reasons funded from their revenue budget.
- ✚ Within the Finance Division, a prior year adjustment in relation to the Housing Benefit Subsidy has now been agreed with the DWP and our auditors resulting in a credit of £136k.
- ✚ The rest of Finance Division underspent by £165k. This is mainly attributable to transitional staff vacancies across the Division and a higher than anticipated level of DWP grant income received by the housing benefit fraud section.
- ✚ The Human Resources Division and Scrutiny Services underspent by £26k and £33k respectively because of in year staff vacancies. Legal Services underspent by £16k, mainly because of an increase in licensing income.

Office of the Chief Executive

The Office of the Chief Executive has underspent by £9k during 2005/06. The main variances are discussed below.

- ✚ The Regeneration section underspent by £28k in total. There were small underspends in several Regeneration sections plus an underspend of £27k for Economic Development caused in part by a better than anticipated return from the Maesteg and Pyle Enterprise centres. The Tourism section overspent by £15k because of additional staff costs caused by sickness levels at the Information Centres.
- ✚ Overall the Business Efficiency and Effectiveness section underspent by £2k. There was an efficiency target income budget at the start of 2005/06 of £350k, which has been met from efficiency savings on car hire, the Policy & Performance Management section restructure, transfers from Corporate Services relating to renegotiating the Cash Control security

services contract and increased income from the Department of Works & Pensions due to a reduced Local Authority error rate on payments to housing benefit claimants.


- ✚ The Monitoring Officer budget was overspent by £43k due to redundancy costs budgeted for in 2006/07 being incurred in 2005/06. Mayoral Services overspent on Chauffeurs salary costs by £7k and the Electoral Services section also overspent by £11k due to levels of temporary staff cover during the year.

Council Tax Income

There was an underspend on Council Tax of £1,609k. Additional income was raised during the year because of a better than anticipated collection rate for Council tax and improvements in recovery processes following the introduction of a new software system.

3. CAPITAL SPENDING IN 2005/06

In addition to spending money providing services on a day to day basis, the Council also spends money providing new facilities, enhancing assets within the Council's portfolio or providing capital grants to others. The total capital spending during 2005/06 was £22.677m of which £15.564m was fixed assets and £7.113m was deferred charges (see Statement of Accounting Policies note 16).

Where the money comes from			The services it is spent by.....	
	£m			£m
External borrowing	7.6		Education	4.3
Government grants	13.3		Leisure	2.0
Other grants/ Contributions	0.8		Highways	6.1
Capital receipts	0.7		Economic Dev, Regen. & Tourism	2.9
Revenue Contribution	<u>0.3</u>		Planning	0.9
			Drainage	1.1
			Social Services	1.0
			General Fund Housing	3.2
Total	<u>22.7</u>		Other	<u>1.2</u>
			Total	<u>22.7</u>

4. BORROWING ARRANGEMENTS AND SOURCES OF FUNDS

Each year, in accordance with the Local Government Act 2003, and the Prudential Code, the Council is required to set limits in relation to:-

- Authorised limit for borrowing;
- Limits on exposure to fixed and variable interest rates;
- Various other prudential indicators.

The limits set at the start of the financial year were as follows:-

Authorised borrowing limit**£126m****Interest Rate Exposure – Borrowing****Percentage**

Limits on total % of borrowing at fixed interest rates

90%

Limits on total % of borrowing at variable interest rates

30%

As can be seen from the Consolidated Balance Sheet, overall borrowing totalled **£87.7m** at 31st March 2006.

Note 31 to the Consolidated Balance Sheet demonstrates that the majority of external borrowing £64.4m was from the Public Works Loan Board (PWLB). The remaining balance comprises £23.2m from other sources including market bonds.

The Council is required under the Local Government and Housing Act, 1989 to prepare a Treasury Management Strategy for the forthcoming year. The Council's Treasury Management Practices allows the Council to raise funds from a variety of sources, including the money market and the European Investment Bank. The Deputy Chief Executive and Executive Director – Resources is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

5. RESERVES

The reserves included in the accounts for 31st March 2006 can be summarised as follows:

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Council Fund	7,476	236	7,712
Delegated Schools	3,343	(144)	3,199
Earmarked Reserves	7,255	779	8,034
Total Reserves	18,074	871	18,945

The Delegated Schools Balances represent amounts held by schools that are committed to be spent on the Education service and not available to the Authority for general use. School balances have fallen by £144k to £3.2 million as at 31st March 2006. This equates to 4.5% of the total allocation to schools for the financial year. As part of the requirements of the Financial Scheme for Schools a proforma has been issued to schools asking them to provide reasons for holding balances over a number of categories, e.g. falling rolls, negative retrospective adjustments, planned initiatives.

Further information about earmarked reserves can be found in the notes to the main financial statements on Pages 59 to 61.

6. PRIVATE FINANCE INITIATIVES (PFI)

During 1999/2000 preparations were made to present a business case for replacement of educational facilities in Maesteg by means of a Private Finance Initiative. The project involves the replacement of a split-site comprehensive school with a new school on a single site. The aim is two fold:

1. To improve the overall quality of education provision by having a single-site secondary school, and
2. To offer the opportunity to provide a designated Welsh language secondary school within the County Borough, which will remove the need for children to travel to neighbouring county boroughs for Welsh-medium education.

Following an initial approval of £15.5m, the National Assembly for Wales approved at Outline Business Case (OBC) stage in March 2001 revenue support in the form of PFI credits totaling £16.8m. An addendum to the OBC was presented in November 2003 and in January 2004 the Assembly increased the credit approval to £21.048m.

As a result of adjustments including changes to discount rates, inflationary cost increases, a later service commencement date and a more detailed estimate of likely building and infrastructure capital costs, the total value of credits needed has increased by a further £2.974m to £24.022m.

The final FBC document was submitted for approval to the Welsh Assembly Government. At the time of writing the Council is in final negotiations with the preferred bidder, Babcock & Brown, with the aim of achieving financial close by the end of October 2006. Construction works are programmed to commence in November 2006.

A £10m Washery site reclamation scheme, funded mainly by the Welsh Development Agency, provided a stable site for the new school. The contract commenced in February 2003 and physical works were completed in 2004. The landscaping and planting work was substantially complete by 31st March 2005.

The latest target opening date for the new Maesteg Comprehensive School is September 2008, with the proposed Welsh-medium school on the existing upper school site also scheduled to open in September 2008.

7. CHANGES

There have been no significant changes in the Authority's statutory functions during the year.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in accordance with Section 151 of the Local Government Act 1972. In this Authority, at the time of approval of the Accounts, that officer is the Assistant Director - Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts

The Assistant Director - Finance

The Assistant Director - Finance is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). The Statement of Accounts is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2006.

In preparing this statement of accounts, the Assistant Director - Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with 'the Code of Practice'

The Assistant Director - Finance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

A. Phillips, C.P.F.A.
Assistant Director – Finance
26th October 2006

THE STATEMENT OF INTERNAL CONTROL

1. Scope of Responsibility

Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, we are also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the County Borough Council's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Bridgend County Borough Council for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. The Internal Control Environment

The key elements of the Council's internal control environment are summarised below. Where reference is made to documents within the Council, details are available from the Council on request or can be found on the Council's website :- www.bridgend.gov.uk.

The key elements are :-

- (i) Establishing and monitoring the achievement of the Council's objectives
 - The Corporate Improvement Plan 2005-2008
 - The External Audit of the Corporate Improvement Plan
 - The Community Strategy
 - Policy Agreement – Bridgend CBC & Welsh Assembly Government
 - Directorate Business Plans
 - Service Level Action Plans
 - Strategic Plans
 - Regulatory Plan 2005-2006

- Joint Risk Assessment – carried out with Wales Audit Office & our Regulators
 - Cabinet and Council
 - Scrutiny
 - Three Year Revenue Budget and Capital Programme
 - Corporate Management Board
 - Welsh Assembly Government – ‘Making the Connections’
 - Relationship Manager’s Annual Letter
- (ii) Facilitation of policy and decision-making
- The Council’s Constitution
 - Cabinet and Council
 - Cabinet Committees
 - Scrutiny
 - Policy Forums
 - Welsh Assembly Government’s Spatial Plan
 - Corporate Management Board
 - Published Committee Reports, Agenda and Minutes
 - Corporate Officers/Members Working Group
 - Delegated Powers
- (iii) Ensuring compliance with established policies, procedures, laws and regulations
- Cabinet and Council
 - Scrutiny
 - Audit Committee
 - Monitoring Officer and Section 151 Officer
 - Financial Regulations / Finance Handbook
 - Procurement Contract Rules
 - Internal Audit
 - External Audit and Inspection
 - Risk Management Policy
 - Anti Fraud & Corruption Strategy
 - Discipline and Grievance Policies
 - Equality Procedures

- Whistle Blowing Policy
 - Codes for Conduct of Council Employees and Members
 - Health and Safety Policies
 - Quality Standards and Assurances
 - Professional Standards
 - Corporate Governance Framework
- (iv) Ensuring the economical, effective and efficient use of resources and secure continuous improvement in the way functions are exercised
- Cabinet and Council
 - Audit Committee
 - Scrutiny
 - Performance Management Framework
 - Performance Improvement Group
 - Procurement Arrangements
 - Asset Management Plan
 - Policy Agreement
 - Wales Programme for Improvement (W.P.I)
 - Audit and Inspection
 - Monitoring of Directorate Business Plans and Flagship Projects Action Plans
 - Budget Monitoring and Hot Spots Reports to Cabinet
 - Operational Budget Monitoring
 - Published Statement of Accounts
 - Service Reviews
- (v) Facilitating the financial management of the Council
- Cabinet and Council
 - Audit Committee
 - The Council's Constitution
 - Financial Regulations / Finance Handbook
 - Audit and Inspection
 - Scrutiny Committee
 - A medium term financial planning process

- Quarterly revenue and capital reports and 'Hot Spot' Reports to Cabinet
 - Departmental Finance Officers Working Group
- (vi) Facilitating the performance management of the authority and its reporting
- Performance Management Framework
 - National Performance Measurement Framework for Wales
 - Local Performance Indicators
 - Benchmarking Clubs
 - Staff Appraisal System
 - Statutory and W.P.I. Core Indicator Set
 - Policy and Performance Management Unit
 - Performance Improvement Group

The control environment has developed since 1996 evolving to meet new demands and pressures on the Council. The key elements to the framework detailed above can be categorised as :-

- Corporate Controls – These comprise a large number of policies, processes and strategies by which the Council exercises control over the operation of all activities within its remit. The Council's Constitution provides the framework for its financial rules, decision making processes and details procedures and codes of conduct for Members and officers. The Corporate Improvement Plan, Corporate Governance and Performance and Risk Management frameworks are other significant policies within this area.
- Departmental Controls – These comprise all the processes chief officers have in place within their departments and in particular include departmental approaches to performance and risk management.
- The Independent Review – This includes the views of Internal Audit, External Audit, Welsh Assembly Government and the various inspection regimes that comment on the operations of the Council to examine ways of ensuring the economic, effective and efficient use of resources.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:

- the executive directors within the Council who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the Council's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- the comments made by the external auditors in their management letters and other reports;

- the reports of other independent inspection bodies and Welsh Assembly Government.

The process for maintaining and reviewing the effectiveness of the system of internal control includes:-

- The Council has adopted a constitution (revised 29/03/06), which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- There are five Overview and Scrutiny Committees which oversee the portfolios of the Cabinet Members and which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by undertaking investigations into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. They also monitor the decisions of the Cabinet and can 'call-in' a decision which has been made by the Cabinet but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider the decision.
- The Monitoring Officer is responsible for maintaining an up-to-date version of the Constitution to ensure that its aims and principles are given full effect. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council or to the Cabinet in relation to an executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. He also receives and acts on reports made by the Ombudsman and decisions of the case tribunals.
- The Council has an Audit Committee which is a key component of corporate governance. It provides a source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- The Performance Improvement Group, an officer working group, is responsible for the on-going monitoring of arrangements for performance management across the Council. The Wales Audit Office in their Relationship Management Letter 2004/05 positively noted the work of this Group.
- The Council published its Policy for the Management of Risk in February 2006. It identifies that all Elected Members and employees of the Council need to make themselves aware of risks in the decision making process and everyday work situations. The Policy describes some key roles within risk management including the Risk Management Programme Board. This receives and scrutinises operational risks from the Directorate Management Teams and recommends the addition of key operational risks to the Council's Risk Register. It is responsible for reporting on Risk Management issues to Council on a bi-annual basis.
- The Corporate Management Board is responsible for the management of risks in all areas under their control. It considers various risk control options for areas designated as requiring priority attention identified within the Corporate Improvement Plan and monitors the effectiveness of the risk management policy.
- Internal Audit is responsible for monitoring the Council's operations in order to review, evaluate and test the adequacy of the Council's systems of internal control as contributions to the proper, economic, efficient and effective use of resources. The three year Internal Audit plan is based on a needs and risk assessment process. Internal Audit reports include recommendations for improvements included in a Management Action Plan that requires agreement or rejection by service managers in a given timeframe. The Chief Internal Auditor prepares an annual report and opinion on the Council's internal control system which is presented to Audit Committee. The opinion of the Chief Internal Auditor for the financial year 2005/06 was that the Council's internal control arrangements provide an unsatisfactory level

of assurance. This was based primarily on work carried out by the Internal Audit division together with reliance placed on other assurance bodies.

- External Audit present their comments on financial aspects of corporate governance and performance management in their annual audit letter and other reports. For the financial year ending 31st March 2005, the Annual Audit Letter stated that the “Authority needs to deal with a number of serious issues. There are risks arising from both particular areas (eg Children’s Services) and the number of issues on the change agenda”. However, an ‘unqualified opinion’ was issued for the annual accounts for 2004/05. There was also praise for the move to a three year Corporate Improvement Plan for the first time and improved performance in the timeliness of the preparation of the year end accounts.

A Statement of Internal Control Workshop took place as a key element of the Review of Effectiveness. The Workshop membership consisted of the Leader of the Council, all Cabinet Members and the Executive Directors. It was facilitated by the Chief Accountant, the Chief Internal Auditor and the External Audit manager for the Council. An overview of the S.I.C. process was given that described the process for reviewing and gathering the assurances needed for the review of effectiveness to ensure that risk is being managed and controls are working appropriately. The Group examined examples of assurances together with evidence of documents within the Council to support the assurances. The outcome of the Workshop was an identification of the significant internal control issues that should be included within the Statement. There have been additional internal control issues that were identified during the Joint Risk Assessment that are included within this Statement. The Group subsequently agreed the Statement of Internal Control that was to be presented to Audit Committee for review on 1st June 2006. The recommendation of the committee was to approve the Statement of Internal Control for inclusion within the Statement of Accounts 2005-06.

5. Significant Internal Control Issues

In producing this Statement, the following internal control issues have been identified :-

- **Children’s Services**
- **Flagship Projects**
 - Human Resources
 - Performance Management
 - Procurement
- **Waste Management**
- **School Reorganisation & Funding**
- **Assessment and Care Management Services and Arrangements for the Protection of Vulnerable People**
- **Failure to achieve Efficiencies to Realise Cashable Gains**
- **Asset Management Planning**
- **Leadership and Business Continuity**

An Action Plan has been devised for all these issues together with a timescale for completion and a responsible officer. The Action Plan will be monitored throughout the year as a vital part of the on-going review of the effectiveness of internal controls within the Authority.

Leader of the Council

Assistant Director - Finance

Dated

STATEMENT OF ACCOUNTING POLICIES

1. General Policies

The accounts for 2005/06 have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain (ACOP) published in 2006 by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is recognised by statute as representing proper accounting practices. The principles detailed in the current Best Value Accounting Code of Practice (BVACOP) are applicable to accounts for the year commencing 1st April 2005 and have also been complied with.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where supplies have been received but not yet consumed, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings or investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the relevant revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Where capital expenditure is less than £20k on a particular scheme, this is classified as deminimis and the expenditure is written off to the revenue accounts.

The current asset values used in the accounts are based upon independent external revaluations as at 1st April 2004. Additions since that date have been examined by the property section of the Council to assess the value of actual enhancement. This value of the enhancement has been included in the accounts within the balance sheet with any non-enhancement being written off to the revenue account.

Fixed Assets are included in the balance sheet on the following valuation basis:

Other Land & Buildings

Land was valued on the basis of open market value. Properties regarded by the authority as operational were valued on the basis of open market value for existing use or where this could not be assessed because there was no market for the asset, the depreciated replacement cost.

Vehicles, Plant & Equipment

Net current replacement cost reflecting wear and tear incurred.

Infrastructure and Community Assets

Historical Cost i.e. original expenditure incurred less depreciation where applicable.

Non-Operational Assets

Open Market Value and Historical Cost for Work in Progress.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by crediting the Fixed Asset Restatement Account to recognise unrealised gains.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Fixed Asset Restatement Account. Amounts in excess of £10,000 received from disposals are credited to the Usable Capital Receipts reserve, which can then only be used for new capital investment.

5. **Impairment**

Impairment reviews are carried out by the property section of the Council as part of the annual assessment of fixed assets in accordance with FRS 11, Impairment of Assets and Goodwill.

6. **Depreciation**

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. When the value of an asset falls below £20k due to depreciation, the remaining asset value is written off to the revenue account in the following financial year.

The depreciation policy adopted for 2005/06 was:

Operational Assets	Depreciated on a straight-line basis according to estimated asset lives (ranging from 10 to 50 years) based on the value at the start of the year except for land, which is not depreciated
Non-Operational Assets:	Depreciated on a straight-line basis over 125 years
Infrastructure Assets	Depreciation on a straight-line basis over 25 years
Community Assets	Depreciation not applicable as they don't have a finite useful life
Vehicles, Plant & Equipment	Depreciated on a straight-line basis according to estimated asset lives (ranging from 3 to 10 years)

Where an asset has major components with different estimated useful lives, these are depreciated separately.

7. **Repurchase of Borrowing**

The prepayment 'Loan Premiums' represents premiums paid on the early repayment of loans. Loan premiums paid out are related to restructuring of borrowing and are being amortised over the life of the replacement loan as per current accounting practices except in the case of those market bonds with stepped interest rates. Here, the premiums are being written off over 15 years in line with the estimated break point where the loans will be redeemed. This policy is consistent with the charging of interest on these loans.

8. **Capital Charges**

Generally capital charges made to revenue accounts consist of depreciation plus a notional interest charge based on the amount at which the relevant fixed assets are included in the balance sheet at the beginning of the year.

The notional rate of interest is 3.5% for assets included at current value which includes operational land and buildings, non operational and vehicles, plant and

equipment and 4.95% for assets required to be carried at historical cost, that is infrastructure and community assets.

The capital charges made to services are credited to an asset management revenue account. This account is also charged with depreciation and external interest payable. Capital charges therefore, have an overall nil effect on the total cost of our services.

9. Investments

These are included in the Balance Sheet at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Consolidated Revenue Account if this is unlikely to be a temporary fall.

10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Capital grants, except where they apply to deferred charges, are taken to a government grants-deferred account. When they relate to deferred charges, the capital grant is written off to the revenue account to match the expenditure. Amounts are released from the government grants-deferred account to offset any charges to the revenue account in respect of assets to which the grants relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Consolidated Revenue Account after Net Operating Expenditure and appropriations to and from reserves.

11. Stocks and Work in Progress

Stocks and Stores are included in the accounts at the latest purchase price for each item, or at an average purchase price, depending on the type of item. These policies are departures from that recommended in SSAP9, which requires valuation at the lower of cost or net realisable value. However, the Authority considers that this has no material effect on the Statement of Account. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

12. Allocation of Support Services

During 2005/06, the bases of all central recharges were reviewed and charges were introduced into SLA's for 2006/07. SLA's' including recharges, will be produced for 2006/07.

For 2005/06, most support service costs have been apportioned by a variety of methods. The most important being:

- actual use of support service
- estimated staff deployment, in some cases backed by formal time recording systems
- apportionments based on related financial or physical quantities (e.g. employee numbers, number of deliveries etc)

Support services defined as Corporate and Democratic Core and Non-Distributed Costs are not chargeable to direct services in accordance with the BVACOP. Corporate and Democratic core are costs relating to the Council's status as a multi-functional, democratic organisation. Non distributed costs are the costs of discretionary benefits awarded to employees retiring early.

13. Pension Costs

The Council participates in two different pension schemes for employees in particular services. Both schemes provide members with defined benefits related to pay and service.

- a) Teachers - This is an unfunded scheme administered by the Department for Education & Employment (DfEE). The pension cost charged to the account is the contribution rate set by the DfEE on the basis of a notional fund. Although it is a defined benefits scheme it has been treated in the accounts as a defined contribution scheme in line with recommended practice.
- b) Other Employees are members of the Rhondda Cynon Taf County Borough Council Pension Fund. In line with FRS 17 Retirement Benefits, costs charged to service heads are the estimated current cost as provided by the pensions Actuary. These costs have been determined on the basis of contribution rates that are set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations. In accordance with standard accounting practice for local authorities and FRS 17 Retirement Benefits, costs have been included in the Consolidated Revenue Account in accordance with the actuarial estimate provided by Hewitt Bacon & Woodrow. The estimated liability attributable to Bridgend CBC has been included in the Consolidated Balance Sheet. The Actuary's report as at 31st March 2005 identified that the assets held in the valuation were sufficient to cover 50% of the accrued liabilities. The impact of this on the revenue budget of the Authority is that employer's contribution to the scheme will have to rise. The Authority has agreed to achieve this by phasing a £1m contribution each year for three years beginning 2005/06.

14. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the Consolidated Revenue Account after the Net Operating Expenditure line. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the Consolidated Revenue Account after Net Operating Expenditure so that there is no net charge against council tax for the expenditure. The purpose and details of these reserves can be found in Note 36 on page 59.

15. Deferred Charges

These arise when capital expenditure is incurred which does not result in, or match to, a tangible fixed asset. Examples of such expenditure include home improvement grants, town improvement grants, demolitions and land feasibility studies. Deferred charges incurred during the year are written off as expenditure to the relevant service revenue account. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the

Capital Financing Account then reverses out the amounts charged to the Consolidated Revenue Account so there is no impact on the level of council tax.

16. Leasing

The Authority uses leasing as a means of acquiring vehicles, computer hardware, equipment and plant. A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee and the present value of the minimum lease payments is 90% or more of the fair value of the leased asset. Leases that do not meet the definition of finance leases are accounted for as operating leases. For Operating leases rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Authority has only entered into operating leases since April 1996. The remaining outstanding commitments on finance leases inherited from predecessor Authorities prior to Local Government Reorganisation on 1st April 1996 were concluded in 2000/01. However, there are some residual arrangements which roll forward on an annual basis.

17. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

PRIMARY FINANCIAL STATEMENTS

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

2004/05		Gross	Gross	Net	Notes
£'000		Exp	Income	Exp	
		£'000	£'000	£'000	
	SERVICES				
86,835	Education	118,899	25,751	93,148	
40,512	Social Services	63,355	19,121	44,234	
17,683	Highways and Transportation	22,719	5,213	17,506	
2,903	Housing Services	34,789	31,693	3,096	
6,419	Central Services to the Public	21,657	14,602	7,055	
28,147	Cultural, Environmental and Planning Services	45,124	16,324	28,800	
4,721	Corporate and Democratic Core	4,408		4,408	
220	Non-Distributed Costs	(6,490)		(6,490)	41
187,440	Total Continuing Operations	304,461	112,704	191,757	
294	Housing Services charged to HRA balance			0	
187,734	NET COST OF SERVICES	304,461	112,704	191,757	
6,254	Precepts Paid			6,650	1
6,598	Levies and Contributions Paid			6,483	1
(425)	Interest and Investment Income			(600)	
(51)	Trading Activities Net (Surplus)/Deficit			83	2
6,860	Pension Interest Cost & Expected Return on Assets			6,590	3 & 41
(12,145)	Net Income on the Asset Management Revenue Account			(12,774)	4
194,825	NET OPERATING EXPENDITURE			198,189	
(294)	Transfer of HRA Surplus			-	
1,162	Transfer to/(from) Earmarked Reserves			348	5
(9,984)	Contributions to/(from) Capital Accounts			(9,263)	4
(6,210)	Transfer to/(from) Pensions Reserve			1,760	
179,499	AMOUNT TO BE MET FROM LOCAL TAX PAYERS AND GOVERNMENT GRANT			191,034	
(105,278)	Revenue Support Grant			(114,713)	6
(1,997)	Other Government Grants			(2,493)	7
(44,915)	Council Tax			(47,500)	8
(26,586)	Net Proceeds of Non-Domestic Rates			(26,564)	9
723	(SURPLUS)/DEFICIT FOR THE YEAR			(236)	
(8,199)	Council Fund Balance Brought Forward			(7,476)	
(7,476)	COUNCIL FUND BALANCE CARRIED FORWARD			(7,712)	

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

2004/05 £'000		2005/06		Notes
		£'000	£'000	
	TANGIBLE FIXED ASSETS			
296,073	Other Land and Buildings	298,545		
5,083	Vehicles, Plant and Equipment	5,306		
98,735	Infrastructure Assets	100,417		
1,893	Community Assets	1,921		
	Non-Operational Assets			
13,705	Investment Properties	14,194		
4,792	Assets under Construction	1,730		
3,900	Surplus Assets	3,207		
424,181	Total Tangible Fixed Assets		425,320	25
	LONG TERM DEBTORS			
643	Mortgages		479	27
424,824	Total Long Term Assets		425,799	
	CURRENT ASSETS			
294	Stocks and Work In Progress	312		
27,804	Debtors	23,809		28
100	Short Term Investments	100		
7,025	Loan Premiums Paid and Received	6,532		26
14	Cash at Bank	404		
	CURRENT LIABILITIES			
(3,066)	Short Term Borrowing	(4,544)		
(28,408)	Creditors	(29,298)		29
3,763	Net Current Assets		(2,685)	
428,587	Total Assets Less Current Liabilities		423,114	
(91,459)	Long Term Borrowing		(87,663)	31
(49,739)	Government Grants Deferred		(57,174)	32
(3,854)	Capital Contributions Deferred		(4,045)	32
(4,357)	Provisions		(3,256)	30
(178,380)	Pensions Liabilities		(180,970)	41
100,798	Total Assets Less Liabilities		90,006	
224,320	Fixed Asset Restatement Account		223,428	33
27,013	Capital Financing Account		18,332	34
9,777	Usable Capital Receipts Reserve		10,260	35
7,476	Council Fund Balance		7,712	
3,343	Delegated Schools Balance		3,199	36
7,255	Earmarked Balances		8,034	36
(178,380)	Pensions Reserve		(180,970)	41
(6)	Other Funds		11	
100,798	Total Equity		90,006	

I certify that the accounts set out on Pages 31 to 70 presents fairly the financial position of the Council as at 31st March 2006.

A. PHILLIPS, C.P.F.A Assistant Director - Finance
26th October 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

2004/05 £'000		£'000	£'000	Notes
	Revenue Activities			
	Cash Outflows			
139,658	Cash Paid to and on Behalf of Employees	147,107		
99,432	Other Operating Costs	110,747		
33,624	Housing Benefit Paid Out	32,238		
27,647	NNDR Payments to the Pool	27,648		
6,254	Precepts Paid	6,651		
	Cash Inflows			
(1,623)	Rents (After Rebates)	(1,763)		
(44,328)	Council Tax Income	(45,646)		
(28,589)	NNDR Rate Collection	(28,589)		
(24,677)	NNDR Net Adjustment	(26,743)		
(105,278)	Revenue Support Grant	(114,713)		
(23,933)	DWP Grants for Benefits	(24,619)		
(39,260)	Other Government Grants	(42,418)		2
(19,307)	Cash Received for Goods and Services	(24,316)		
(23,898)	Other Operating Cash Receipts	(23,759)		
(4,278)			(8,175)	1
	Return on Investments and Servicing of Finance			
	Cash Outflows			
6,522	Interest Paid	5,001		
	Cash Inflows			
(426)	Interest Received	(611)		
6,096			4,390	
	Capital Activities			
	Cash Outflows			
18,519	Purchase of Fixed Assets	15,564		
287	Other Capital Cash Payments	0		
	Cash Inflows			
(1,760)	Sale of Fixed Assets	(679)		
(9,951)	Capital Grants Received	(10,556)		
(996)	Other Capital Cash Payments Received	(3,251)		
6,099			1,078	
7,917	Net Cash (Inflow)/Outflow Before Financing		(2,707)	5
	Financing			
	Cash Outflows			
133,061	Repayments of Amounts Borrowed	7,317		
	Cash Inflows			
(23,907)	New Long Term Loans Raised	0		
(117,175)	New Short Term Loans Raised	(5,000)		
(8,021)			2,317	
(104)	(Increase)/Decrease in Cash		(390)	3

NOTES TO CASH FLOW STATEMENT

1. Reconciliation to Revenue Account

2004/05 £'000		2005/06	
		£'000	£'000
	Surplus/(Deficit) on:		
(723)	Consolidated Revenue Account	236	
	Add Back:		236
11,258	Depreciation	13,156	
(11,188)	Depreciation Transfer to Capital Financing Account	(13,302)	
1,014	Transfers to Earmarked Reserves	635	489
	Plus/(Less) Movements in Relevant Balance Sheet Items:		
(13)	Increase in Stock	(18)	
157	Increase in Provisions	(1,100)	
3,144	Decrease in Creditors	(326)	
(4,555)	Decrease in Debtors	3,995	
7	Increase in Other Funds	16	
(919)	Decrease in Loan Premiums	493	
			3,060
(1,818)			3,785
6,096	Cash Flow on Servicing of Finance		4,390
4,278	Cash Flow on Revenue Activities		8,175

2. Government Grants Received

2004/05 £'000		2005/06
		£'000
7,503	Council Tax Benefit	8,142
5,802	ELWa Grant	7,423
4,461	Other Education	4,461
5,691	Other Social Services	2,951
5,213	Others	7,560
3,333	Supporting People	3,689
1,680	Resettlement Grant	1,695
1,293	Concessionary Fares Grant	1,670
1,284	INSET Grant for Education Support	1,213
337	Waste Disposal	577
819	Housing/Council Tax Benefit Administration	1,114
796	Capacity Grant	796
702	Mental Handicap Strategy	709
223	Carers Special	246
123	Lottery Grants	137
	Home Office	35
39,260	Total	42,418

3. Analysis of Balances on Cash as Shown in the Balance Sheet			
	Balance B/F 1/4/05 £'000	Balance C/F 31/03/06 £'000	Change During Year £'000
Cash at Bank	14	404	390
	14	404	390
4. Financing and Management of Liquid Resources			
	Balance B/F 1/4/05 £'000	Balance C/F 31/03/06 £'000	Change During Year £'000
Short Term Investments	100	100	0
	100	100	0
5. Reconciliation of Movement in Cash to Movement in Net Debt			
	Balance B/F 1/4/05 £'000	Balance C/F 31/03/06 £'000	Change During Year £'000
<u>Borrowing</u>			
Short Term	3,066	4,544	1,478
Long Term	91,459	87,664	(3,795)
<u>Cash</u>			
Cash at Bank	(14)	(404)	(390)
	94,511	91,804	(2,707)
Increase in Cash During the Period			(390)
Reduction in Short Term Investments			0
Increase in Short Term Borrowing			1,478
Decrease in Long Term Borrowing			(3,795)
Change in Net Debt			(2,707)
Net Debt 1/4/05			94,410
Net Debt 31/3/06			91,703
Change in Net Debt			(2,707)

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2004/05 £'000		2005/06		Note
		£'000	£'000	
	Surplus/(deficit) for the year			
(723)	- General Fund	236		
(560)	- Housing Revenue Account	-		
	Add back movements on specific revenue reserves :-			
1,574	- Earmarked reserves	635		
(6,210)	- Deduct Appropriation from Pension Reserve	1,760		
(51,040)	- Actuarial Gains and (Losses) relating to Pensions	2,770		
(56,959)	Total increase/(decrease) in revenue reserves		5,401	1
(1,275)	Increase / (decrease) in usable capital receipts	483		
(1,275)	Total increase / (decrease) in realised capital resources		483	2
(338)	Impairment losses on fixed assets due to general changes in prices	0		
(338)	Total increase/(decrease) in unrealised value of fixed assets		0	
(620)	Value of assets sold, disposed of or decommissioned	(892)	(892)	3
6	Movement on Other Funds	17	17	
2,817	Capital receipts applied	221		
(8,827)	Revenue resources set aside	(8,903)		
9,032	Movement on Government Grant Deferred	7,626		
3,022	Total increase/(decrease) in amounts set aside to finance capital investment		(1,056)	4
(56,164)	Total Recognised Gains / (Losses)		3,953	

1. Movements in revenue resources				
	TOTAL	General Fund Balances £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
Surplus/(deficit) for 2005/06	236	236		
Appropriations to/from revenue	2,395		635	1,760
Actuarial gains and losses relating to pensions	(4,350)			(4,350)
Movement for Year	(1,719)	236	635	(2,590)
Balance brought forward at 1 April 2005	(160,306)	7,476	10,598	(178,380)
Balance carried forward at 31 March 2006	(162,025)	7,712	11,233	(180,970)

2. Movements in Realised Capital Resources			
2004/05 Total £'000			Usable Capital Receipts 2005/06 £'000
1,351	Amounts receivable in 2005/06		583
	Amounts applied to finance new capital investment		
(2,626)	in 2005/06		(644)
(1,275)	Total increase/(decrease) in realised capital resources 05-06		(61)
	Previous Year's adjustment		544
	Movement for Year		483
11,052	Balance brought forward at 1 April 2005		9,777
9,777	Balance carried forward at 31 March 2006		10,260

3. Movements in Unrealised Value of fixed assets		
Total 2004/05 £'000		Fixed Asset Restatement Account 2005/06 £'000
	Gains/losses on revaluation of fixed assets in 2005/06	186
(620)	Amounts written off fixed asset balances for disposals	(1,078)
(620)	Total movement on reserve in 2005/06	(892)
224,940	Balance brought forward at 1 April 2005	224,320
224,320	Balance carried forward at 31 March 2006	223,428

4. Movements in amounts set aside to finance capital investment				
Total 2004/05 £'000		Total 2005/06 £'000	Government Grants & Cont. Deferred £'000	Capital Finan- cing Account £'000
	Capital receipts 2005/06 :-			
2,591	- useable capital receipts applied			221
2,591	Total capital receipts set aside in 2005/06	221		
	Revenue resources set aside in 2005/06			
226	Mortgage Repayments			(163)
820	- capital expenditure financed from revenue			523
(9,985)	- release of CFA			(9,263)
(8,939)	Total revenue resources set aside in 2005/06	(8,903)		
10,655	Grants applied to capital investment in 2005/06		9,457	
(1,623)	Amounts credited to the Asset Management Revenue Account		(1,988)	
9,032	Movement on Government Grants Deferred	7,469		
	Prior Year Adjustments	157	157	
2,684	Total movement on reserve in 2005/06	(1,056)	7,626	(8,682)
77,922	Balance brought forward at 1 April 2005	80,606	53,593	27,013
80,606	Balance carried forward at 31 March 2006	79,550	61,219	18,331

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. Precepts and Levies

Precepts are the amounts paid to non billing authorities (eg community councils) so that they can cover their expenses. Levies are the amounts payable when services are operated over areas covering more than one Authority, either on a joint service basis, where one Authority administers the service where other Authorities contribute to the costs, or by external bodies who levy on the appropriate Authorities. The amounts paid were as follows:

2004/05 £'000		2005/06 £'000
	Precepts	
5,299	South Wales Police Authority	5,553
955	Community Councils	1,097
6,254	Sub total	6,650
	Levies	
5,467	South Wales Combined Fire Authority	6,181
133	Coroners Service	140
531	Environment Agency	-
36	South Wales Sea Fisheries	39
95	Archive Service	101
6	Margam Crematorium Joint Committee	4
17	Swansea Bay Port Health Authority	18
313	Magistrates Court	-
6,598	Sub total	6,483
12,852	Total	13,133

2. Trading Activities

The Authority has established trading activities which were previously subject to Compulsory Competitive Tendering legislation. The outturn for the Authority's trading activities are summarised as follows:

2004/05 (Surplus)/ Deficit £'000	Activity	2005/06 Income £'000	2005/06 Expenditure £'000	2005/06 (Surplus)/ £'000	Target £'000	Variance £'000
0	Outdoor Leisure	(264)	252	(12)	0	(12)
(20)	Grounds Maintenance	(1,972)	1,969	(3)	0	(3)
72	Schools and Welfare Catering	(3,655)	3,811	156	0	156
(32)	Building Cleaning	(852)	864	12	0	12
(69)	Highway Maintenance	(4,075)	4,017	(58)	(41)	(17)
(11)	Other Cleaning	(2,015)	1,996	(19)	2	(21)
(19)	Building Maintenance	(2,602)	2,599	(3)	(9)	6
(4)	Fleet Services	(3,107)	3,062	(45)	(94)	49
(83)	Sub-Total	(18,542)	18,570	28	(142)	170
	Other Trading Activities					
(57)	Other Catering	(674)	586	(88)	(67)	(21)
89	Sports and Recreation (Indoor)	(4,875)	5,018	143	0	143
(51)	Transfer to Consolidated Revenue Account			83	(209)	292

The deficit on the catering service of £156k was a result of falling numbers following the e-coli outbreak, but was coupled with increased food costs as the service strives to meet additional nutritional standards.

Although Fleet Services failed to meet its target surplus for 2005-06, the service has achieved year-on-year improvements in its finances following the outsourcing of the refuse collection service, and increased its surplus by £40,000 in the year. Fleet Services' target surplus for 2006-07 has been adjusted to £60,000. The Building Maintenance Service was marginally below its surplus target for the year due to losses on fixed fee jobs.

The Sports and Leisure Management Contract exceeded its allocated budget by £143k mainly as a result of significant budget cuts the service has had to absorb since Local Government Re-organisation, the increase in staffing costs following the implementation of the Single Status and Minimum Wage Agreements and more recently the rise in energy costs.

3 Pension Costs

The disclosures required for 2005/06 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Hewitt, Bacon & Woodrow as the pensions actuary. There are additional disclosures supporting the Consolidated Balance Sheet pension fund transactions and these can be found on page 62.

a) Teachers

In 2005/06, the Authority paid £5.8 million to the Teachers Pensions Agency in respect of teachers' pension costs, which represent 13.5% of teachers' pensionable pay. In addition, the Authority is responsible for all pension payments relating to added years awarded, together with the related increases. In 2005/06, these amounted to £0.47 million representing 1.1% of pensionable pay.

b) Other Employees

In 2005/06 the Council paid an employer's contribution of approximately £11.2 million, representing 20.76% of employees' pensionable pay, into Rhondda Cynon Taf CBC Pension Fund. The Fund provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2005/06 these amounted to approximately £0.4 million representing 0.72% of pensionable pay.

Further information can be found in Rhondda Cynon Taf CBC Pension Fund's Annual Report which is available upon request from the Director of Finance, Rhondda Cynon Taf County Borough Council, Bronwydd, Porth, Rhondda, Rhondda Cynon Taf.

c) **Non-Funded Discretionary Added Years**

Discretionary added years relate to early retirement on the grounds of redundancy or efficiency of service. The capital cost relates to the discretionary increase and not to the total pension payable. In 2005/06 the amount of lump sum payments made amounted to £18,909 and the corresponding capital cost is £133,769. The ongoing annual cost of decisions made in previous years in 2005/06 was £876,325 and the corresponding capital cost is £17,526,491.

4. **Asset Management Revenue Account**

This is an account required under the capital accounting system. Its function is to neutralise the effects of the system on the amount to be raised from local taxpayers. The transactions on the Asset Management Revenue Account for 2005/06 are:

2004/05 £'000		2005/06	
		£'000	£'000
	Income		
(27,243)	Capital Charges	(29,486)	
(1,487)	Transfer from Government Grants Deferred Account	(1,876)	
(136)	Transfer from Capital Contribution Deferred Account	(111)	
(28,866)			(31,473)
	Expenditure		
11,258	Depreciation and Impairment	13,156	
5,463	External and other Interest	5,543	18,699
(12,145)	Balance to Consolidated Revenue Account		(12,774)

The following table summarises the movements relating to the release of the Capital Financing Account : -

2004/05 £'000		2005/06	
		£'000	£'000
4,047	Minimum Revenue Provision	4,353	
(11,258)	Less Depreciation and Amortisation	(13,156)	
			(8,803)
1,623	Deferred Government Grants		1,987
(5,588)	Total Debit		(6,816)
(4,396)	Deferred Charges		(2,447)
(9,984)	Total Contribution from Capital Reserves		(9,263)

5. **Transfer to/(from) Earmarked Reserves**

This represents the net movement on the earmarked reserves of the Authority within 2005/06 and represents a charge to the Net Cost of Services within the Consolidated Revenue Account. This includes money transferred into the Revenue Account to match expenditure within the year. Also amounts have been set aside from revenue reserves in 2005/06 to be utilised in future years to finance expenditure.

Movement 2004/05 £'000	Reserve	Opening Bal 2005/06 £'000	Movement 2005/06 £'000	Closing Bal 2005/06 £'000
(115)	Chief Executive Directorate	131	8	139
264	Corporate Services	648	211	859
170	Education, Leisure & Community Services	236	(473)	(237)
(457)	Environment & Planning	260	(341)	(81)
58	Personal Services	176	(892)	(716)
(56)	Business Systems Development Reserve	484	(355)	129
0	Business Restructuring Reserve	370	(32)	338
81	Carpark Strategy	118	49	167
(371)	Children's Services	470	246	716
(245)	Contributions to Capital	-	-	-
0	Customer Services Strategy	0	150	150
1	Election Costs	25	-	25
23	Energy Conservation Fund	227	1	228
50	Health & Safety	50	20	70
0	HR / Payroll Re-engineering Reserve	0	340	340
(200)	Insurance Reserve	-	1,209	1,209
34	Job Evaluation Reserve	145	605	750
(85)	Legionella Assessment	40	11	51
600	Maesteg School PFI	600	-	600
0	Mid Glam CC Post Balance Sheet Events	1,955	(730)	1,225
17	New Members Induction	42	(20)	22
63	Porthcawl Regeneration	63	(47)	16
(187)	Financial Systems Re-engineering	205	50	255
10	Road Maintenance Reserve	260	(260)	
1,374	Schools Balances	3,343	(144)	3,199
(160)	Social Services IT System	-	-	-
(5)	Sports Development	27	(27)	-
(2)	Unitary Development Plan Reserve	11	19	30
300	Waste Management Reserve	300	750	1,050
1,162	Total	10,186	348	10,534

As well as the above, a reserve has been created from a charge to the Asset Management Revenue Account (AMRA). This is called the Interest Actualisation Reserve. The movement on this reserve is detailed below:-

Movement 2004/05 £'000	Reserve	Opening Bal 2005/06 £'000	Movement 2005/06 £'000	Closing Bal 2005/06 £'000
412	Interest Actualisation Reserve	412	287	699

Further details of the reserves can be located at Note 36 below.

6. Revenue Support Grant

This is the principal source of finance towards revenue expenditure from Welsh Assembly Government with the amount receivable fixed at the start of each financial year. The amount received in 2005/06 was £114.7m.

7. Government Grants

In addition to the Revenue Support Grant, the Authority received specific government grants which amounted to £66.1m. Grant income sits within the gross income column within services except for the Deprivation Grant, Performance Incentive Grant and the

Local Authority Business Growth Incentive Grant. The main specific grants within services are shown below:-

2004/05 £'000	Specific Grants	2005/06 £'000
23,916	Mandatory Rent Allowances	24,619
7,519	Council Tax Benefit	8,110
5,802	ELWa Grant	7,423
5,429	Other Education	5,025
4,966	Other Social Services	3,344
3,967	Others	5,175
2,882	Supporting People	3,689
1,705	Resettlement Grant	1,695
1,293	Concessionary Fares Grant	1,670
1,001	INSET Grant for Education Support	1,213
860	Waste Disposal	769
819	Housing/Council Tax Benefit Administration	1,114
796	Capacity Grant	796
702	Mental Handicap Strategy	709
223	Carers Special	246
214	Lottery Grants	137
62,094	Total	65,734

2004/05 £'000	Other Government Grants	2005/06 £'000
707	Deprivation Grant	742
1,290	Performance Incentive Grant	1,328
0	Local Auth. Business Growth Incentive	284
0	Transition Relief Grant	139
1,997	Total	2,493

8. Council Tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1st April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the South Wales Police Authority and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts - £46,126.03 dwellings for 2005/06. The basic amount for a Band D property (£994.90 in 2005/06 (£949.19 in 2004/05) on average) is multiplied by the proportion specified for the particular band to give the individual amount due.

Council Tax bills were based on the following multipliers for bands A to I and the number of properties in each band were as follows:

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	9980	14881	13024	8104	5769	3233	1229	274	92

Analysis of the net proceeds from Council Tax is as follows:

2004/05 £'000		2005/06 £'000
44,915	Council Tax Collectable	47,500
	Less:	
(955)	Payable to Community Councils	(1,097)
(5,299)	Payable to South Wales Police	(5,553)
(292)	Provision for non payment of Council Tax	(28)
38,369	Net Proceeds from Council Tax	40,822

9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The government specifies an amount for the rate 42.1p in 2005/06 (45.2p in 2004/05) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the National Assembly for Wales. The National Assembly for Wales redistributes the sums payable back into local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) for 2005/06 was £32,292k (£28,454k in 2004/05) and the rateable value used for 2005/06 was £82,868,264. Analysis of the proceeds from non-domestic rates is as follows:

2004/05 £'000		2005/06 £'000
28,454	Non-domestic rates collectable	32,292
	Less:	
(27,648)	Paid into NNDR pool	(31,657)
(209)	Cost of Collection	(218)
(597)	Bad and Doubtful Debts	(417)
0		0
14	Council Fund contribution to Rate Relief	36
(26,600)	Receipts from pool	(26,600)
(26,586)	Net Proceeds from NNDR	(26,564)

10. Leasing Costs

The payments in 2005/06 and future obligations are shown in the table below.

2004/05 £'000		2005/06 £'000
5	Finance Leases - Rentals paid during the year	5
1,245	Operating Leases - Rentals paid during the year	1,150
0	Future Obligations under Finance Leases	0
3,947	Future Obligations under Operating Leases	3,716
	Analysis of Future Obligations under Operating Leases	
833	To be paid within one year	842
1,405	To be paid between two and five years	1,260
1,709	To be paid more than five years	1,614
3,947		3,716

11. **Section 137 Expenditure**

Section 137 of the Local Government Act 1972 empowers Local Authorities, subject to various conditions and limits, to incur expenditure, which in their opinion is in the interests of their area or any part of it, or all or some of its inhabitants. Under this Section authorities are required to account separately for any such expenditure.

The Council was permitted to spend £652,000 (£5 per head of relevant population 130,400) of the Authority's area under this Section in 2005/06. Its actual expenditure was £444,078, which included £637 in administration costs.

12. **Publicity Expenditure**

Under the requirements of S.5 (1) of the Local Government Act 1986, the Council is required to provide details of spending on publicity. This is as follows:

Publicity Category	Expenditure 2005/06 £'000
Communications to the public	179
Recruitment of Staff	444
Statutory Notices	38
Totals	661

* 2004/05 amount £636k

13. **Road User Charging**

The Council does not operate a scheme of road user charging or workplace parking levy under the Transport Act 2000.

14. Section 31 Health Act 1999

Under Section 31 Health Act 1999 the following joint arrangements refer to joint working with Bridgend Local Health Board.

Purpose of Partnership	NHS Trust Expenditure £'000	BCBC Expenditure £'000	Total Expenditure £,000	Total WAG Grant £,000
Children with Disabilities inter agency Service	124	277	401	174
Transition to Adults Services	37	34	71	71
Community Reablement Project	191	175	366	33
Dementia Register / Referral & Assessment Pathway	51	-	51	51
Preventing Admission & Facilitating Discharge	17	27	45	45
Intermediate Care Development Manager	-	45	45	45
Health, Social Care & Well Being Strategy	-	100	100	100
Total	420	658	1,079	519

Total WAG Grant – This includes Children First income of £40k and £479k income from the Joint Working Grant. The Children with Disabilities income is broken down into £40k Children First and £134k income from the Joint Working Grant.

15. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Total 2004/05 £'000		Chargeable 2005/06 £'000	Non Chargeable 2005/06 £'000	Total 2005/06 £'000
	Expenditure:			
342	Employees	193	162	355
28	Transport	21	11	32
36	Supplies & Services	14	9	23
162	Central & support service charges	103	69	172
568	Total Expenditure	331	251	582
	Income:			
360	Building Regulations charges	330	-	330
3	Miscellaneous	-	3	3
363	Total Income	330	3	333
205	(Surplus)/Deficit	1	248	249

16. Agency Expenditure

The Authority no longer undertakes works on repairs to the sewer systems and maintenance of pumping stations on behalf of Welsh Water (Glas Cymru).

17. Long Term Contracts

The following table illustrates future obligations in respect of long term contracts:-

Details of Contract	2006/07 £'000	2007/08 £'000	2008/09 £'000
CCTV - Maintenance of cameras	69	70	72
Waste Management	8,351	9,032	9,769
Public Transport	660	691	723
Contracts /Service Agreements for care and support services	25,850	25,850	25,850
Totals	34,930	35,643	36,414

Personal Services are committed to providing a range of services to service users on an ongoing basis from independent providers as well as its own provision. Services purchased from the independent sector include residential care, supported living schemes, supporting people services, aids and adaptations, transport and independent domiciliary care. In addition the authority provides funding to a range of voluntary organisations to provide services on an ongoing basis, with the level of funding being subject to an annual inflationary increase. The authority is also committed to offering direct payments to service users where appropriate. Therefore at the 31/03/06, the Directorate has ongoing contractual commitments in relation to these services relating to specific service users, schemes or complete services. The length of the specific contractual commitment can vary e.g. for placements in residential/nursing homes the commitment is dependent on how long a resident stays at the home. The level of demand for these services is dependent upon the turnover/needs of service users, but it is expected that year on year the ongoing commitment will remain relatively stable. The figure is shown gross of any charges which services users would pay for the services they receive and of any contributions from other agencies.

18. Local Government (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. A more in depth analysis has been carried out this year and the net income for these services is set out below:

2004/05 £'000	Category of Supply	Client	2005/06 £'000
	Supply of Goods or Materials	Bro Morgannwg NHS Trust	93
		Newport Council	1
		Bridgend Local Health Board	753
		Cardiff County Council	3
		Caerphilly County Borough Council	210
		City of Sunderland Council	14
		Merthyr County Borough Council	190
		Neath Port Talbot Council	6
		Rhondda Cynon Taff Council	357
		Royal Kinston Council	5
		Thurrock Council	24
		Vale of Glamorgan Council	370
44			2026
	Provision of Administrative Professional or Technical Services	Bridgend College	249
		Careers Service	2
		ESIS	4
		Blaenau Gwent County Borough Co	2
		Commissioning Support Unit	3
		Education Business Partnership	2
		Hafod Housing Association Ltd	5
		Pec Project	2
0			269
	Use of Vehicles, Plant or Apparatus	Hampshire Council	2
11		Welsh Assembly Government	8
		South Wales Fire Service	5
11			15
55	Total		2310

19. Minimum Revenue Provision

The Council is required by statute to set a Minimum Revenue Provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2005/06 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Authority.

	Council Fund £'000	Commutation Adjustment £'000	Total £'000
CFR 01/04/05	119,885		119,885
Factor A Adj	(82)		(82)
Adj CFR	119,803		119,803
MRP - 4%	4,792		4,792
Commutation Adj		(439)	(439)
Sub-total MRP	4,792	(439)	4,353
Additional Voluntary MRP	223		223
Total MRP	5,015	(439)	4,576

20. Officers' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £60,000 or more for the year is as follows:

2004/05 Restated Number of Employees	Remuneration Band	Number of Employees		
		Left in Year	Movement in Bandings	2005/06
11	£60,000 - £69,999	-1	-3	7
8	£70,000 - £79,999	-1	6	13
1	£80,000 - £89,999	0	0	1
2	£90,000 - £99,999	0	1	3
1	£100,000 - £109,999	0	-1	0
1	£110,000 - £119,999	0	0	1
0	£120,000 - £129,999	0	1	1
24		-2	4	26

21. Members' Allowances

The expenditure on Members' Allowances for 2005/06 was £952,168 (*£910,510 in 2004/05). This is made up of Basic Allowances (£680,509) and Special Responsibility Allowances (£271,658). Allowances paid are based on guidance issued on allowances for members of county and county borough councils and National Park Authorities carried out by Birmingham University on behalf of the National Assembly for Wales.

22. External Audit Costs

In 2005/06 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2004/05 £'000		2005/06 £'000
213	External audit services	260
85	Statutory Inspection	84
119	Grant Claims and Returns	113
7	Other Services	17
424	Total	474

23. Group Accounts

The Council has interests in Groundwork Bridgend and Neath Port Talbot (Associate Company) and Mid Glamorgan Enterprise Company (Subsidiary Company). Mid Glamorgan Enterprise Company is a dormant company.

Groundwork Bridgend and Neath Port Talbot is a company limited by guarantee and registered charity whose objectives are to promote conservation and provide facilities in the interests of social welfare for recreation and leisure time occupation. Bridgend CBC has insufficient management influence or financial liability (£1) with Groundwork Bridgend and Neath Port Talbot to require consolidation to the accounts. The company had net assets of £650k as at 31st March 2005. A copy of the accounts can be obtained by writing to Groundwork Bridgend and Neath Port Talbot, The Engine House, Parc Tondy, Maesteg Road, Tondy, Bridgend CF32 9TF.

Neither of these interests are considered to be material and consolidated accounts have not been prepared.

24. Related Party Transactions

FRS 8 identifies that the financial position and results of an organisation may be affected by the existence of related parties and by material transactions with them. In the main, material transactions with related parties are already disclosed in the Statement of Accounts. The related party transactions included are cross-referenced to the statement of accounts in the following table.










Related Party Transaction	Reference
Central Government: Revenue Grants Capital Grants	Page 49 (CRA Notes) Page60 (Explanatory Foreword)
Precepts and Levies	Page 47 (CRA Notes)
Rhondda Cynon Taff County Borough Council Pension Fund	Page 48
Department of Education and Employment (Teachers Superannuation Fund)	Page 48

Personal Services have various related party transactions as detailed below:-

Organisation	Nature of Payment	£'000
Welsh Assembly Government	Specific Grants	10,479
Independent Care Providers	Provision of Care Services	13,584
Voluntary Organisations	Provision of Funding to support services	1,337
Total		25,400

Chief Officers and Members

Authority Members had various roles in a number of organisations during 2005/06 including:-

-  Town and Community Councils
-  Noddfa Chappel Community Project
-  Community Associations
-  Coity Walia Board of Conservators
-  Glamorgan Holiday Home
-  Communities First Caerau
-  Maesteg Town Hall
-  Wyndham Boys and Girls Club
-  Board of Governors of Schools

NOTES TO CONSOLIDATED BALANCE SHEET

25a Movement of Fixed Assets

	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra- Structure £'000	Comm- unity Assets £'000	Total £'000
Operational Assets					
Certified valuation at 31st March 2005	301,992	12,233	126,508	1,893	442,626
Accumulated depreciation and impairment	(5,919)	(7,150)	(27,773)		(40,842)
Net book value at 31st March 2005	296,073	5,083	98,735	1,893	401,784
<u>Movement in 2005/06</u>					
Additions	7,242	1,370	6,099	28	14,739
Non Enhancement written out to Deferred Charges	(862)	(2)	(189)	0	(1,053)
Net Additions	6,380	1,368	5,910	28	13,686
Reclassification	3,617		155		3,772
Disposals / Deminimis	(45)	(21)	(20)		(86)
Revaluations	0	0	0		0
Depreciation	(5,630)	(1,124)	(4,363)		(11,117)
Impairments	(1,850)				(1,850)
Net book value at 31st March 2006	298,545	5,306	100,417	1,921	406,189

During 2005/06 assets were disposed of which had a book value of £1.269m.

	Investment Properties £'000	Assets Under Construct. £'000	Surplus Assets £'000	Total £'000
Non-Operational Assets				
Certified valuation at 31st March 2005	13,799	4,792	6,113	24,704
Accumulated depreciation and impairment	(94)		(2,213)	(2,307)
Net book value at 31st March 2005	13,705	4,792	3,900	22,397
<u>Movement in 2005/06</u>				
Additions	58	2,200		2,258
Non Enhancement written out to Deferred Charges		(380)		(380)
Net Additions	58	1,820	0	1,878
Reclassification	1,616	(4,730)	(658)	(3,772)
Disposals / Deminimis	(1,077)	(76)	(30)	(1,183)
Revaluations				0
Depreciation	(108)	(76)	(5)	(189)
Impairments				0
Net book value at 31st March 2006	14,194	1,730	3,207	19,131

Total Tangible Fixed Assets

Tangible Fixed Assets	£'000
Other Land & Buildings	298,545
Vehicles, Plant & Equipment	5,306
Infrastructure	100,417
Community Assets	1,921
Non-operational Assets	19,131
Total	425,320

25.b Summary of Fixed Assets held

Category	Number as at 31st March 2005	Number as at 31st March 2006
Schools	68	68
Other Educational Establishments	3	4
Libraries	7	7
Car Parks	17	17
Cemeteries and Buildings	20	20
Crematoria	1	1
Reclaimed Land	18	18
Markets	2	2
Shops	9	9
Public Conveniences	19	19
Nature Reserves	1	1
Social Services Establishments	29	29
Bus Stations	2	2
Sports Pavilions	43	43
Recreation Grounds and Parks	16	16
Recreation & Entertainment Centres	12	12
Community Centres	17	17
Swimming Pools	5	5
Industrial Estates	24	24
Civic Offices	2	2
Other Offices	5	5
Depots	9	9
Vehicles	87	95
Miscellaneous Assets	24	24

25.c Capital Commitments

At 31st March 2006 commitments of approximately £1.987 million existed on capital works contracts started before that date, details of which are shown in the table below.

2004/05 £'000	Description	2005/06 £'000
1,542	Renovation Grants	522
528	Transport Grant Schemes	0
505	Bridgend Valleys' Gateway	0
23	Bridgend War Memorial	0
0	Bridgend Town Centre Regeneration	459
0	Maesteg Town Centre Regeneration	506
0	Litchard Industrial Estate	500
2,598	Total	1,987

25.d Fixed Asset Valuation

The freehold and leasehold properties of Bridgend County Borough Council were valued as at 1st April 2004 by Cooke and Arkwright Chartered Surveyors on the under mentioned basis in accordance with the Statements of Asset Valuation, Practice and

Guidance Notes of the Royal Institution of Chartered Surveyors. The revaluation carried out was recorded in the Statement of Accounts as at 31st March 2004. Fixed Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies on page 23.

25.e Assets Held Under Finance Leases

Any remaining assets held under finance leases have a zero net book value as at 31st March 2006. This was also the case as at the 31st March 2005.

25.f Analysis of Capital Expenditure

2004/05 £'000	Description	2005/06 £'000
15,416	Operational Fixed Asset Net Additions	13,686
3,104	Non-Operational Fixed Asset Net Additions	1,878
5,768	Operational Non Enhancement Exp written out to Deferred Charges	1,053
63	Non-Operational Non Enhancement Exp written out to Deferred Charges	380
5,208	Deferred Charges	5,680
29,559	Total	22,677

25.g Sources of Finance for Acquisition of Fixed Assets

2004/05 £000	Source	2005/06 £'000
9,651	Loans	7,584
17,729	Government Grants	13,337
2,425	Capital Receipts	644
641	Revenue Contribution	299
284	Other Contributions	813
(1,171)	Net Accruals	0
29,559	Total	22,677

25.h Deferred Charges

These relate to capital expenditure that does not result in a tangible fixed asset. They include renovation grants and contributions towards capital expenditure incurred by other parties.

	Balance b/f £'000	Exp. In Year £'000	Written to Revenue £'000	Bal. c/f £'000
Operational Non Enhancement Expenditure written out to Deferred Charges	0	1,053	(1,053)	0
Non-Operational Non Enhancement Expenditure written out to Deferred Charges	0	380	(380)	0
Improvement Grants	0	3,183	(3,183)	0
Other	0	2,497	(2,497)	0
	0	7,113	(7,113)	0

25.i Capital Financing Requirement and the Financing of Capital Expenditure

Total £'000 2004/05	Capital Financing Requirement	£'000 2005/06 Assets	2005/06 Deferred Charges	£'000 2005/06 Total
116,158	Opening Capital Financing Requirement			119,885
	Capital Investment			
15,416	Operational Assets	13,686		13,686
3,104	Non-operational Assets	1,878		1,878
11,039	Deferred Charges and Intangible Assets		7,113	7,113
	Sources of Finance			
(18,013)	Grants & Contributions			(14,150)
(1,254)	Capital receipts applied			(644)
(641)	Revenue Contributions			(299)
(1,698)	Prior year adjustments			(73)
(4,047)	Minimum Revenue Provision	(4,353)		(4,353)
(179)	Additional Voluntary Contributions	(223)		(223)
119,885	Closing Capital Financing Requirement	10,988	7,113	122,820

26. Loan Premiums Paid and Received

This represents the premiums paid on the early redemption of loans.

2004/05 £'000		2005/06 £'000
6,106	Balance brought forward	7,025
1,447	New Premiums	-
(528)	Charged to Revenue Accounts	(493)
7,025	Balance carried forward	6,532

27. Long Term Debtors

These represent the value of long term loans made by the Council to former tenants and private households for mortgages are analysed as follows:

	Mortgages Total £'000
Balance brought forward	643
Loans Repaid	(164)
Balance carried forward	479

28. Debtors

This represents the monies owed to the Council after making provision for debts that might not be recovered. The main debtors are listed below:

2004/05 £'000				2005/06 £'000
	Taxpayers:			
5,192	Council Tax			4,609
2,901	Business Rate Payers			2,626
	Others:			
2,107	Customs and Excise VAT			1,618
5,027	Government Grants			4,670
	Capital Debtors			27
1,538	National Assembly for Wales NDR Pool			576
5,374	Sundry Debtors			5,488
4,426	Reserve Debtors			4,301
4,478	Capital Grants			3,426
587	Housing Benefits Overpayments			0
628	Other			245
32,258				27,586
(4,454)	Less Bad Debt Provision			(3,777)
27,804	Total			23,809

Note 28a

The bad debt provision comprises:

2004/05 £'000				2005/06 £'000
838	Sundry Debtors			629
1,925	Council Tax Payers			1,829
637	Housing Benefits			540
909	Business Rate Payers			779
145	Council House Tenants			-
4,454	Total			3,777

29. Creditors

These represent monies owed by the Council and are analysed as follows:

2004/05 £'000				2005/06 £'000
11,779	Other Reserve Creditors			13,233
744	Capital Creditors			601
2,980	Payroll Creditors			3,426
6,425	Revenue Creditors			6,446
2,038	Government Grants			688
1,929	Local Tax Payers			1,925
1,846	Superannuation Fund			2,081
248	Private Street Works			187
103	Miscellaneous Deposits			203
316	Other			508
28,408	Total			29,298

30. Provisions

The Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding claims. However the actual cost of individual claims and the timing of payments is uncertain.

Summary of Movements:

	Balance b/f £'000	Expenditure £'000	Income £'000	Written Off £'000	Balance c/f £'000
Insurance (BCBC)	4,357	(2,260)	1,159	0	3,256
Total	4,357	(2,260)	1,159	0	3,256

31. Long Term Loans

Long-Term borrowing represents amounts owed by the Council that are not due to be repaid within the next year. The Council uses long-term borrowing to finance capital expenditure. The average interest rate for all loans as at 31st March 2006 was 5.05%.

2004/05 £'000				2005/06 £'000
	Analysis of Loans by Type			
68,209	Public Works Loans Board			64,413
23,250	Financial Institutions			23,250
91,459	Total			87,663
	Analysis of Loans by Maturity			
3,795	Between 1 and 2 years			871
4,811	Between 2 and 5 years			4,114
4,238	Between 5 and 10 years			4,063
78,615	More than 10 years			78,615
91,459	Total			87,663

32. Government Grants and Capital Contributions Deferred

Where the acquisition or enhancement of a fixed asset is financed wholly or in part by a government grant or other contribution, the amount of the grant is credited initially to the Government Grants deferred account or in the case of a capital contribution to the Capital Contributions Deferred Account. Amounts are then released to the asset

management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

The balance on both these accounts represents the remaining value of capital grants or contributions which have been applied to finance the acquisition or enhancement of fixed assets held in the asset register which are subject to depreciation.

2004/05 £'000		2005/06 £'000
44,561	Balance brought forward	53,593
10,655	Grants Credited in year	9,457
0	Previous Year Adjustment	157
(1,623)	Grants Applied in Asset Management Account	(1,988)
53,593	Balance as carried forward	61,219

33. Fixed Asset Restatement Account (FARA)

This account represents the difference between the historic cost of fixed assets and their revaluations in the Asset Register. The account will be written down by the net book value of assets as they are disposed of and debited or credited with deficits or surpluses arising from future revaluations. The movements for the year are summarised in the table below.

2004/05 £'000		2005/06 £'000
224,940	Balance Brought Forward	224,320
0	Revaluation of Assets	186
(620)	Disposal of Assets	(1,078)
224,320	Total	223,428

34. Capital Financing Account (CFA)

This account contains the amount of capital expenditure financed from capital receipts and revenue. It also contains the difference between amounts provided for depreciation and that required by statute to be charged to revenue to repay the principal element of external loans. The movements for the year are shown in the table overleaf.

2004/05 £'000		2005/06 £'000	2005/06 £'000
33,361	Balance Brought Forward		27,013
641	Revenue Contribution to Capital	299	
0	Adjustment previous year's financing	(423)	
2,591	Capital Receipts used to Finance Capital Expenditure	644	
3,232			520
4,047	Minimum Revenue Provision (Note 19)	4,353	
(10,921)	Depreciation	(11,306)	
(338)	Impairment	(1,850)	
1,623	Government Grants and Contributions Written Down	1,988	
226	Mortgage Repayments (Council Fund)	(163)	
179	Prudential Code Principal Repayment	224	
(4,396)	Capital Expenditure charged to Revenue	(2,447)	
(9,580)			(9,201)
27,013	Balance Carried Forward		18,332

35. Useable Capital Receipts Reserve

This represents the capital receipts available to finance expenditure in future years.

2004/05 £'000		2005/06 £'000
11,052	Balance Brought Forward	9,777
1,351	Capital Receipts Received	583
0	Receipts adjustment previous year's financing	544
(2,626)	Receipts Used to Finance Capital Expenditure	(644)
9,777	Balance Carried forward	10,260

The reserve includes a balance set aside of £5.0m for outstanding liabilities in respect of stock transfer. These include underfunded superannuation (£2.5m) for transferring employees and any unforeseen issues relating to transferred houses not covered by the extensive environmental warranty or housing disrepair claims.

36. Revenue Reserves

The total of revenue reserves in the Balance Sheet as at 31st March 2006 is detailed below with descriptions of what they represent:-

2004/05 £'000		2005/06 £'000
7,476	Council Fund Balance	7,712
3,343	Delegated Schools Balance	3,199
	Earmarked Balances :-	
648	Corporate Services (Note 36a)	859
236	Education Leisure and Community Services (Note 36a)	(237)
260	Environment and Planning (Note 36a)	(81)
131	Chief Executive Directorate (Note 36a)	139
176	Personal Services Directorate (Note 34a)	(716)
370	Business Restructuring Reserve (Note 36b)	338
484	Business Systems Development (Note 36c)	129
470	Children's Services Reserve (Note 36d)	716
0	Customer Services Satisfaction Reserve (Note 36e)	150
227	Energy Conservation Fund (Note 36f)	228
145	Job Evaluation (Note 36g)	750
0	HR / Payroll Re-engineering Reserve (Note 36h)	340
600	Maesteg Schools PFI (Note 36i)	600
1,955	Reserve for Former Mid Glamorgan CC Liabilities (Note 36j)	1,225
636	Other Minor Reserves	381
205	Financial Systems Re-engineering (Note 36k)	255
0	Insurance Reserve (Note 36n)	1,209
300	Waste Management Reserve (Note 36l)	1,050
412	Interest Actualisation Reserve (Note 36m)	699
7,255	Earmarked Balances	8,034
18,074	Total	18,945

Analysis of Delegated Schools Balance

2004/05 Closing Balance £'000		2005/06 Over spends £'000	2005/06 Under spends £'000	2005/06 Closing Balance £'000
0	Nursery Schools	0	24	24
1,550	Primary Schools	(137)	1,267	1,130
1,431	Secondary Schools	-	1,547	1,547
362	Special Schools	-	498	498
3,343	Total	(137)	3,336	3,199

Note 36a Directorate Over/Underspends Carried Forward

Besides general revenue reserves for the Council Fund and schools, the Council has established earmarked revenue reserves for each Directorate to enable over and under spends to be carried forward to the next financial year. These reserves are earmarked for specific purposes.

Note 36b Business Restructuring Reserve

This reserve was initially set up as a result of the transfer of the Authority's housing stock to Valleys to Coast Housing (V2C) to take account of the loss of services charged to housing which could no longer be made. It will now be used to deal with any residual issues in relation to service level agreements which are due to cease with V2C but primarily to deal with any restructuring required as a result of the Cultural and Central Services Reviews carried out by the Wales Audit Office.

Note 36c Business Systems Development

This fund has been set up from underspends on the revenues budgets in order to ensure that during the new system implementation there is no loss of service to the public. It will also be used to progress e-government payment initiatives and customer services.

Note 36d Children's Services Reserve

This reserve has been established to provide for the overspend on Personal Services that has resulted from pressures on Children's Services. This was agreed as part of the Budget 2006-07 process.

Note 36e Customer Services Satisfaction Reserve

This reserve had been set up to develop a strategy to make services more accessible to the public.

Note 36f Energy Conservation Fund

The Energy Conservation Fund was set up to help finance work carried out on council establishments with a view to reducing energy consumption. Advances are made from the fund to Directorates and repaid over a five-year period.

Note 36g Job Evaluation

The purpose of this reserve is two-fold. Approximately £250k is to pay for the project team set up to review all posts within the authority, with the balance to be used as a contribution to equalising pay scales following the review. The review should be completed by 1 April 2007.

Note 36h HR / Payroll Re-engineering Reserve

This reserve has been set up to address development activity on the HR/Payroll system and the restructuring of HR/Payroll functions across the authority.

Note 36i Maesteg Schools PFI

It is likely that the PFI negotiations will be concluded in 2006 and financing costs will become due. An amount has been set aside to meet these costs.

Note 36j Reserve for Former MGCC Liabilities

A single provision has been established as cover for all the potential liabilities arising out of the former County Council, subsuming the former provisions for Former MGCC Insurance, Upper Garw Land Reclamation, Stormy Farm and part of the Provision for Doubtful Debts. The current post balance sheet events include Coed Ely Land Reclamation Scheme and Talbot Green By Pass.

Note 36k Financial Systems Re-Engineering

This reserve will be used for planned system development during 2006/7 to 2008/9 in relation to the authority's core financial ledger systems, including the purchase of a procurement module.

Note 36l Waste Management Reserve

This earmarked reserve has been established due to the delay in the Materials Recovery and Energy Centre ('MREC') becoming operational. It will be used to offset increased waste management costs in 2006/07 and future years.

Note 36m Interest Actualisation Reserve

This reserve has been created to average out interest payments of market bonds with stepped interest rates. The funding has come from the Asset Management Revenue Account.

Note 36n Insurance Reserve

This reserve is based on the assessment for future liabilities from the actuary.

37. Other Funds

These Funds relate to monies the Authority holds on behalf of various Social Service clients.

38. Trust Funds

The authority administers Trust Funds, which are mainly of an educational or recreational nature. A large proportion of the balances are invested in the Authority's internal balances. The Trust Funds do not represent assets of the Council and are accounted for separately. The principal categories of funds and balances at the 31st March 2006 are:

2004/05		2005/06
£		£
102,188	Social Services Home For The Elderly	107,143
54,787	Education	55,348
38,019	Nantymoel Workmans Hall	39,886
53,372	Swimming Development Fund	46,659
1,009	Other	1,054
249,375	Total	250,090

39. Contingent Liabilities

Municipal Mutual Insurance Ltd

Prior to Local Government Reorganisation the former Ogwr Borough Council's insurance cover was provided by Municipal Mutual Insurance Ltd., but this company hit severe financial difficulties and ceased to write new or renew policies. The company is in the process of running off its assets and liabilities but because of the nature of insurance liabilities this is likely to take many years. Currently the company is still regarded as solvent and expected to complete the run off with a surplus. However, in order to reduce the risk of this becoming insolvent a scheme of arrangements has been agreed between the company and its major creditors. As a result of this the company continues to meet the Council's claims in full but if at some time in the future the run off ceases to be solvent a retrospective levy may be made on claims paid since 30th September 1993 and a percentage reduction made to future claims.

Housing Stock Transfer

As a result of the transfers of the Authority's council houses to Valleys to Coast Housing, there are a number of residual issues for which the Authority may be liable. There are residual housing disrepair claims that have yet to be settled and there are environmental issues that are not covered by the environmental warranty. However, the effect of these issues cannot be quantified at present.

40. Analysis of Net Assets Employed

2004/05 £'000				2005/06 £'000
93,590	General Fund			83,757
0	HRA			0
7,208	Trading Accounts			7,003
100,798	Total			90,760

41. Pensions Liabilities, FRS 17 Disclosures

Employees are admitted to the Rhondda Cynon Taf County Borough Council Pension Fund, which is administered by Rhondda Cynon Taf County Borough Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme. The figures disclosed below are based on the liabilities determined in the Actuarial Valuation as at 31st March 2004 on a going concern basis. The results have been adjusted by allowing for FRS17 financial assumptions and rolling forward the liabilities to the 31st March 2006 in an approximate manner.

The demographic assumptions used are exactly the same as for the previous valuation. The main financial assumptions used were:

	31st March 2004 % pa	31st March 2005 % pa	31st March 2006 % pa
Inflation rate	2.9	2.9	3.0
Discount rate for scheme liabilities	6.4	5.3	4.9
Discount rate for pension costs over year	5.4	5.3	4.9
Rate of pension increases	2.9	2.9	3.0
Rate of salary increases	4.7	4.4	4.5

Assets are valued at fair value, principally market value for investments. The proportions of total assets held in each asset type by the Fund as a whole as at 31st March 2004, 2005 and 31st March 2006 are set out in the following table.

	31st March 2004 %	31st March 2005 %	31st March 2006 %	Long Term Return 31st March 2004 %	Long Term Return 31st March 2005 %	Long Term Return 31st March 2006 %
Equities	76	77	82	7.7	7.7	7.3
Bonds – Government	15	16	12	4.7	4.7	4.3
Bonds - Corporate	1	1	2	5.5	5.3	4.9
Property	0	0	0	6.7	6.7	6.3
Other	8	6	4	4.2	4.8	4.6
Total	100	100	100			

The following amounts show the assets and liabilities of the Fund that are attributable to Bridgend County Borough Council. The overall position of the Fund is represented in the following tables and shows an increase in the deficit of £2.59m.

	31st March 2004 £m	31st March 2005 £m	31st March 2006 £m
Share of Assets	181.31	162.04	209.35
Estimated Funded Liabilities	(293.73)	(325.79)	(374.76)
Estimated Unfunded Liabilities	(13.62)	(14.63)	(15.56)
Bridgend CBC Deficit	(126.04)	(178.38)	(180.97)

Bridgend CBC has usable reserves of £27.7m, representing a shortfall of £153.27m on the notional loss on the Pension Fund relating to Bridgend CBC. Any claw back of losses on the Pension Fund is subject to actuarial revaluations that take place every three years. Bridgend CBC is required to comply with actuarial advice.

The movement in the net deficit for the year to 31st March 2006 is as follows:

	31st March 2005 £m	31st March 2006 £m
Deficit in the Fund at the Beginning of the Period	(121.13)	(178.38)
Contributions paid	12.12	13.63
Current service cost	(11.25)	(11.77)
Past service cost	(0.22)	6.49
Gain/Loss on Settlements or Curtailments	0.00	0.00
Expected return on Pension Fund assets	12.88	11.56
Interest on Pension Scheme liabilities	(19.74)	(18.15)
Actuarial gains (losses)	(51.04)	(4.35)
Deficit in the Fund at end of period	(178.38)	(180.97)

Changes to the Local Government Pension Scheme

Changes to the Local Government Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6th April 2006 will take advantage of this change to the pension scheme.

Our actuaries have advised that this will reduce the value of the Council's pension liabilities by £7.12 million. The effect of this has been included in the Past Service Costs below.

Disclosure of Information about Movements on the Net Liability

The following transactions in respect of the Pension Fund have been made during the year:-

2004/05 £'000	Consolidated Revenue Account	2005/06 £'000
(12,120)	Contributions towards Funded Liabilities	(12,730)
	Unfunded Benefit Payments	(900)
11,250	Current Service Costs	11,770
(870)	Services Expenditure CRA	(1,860)
	Non-Distributed Costs	
220	Past Service Costs	(6,490)
(650)	Net Cost of Services	(8,350)
6,860	Pension Interest Cost & Expected Return on Assets	6,590
6,210	Net Operating Expenditure	(1,760)
(6,210)	Transfer to/(from) Pensions Reserve	1,760
-	Amount to be met from Local Tax Payers & Government Grant	-

2004/05 £'000	Funding Position	2005/06 £'000
162,040	Estimated Assets in Scheme	209,350
(340,420)	Estimated Liabilities in Scheme	(390,320)
(178,380)	Net Asset / (Liability)	(180,970)

2004/05 £'000	Statement of Total Movement in Reserves	2005/06 £'000
(6,210)	Appropriations to/from Revenue	1,760
(51,040)	Actuarial Gains & (Losses) relating to Pensions	(4,350)
(57,250)		(2,590)

GLOSSARY OF TERMS

Accrual

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually received or paid as at the date of the balance sheet.

Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

Agency Services

Agency services are services provided for us by an outside organisation.

Amortisation

Reduction in value of capital expenditure which has not created an asset, through charges to revenue.

Audit

An audit is an independent examination of the Council's activities.

Balance Sheet

This is a statement of our assets, liabilities and other balances at the date of the end of the accounting period.

Best Value Accounting Code of Practice (BVACOP)

The Best Value Accounting Code of Practice modernises the system of Local Authority accounting and reporting to ensure it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

Budget

A budget (or estimate) is a plan of income and spending, based upon which council tax is set. Actual expenditure and income is subsequently monitored against this plan.

Capital Expenditure

Capital expenditure is spending on fixed assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

Capital Financing Account

This is money set aside in the Council's accounts for capital spending and to repay loans.

Capital Receipt

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

Cashflow Statement

This is a statement that summarises the movements in cash during the year.

Consolidated Balance Sheet (CBS)

The balance sheet combines the assets, liabilities and other balances of all our services, at the end of the financial year, 31st March.

Consolidated Revenue Account (CRA)

This account records day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Contingent Liabilities

A Contingent Liability is a possible obligation that arises from past events on whose existence will be confirmed by the occurrence of uncertain future events.

Corporate and Democratic Core (CDC)

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

Creditor

A creditor is an organisation / someone owed money by the Council at the end of the financial year for goods / services received during the financial year.

Current Assets

These are short-term assets that are available for the Council to use in the following accounting year.

Current Liabilities

These are short-term liabilities that are due for payment by the Council in the following accounting year.

Debtor

A debtor is an organisation / someone who owed the Council money at the end of the financial year for goods / services received during the financial year.

Deferred Grants

The Government Grants Deferred account represents the balance of grants applied to the financing of fixed assets awaiting amortisation to the asset management revenue account (AMRA) to match the depreciation of the relevant assets.

Delegated Schools

A Delegated School is one managed independently. The funds of these schools are held outside of the Council's General Fund balances.

Depreciation

Depreciation is the estimated loss in value of fixed assets that are presented in the Balance Sheet.

Direct Service Organisation (DSO)

This was a term referring to parts of the Council's own organisation. It consisted of workers directly employed (including supervisory staff), accommodation, equipment etc used to carry out specified tasks for the Council.

Earmarked Reserves

These are reserves set aside for a specific purpose.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March of the following year.

Finance Leases

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

Fixed Asset

These are long-term assets that are used in the provision of services. (usually for more than one year).

Fixed Asset Restatement Account (FARA)

This represents the non-distributable increase/decrease in the valuation of fixed assets.

Financial Reporting Standard (FRS)

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Leasing

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

Liability

A liability is an amount payable at some time in the future.

Minimum Revenue Provision (MRP)

This is an amount that has been set aside to repay loans.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge to occupiers of business premises. The money collected is paid to the Welsh Assembly Government and redistributed to individual authorities in proportion to their adult population.

Net Realisable Value

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

Non Distributable Costs (NDC)

NDC is a category of costs defined by the Best Value Accounting Code of Practice. It represents:

- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

Open Market Value in Existing Use (OMVEU)

OMVEU is a basis for valuation of fixed assets.

Operating Assets

These are assets used in the running / provision of services.

Operating Leases

These are leases where risks of ownership of the asset remain with the owner.

Post Balance Sheet Events

Post Balance Sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the fair presentation of the accounts.

Precepts

This is the amount paid to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

Prior Year Adjustment

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Provision

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

Provision for Credit Liabilities (PCL)

This is money set aside to repay debt. This forms part of the capital financing account (CFA).

Public Works Loan Board (PWLB)

This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow.

Related Party Transactions

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

Reserves

These are the sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

Revenue Account

This is an account which records our day to day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Statement of Standard Accounting Practice (SSAP)

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

Statement of Total Movements in Reserves

The purpose of the statement is to show all gains and losses recognised in a period, to reflect the Council's financial performance during the year.

Statement on the System of Internal Financial Control

This statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

Stocks

Stocks are raw materials purchased for day to day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the balance sheet.

Temporary Borrowing or Investment

This is money borrowed or invested for an initial period of less than one year.

Trust Fund

Trust funds hold money on behalf of an individual or organisation. Trustees administer the funds for the owners.

Voids

Voids are empty properties.

Wales Programme for Improvement (WPI)

As part of the requirement of the Wales Programme for Improvement, all Welsh Councils have to produce an annual Improvement Plan. This plan sets the Council's priorities for the coming year, identifies where improvements can be made and explains how performance can be measured.

Work in Progress (WIP)

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.