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Explanatory Foreword

By Gareth Moss, Corporate Director - Resources



1. Introduction To The Statement Of Accounts

The accounts for 2007/08 have been produced in line with a new Statement of Recommended Practice (SORP) for 2007. Specific changes include:

- The replacement of the Capital Financing Account and Fixed Asset Restatement Account with a Capital Adjustment Account and the Revaluation Reserve.
- Revised guidance on the treatment of Financial Instruments based on FRS 25, FRS 26 and FRS 29.

The purpose of these changes is to make Local Authority Accounts compliant with UK Generally Accepted Accounting Practice (UKGAAP).

These accounts consist of the following financial statements:

a) Statement of responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and its officers for the preparation and approval of the Statement of Accounts.

b) Annual governance statement

This statement provides a continuous review of the effectiveness of the Council's governance framework including the system of 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.

c) 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.

d) The 'core' financial statements

1. The income & expenditure account

This statement summarises the income and expenditure incurred on the day to day running of all the Council's activities. Some caution is required in interpreting this statement as the cost of services shown includes items which are not directly funded by the Council Tax payer. In particular this includes depreciation on the fixed assets owned by the Authority and the estimated cost of the shortfall on the pension scheme.

For 2007/08, the Authority showed a deficit on the Income and Expenditure Account of £12.032m. This does not however reflect the full financial position of the Council, which is clarified by the following statement.

2. Statement of movement on the general fund balance

This statement needs to be read together with the Income and Expenditure Account. It shows adjustments to be made to the balance on the Income & Expenditure account in order to explain how the cost of services has been financed from general government grants and by local taxpayers. This shows that the total Council fund balance has decreased by £0.068m. This is made up of a £0.380m increase in schools balances and a £0.448m decrease in the balance generally available.

3. Statement of total recognised gains and losses

This statement brings together the balance on the Income & Expenditure account with other gains and losses made by the Authority during the year such as those arising from a revaluation of fixed assets. The statement shows the total movement in the authority's net worth for the year, which is an increase of £39.6m.

4. Balance sheet

This shows the Council's financial position as at 31st March 2008, where the net worth of assets was £116.8m. 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.

5. Cash flow statement

This explains the financial position in cash terms and shows that the Council's cash position had decreased by £2.6m.

2. Funding council services

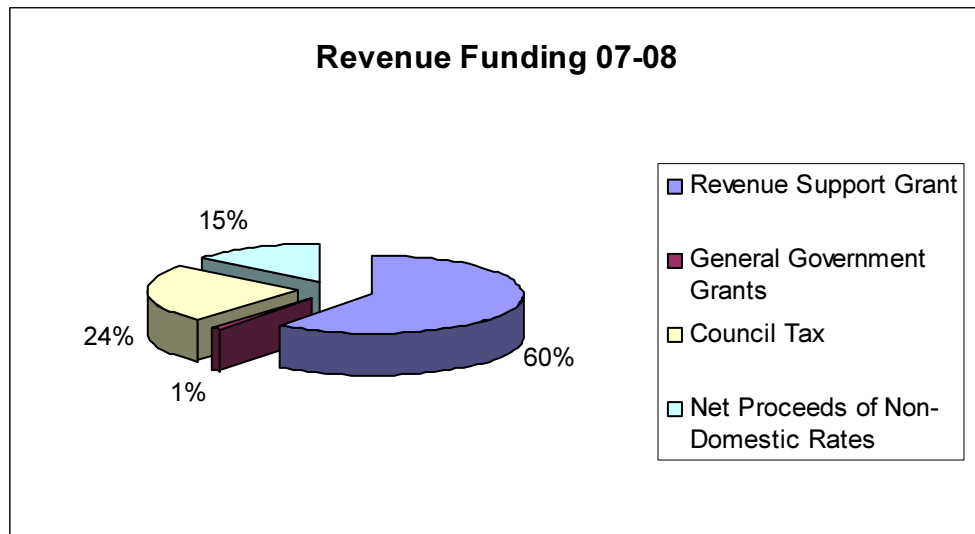
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

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 grants received from government.

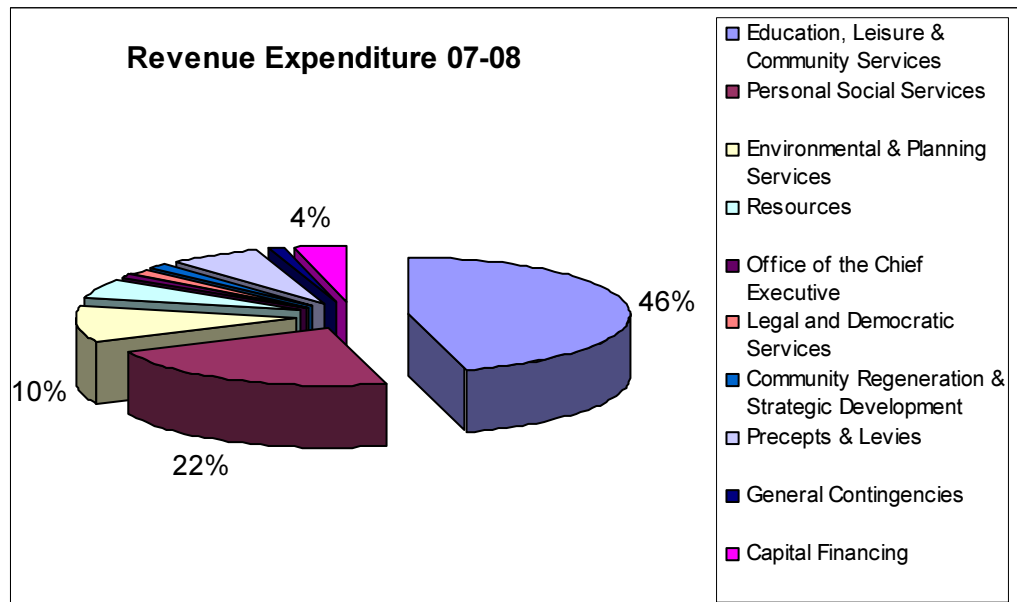
Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

a) Revenue spending on council services

Where the money came from.....



Where the money was spent.....



In 2007/08 £187.6m was spent on revenue services. This compares to £188.6m anticipated when the budget was set. Additional income from council tax and investment income, combined with the need to make contributions to earmarked reserves and contingency fund items resulted in an overall overspend for the Council of £0.448m.

The following table shows how the actual spend on services during 2007/08 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2007/08

	Revised Budget 07/08 £'000	Actual 07/08 £'000	Variance 07/08 £'000
Directorates			
Education, Leisure & Community Services	97,978	97,733	(245)
Personal Social Services	47,008	46,946	(62)
Environmental & Planning Services	22,157	22,188	31
Resources	12,831	12,275	(556)
Office of the Chief Executive	1,343	1,306	(37)
Divisions			
Legal and Democratic Services	4,233	4,168	(65)
Community Regeneration & Strategic Development	3,047	3,033	(14)
Net Cost of Services	188,597	187,649	(948)
Precepts & Levies	14,194	14,194	0
General Contingencies	1,807	2,464	657
Capital Financing	9,815	8,172	(1,643)
General Government Grants	(2,377)	(2,097)	280
Appropriation to/(from) Reserves	200	4,303	4,103
Net Expenditure	212,236	214,685	2,449
Revenue Support Grant	(129,780)	(129,780)	0
Non Domestic Rates	(31,283)	(31,283)	0
Council Tax	(51,173)	(53,174)	(2,001)
Net (Under)/Overspend on Services	0	448	448

Revised budgets differ from those set at the beginning of the year as they reflect any budget transfers from central funds and reserves to cover unplanned expenditure, along with transfers between Directorates resulting from realignment of responsibilities.

The above table reflects the Council's management structure during 2007/08 of five Directorates and two Divisions along with non-specific expenditure. This is how expenditure is monitored throughout the financial year with regular reports to Cabinet and can be compared with the original budget agreed by Council on 28th February 2007. This differs from the Income and Expenditure Account detailed within the Core Financial Statements which follows the Best Value Accounting Code of Practice structure for services and includes the effect of capital charges and internal recharges in order to allow for better inter- authority comparisons on total costs.

Reasons for differences between budget and spend

The financial position as at the 31st March 2008 showed an under-spend on service expenditure within the year of £0.948m.

The main reasons for this are:

- **Education, Leisure & Community Services** had an overall under-spend of £245,000 with the significant variances shown below :
 - Over-spend of £211,000 on education provision of a specialised nature due to increased demand for these services.
 - Over-spend of £383,000 on Early Years education as the costs of providing this service were more than the grant received from the Welsh Assembly Government.
 - Over-spend of £58,000 on Adult Education due to the late notification of the level of funding due for adult learning classes delivered under the Bridgend College Franchise.
 - An under-spend of £378,000 on Strategic Management resulting from delays in making appointments, secondments out of the directorate and general efficiencies. This was partly offset by an overspend on retirement / severance budget of £149,000.
 - An under-spend of £267,000 on the Schools Meals Service due to a reduced number of school days in the financial year, an under-spend on special school meals service and income from the free breakfast initiative to offset management costs.
 - An under-spend of £127,000 on the Advisory and Inspection Service resulting from staff savings due to use of grant funding rather than directorate resources.
 - An under-spend of £84,000 on Sport and Leisure Management which arose on the combined client and contractor budgets resulting from the non-filling of a number of vacant posts and savings on utility costs.
 - An under-spend of £82,000 on school transport due to a reduced demand for this service.
 - An under-spend of £29,000 on Library Services attributed to delays in filling a number of vacant posts offset by an increase in expenditure on books and equipment.

- **Personal Social Services** reported an under-spend of £62,000 which included:
 - An over-spend of £87,000 in Children's Services due to the need to invest in additional social work capacity linked to Children's Services business plan objectives to improve services.
 - An over-spend of £50,000 in Adult Services, mainly because some planned savings totalling £225,000 were not able to be progressed in 2007/08, but are part of the programme to remodel services in future years. This was largely offset however by an overall reduction in the need for residential/nursing care and other smaller savings such as part year costs only of new Direct Payments packages.
 - The above over-spends were more than offset by savings in Cross Directorate services from staff vacancy controls, income from grants and other agencies and some reduced service commitments.

- **Resources** reported an under-spend for the year of £556,000 made up of the following significant variances:-
 - An over-spend of £339,000 on Information and Communication for several reasons including increased communication charges and the need for an additional server.
 - An under-spend of £168,000 on Benefits resulting from staff vacancies and additional unanticipated grant income of £100k.
 - An under-spend of £331,000 on Housing Benefit Payments to Claimants resulting from an increase in performance in processing claims reducing the incidence of over-payments.
 - An under-spend of £114,000 on Council Tax, NNDR and Miscellaneous Income Collection following increased income from court costs.
 - An under-spend of £154,000 on Human Resources resulting from the restructuring of the function.

- **Environmental & Planning Services** had an overspend of £31,000 resulting from the main variances below :-
 - An over-spend of £367,000 on Highways that occurred due to higher than anticipated costs in relation to:-
 - Works required post flooding including Llynfi Road Culvert - £92,000
 - Increased signal costs - £60,000
 - High costs of street lighting energy - £125,000 more than 2006/07.
 - Highways safety fencing - £50,000
 - Delays in the National timetable for the implementation of provisions of the Traffic Management Act and Staffing shortages resulted in

- the inability to achieve the New Roads and Street Works Act income budget - £90,000
- General price increases in construction / highways arena of 9%.
 - An over-spend of £144,000 on Transportation and Engineering Administration as a result of costs of building cleaning, repairs and maintenance and purchase of equipment which increased due to a reorganisation of office accommodation; increased use of agency staff needed to cover staff absences; and increased training courses and conferences costs to ensure that professional staff maintain vital certification and professional skill sets.
 - An over-spend of £137,000 on Car Parking as a result of the loss of the Brackla 2 car park as part of the ASDA development. Income was £30k less than budget, but almost £130k less than that received in 2006/07. In addition there was a £107k overspend on running costs, largely as a result of increased repairs and maintenance.
 - An over-spend of £70,000 on Waste Management. The widely anticipated increases in the costs of waste disposal did not materialise in 2007/08. This means that the expected overspend of over £650k was reduced to £70k. Cost increases are still anticipated in 2008/09 and have been built into the budget accordingly.
 - An under-spend of £252,000 on Engineering Services as a result of fee income earned exceeding that anticipated when the budget was set. This service is treated as a trading account with fee rates set to recover overheads which are not reflected in the budget.
 - An under-spend of £198,000 on Architectural Services as a result of fee income earned exceeding that anticipated when the budget was set. The service operates as a trading account with fees set to recover total costs including recharges which are excluded from the budget.
 - An under-spend of £93,000 on Transportation due to staff vacancies in the Integrated Transport Unit and delays in the implementation of the Traffic Management Act.
 - An under-spend of £99,000 on Directorate and Central Administrative Support resulting from staffing vacancies that were held throughout the year and efficiency measures implemented to manage the workload.
- **Office of the Chief Executive** had an under-spend of £37,000 resulting from :-
 - An over-spend of £10,000 on Corporate Communications and Public Relations resulting from redundancy costs offset by some under-spends.

- An under-spend of £39,000 Business Efficiency & Effectiveness resulting from staff turnover and reduced working hours.
- An under-spend of £8,000 on the Chief Executive Support Unit resulting from savings on salaries and running costs partly offset by additional equipment costs and a charge for the Council Information Point.
- **Legal & Democratic Services** under-spent in the year by £65,000 with the significant variances as below:-
 - Over-spend on Legal of £48,000 resulting from additional Child Care costs partly offset by an under-spend on running costs.
 - An under-spend of £72,000 on Member Services resulting from delaying filling vacant posts.
- **Community Regeneration & Strategic Development** reported a year end under-spend of £14,000 resulting from:-
 - An over-spend of £16,000 on Economic Development due to redundancy/early retirement cost and additional costs on Enterprise Centres.
 - An under-spend of £12,000 on Tourism partly due to improved income from Tourist Information Centres.
 - An under-spend of £6,000 on Housing and Community Wellbeing resulting from staff vacancies.

Taking into account additional income, the bad debt provision for Council Tax and transfers to reserves, the overall position for the Council was an over-spend of £0.448m. This was as a result of:

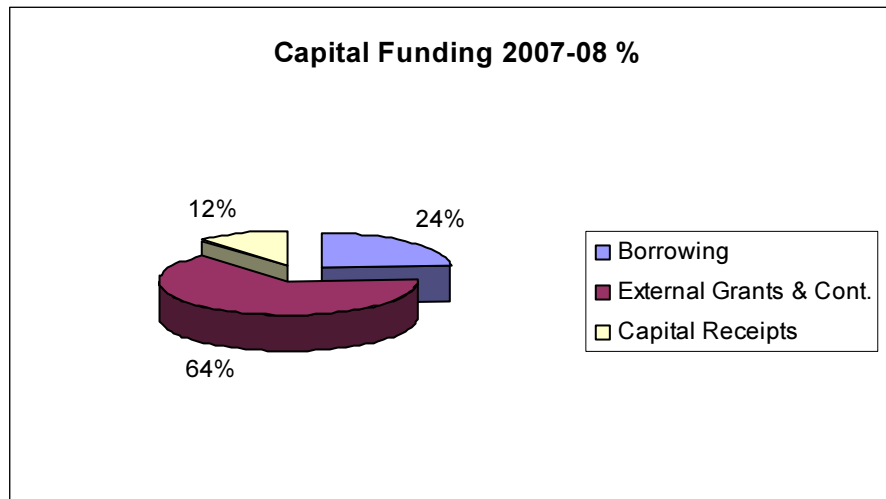
- An increase in Council Tax income over budget of £2m which arose from more new properties in higher bandings being completed in the year and appeals against existing bandings being less successful than anticipated.
- Reduced capital financing costs of £1.6m from increased investment income and lower borrowing than was anticipated at the time that the budget was set.
- An increased call on the Contingency Fund of £0.7m more than budgeted.
- The Local Authority Business Growth Incentive (LABGI) grant received from the Welsh Assembly Government was £0.3m less than the budget.
- A review of the Authority's Earmarked Reserves and Contingency Fund.

b) Capital spending in 2007/08

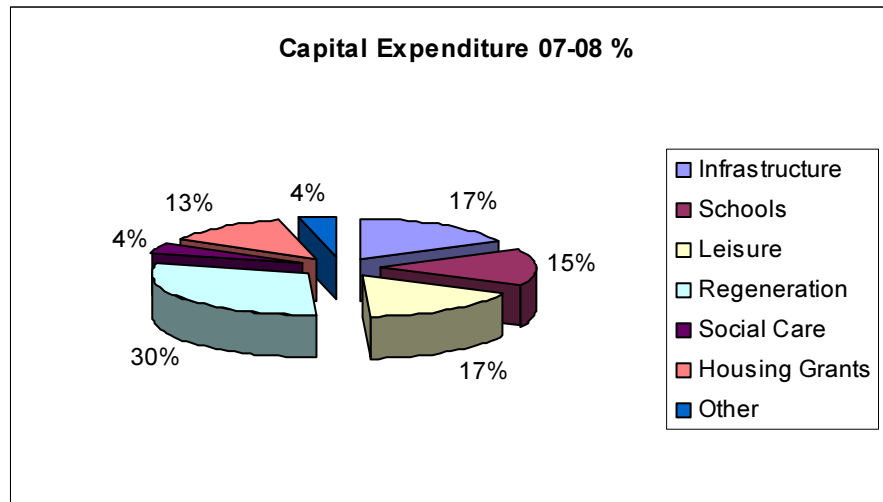
In addition to spending money providing services on a day to day basis, the Council also spends money providing new facilities, enhancing assets within the Council’s portfolio or providing capital grants to others. The total capital spending during 2007/08 was £30.6m. Assets created or improved as a result of this spend included:

- Investment of £9.27m in Regeneration including the on-going regeneration of Maesteg and Bridgend.
- £5.3m investment on leisure establishments including Ynysawdre swimming pool, Children’s play areas and Llynfi Library complex
- £5.27m investment in infrastructure assets.
- £4.52m investment in schools including extensions to Tremains Infants and Maes yr Haul Primary schools, works beginning on a new primary school at Caerau, works at Cwmfelin Primary school and Pencoed Comprehensive and Maesteg Comprehensive schools.
- £1.2m investment in social care establishments.
- Grants of £3.99m to provide disabled facilities and upgrades to the private housing stock in the County Borough.
- £1.04m on other capital schemes.

Where the money came from.....



What the money has been spent on.....



c) 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;
- 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	£130m
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 Balance Sheet, long term borrowing totalled £97.3m at 31st March 2008.

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 Corporate Director – Resources is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

3. The Council’s reserves

The financial reserves held by the Authority at 31st March 2008 can be summarised as follows:

	Opening Balance £’000	Movement £’000	Closing Balance £’000
Council Fund	7,727	(448)	7,279
Delegated Schools	2,640	380	3,020
Earmarked Reserves	6,548	2,020	8,568
Total Reserves	16,915	1,952	18,867

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. As part of the requirements of the Financial Scheme for Schools, schools have been asked to provide reasons for holding these balances. Reasons can include issues such as falling rolls, negative retrospective adjustments and planned initiatives.

Further information about earmarked reserves can be found in notes 25 and 38 to the main financial statements.

4. 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 that officer is the Corporate Director – Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Authority's Certificate

The Statement of Accounts of Bridgend CBC as at 31st March 2008 was approved by the Council of 18th June 2008.

Signed : Cllr M Nott

Leader of the Council

Date : 24/09/08

The Corporate Director - Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code 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 2008.

In preparing this statement of accounts, the Corporate Director - Resources has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Statement of Recommended Practice (SORP).

The Corporate Director - Resources has also:

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

Director's Certificate

I certify that the Statement of Accounts presents fairly the financial position of Bridgend CBC at 31st March 2008.

Signed : Mr G Moss

Corporate Director – Resources

Date : 24/09/08

The Annual Governance Statement

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 economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes the arrangements for the management of risk.

Bridgend County Borough Council has not approved a single over-arching code of corporate governance, but has several policies that are consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. This statement explains how the Authority has complied with the various elements of the code. In Wales, the inclusion of the Annual Governance Statement in the Statement of Accounts 2007/08 is voluntary unlike the mandatory requirement in England. The Authority has decided to adopt the CIPFA framework and Annual Governance Statement approach for 2007/08.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 governance framework has been in place at Bridgend County Borough Council for the year ended 31st March 2008 and up to the date of approval of the statement of accounts.

3. The Governance Environment

The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance being:-

- i. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area
- ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles
- iii. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- v. Developing the capacity and capability of members and officers to be effective
- vi. Engaging with local people and other stakeholders to ensure robust public accountability.

An assurance gathering exercise was undertaken to review how the core principles were upheld by the Authority during the year 2007/08. 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. A summary of the policies against each core principle is detailed below:-

(i) Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

- The Community Strategy
- The Corporate Improvement Plan 2007-2010
- The external audit of the Corporate Improvement Plan
- Core Values Revised
- Directorate Business Plans
- Strategic Plans
- Service Level Plans & Service Reviews
- Consultation Strategy
- Performance Management Framework
- Corporate Complaints Procedure
- External Audit and Regulators - Inspection Reports and Action Plans
- Three year revenue budget and capital programme
- Statement of Accounts

(ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- The Council's Constitution – updated September 2007
- Cabinet and Council
- Cabinet Committees
- Record of Decisions of the Executive

- Scrutiny
 - Forward Work Programme
 - Committee Terms of Reference
 - Corporate Management Board & Cabinet Joint Meetings
 - Leader / Chief Executive Meetings
 - Delegated powers
 - Statutory Reports Published
 - S151 Officer and Monitoring Officer
 - Staff Recruitment and Selection Policy
 - Consultation Strategy – updated June 2007
 - Corporate Improvement Plan 2007-10
 - Performance Management Framework
- (iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Core Values (FACE)
 - Constitution
 - Code of Conduct for Council Employees
 - Members and Employees Inductions
 - Declarations of Interests
 - Financial Procedure Rules
 - Contract Procedure Rules
 - Disciplinary Procedures
 - Corporate Announcements
 - Communications Strategy
 - Transforming Bridgend Programme
 - Equalities Committee
 - Equality procedures
 - Standards Committee
 - Management Standards & High Performance Behaviours
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Constitution
 - Cabinet and Council
 - Audit Committee
 - Scrutiny
 - On line Scrutiny Request Form
 - Schedule of Delegated Powers Decisions
 - Backing Documents for Committee Reports
 - Related Party Transactions Declaration Forms
 - Members Training Programme
 - Corporate Complaints Policy
 - Risk Management Strategy

- Risk Management – A Tool Kit : A Practical Guide to Integrating Risk Management into Business Processes
- Whistle Blowing Policy
- Role of the Monitoring Officer
- Accounts & Audit Regulations / Statutory Provision
- Financial Procedures Rules
- Contract Procedure Rules

(v) Developing the capacity and capability of members and officers to be effective

- Corporate Induction of New Starters
- Training Unit – inhouse and external courses arranged
- Continuous Professional Development
- Members Induction Programme
- Training and Development Policy
- Performance Management Framework
- Management Standards & High Performance Behaviours
- External Inspection and Action Plans
- Communication Strategy
- Recruitment and Retention Policy

(vi) Engaging with local people and other stakeholders to ensure robust public accountability.

- Constitution
- Community Strategy 2004-16
- Relationship Manager's Annual Audit Letter Wales Audit Office
- External Inspectors & Regulators
- Public access to Committees
- Bridgend Local Service Board
- Consultation Best Practice Guide
- Citizen's Panel
- Communication Strategy
- Forums & Focus Groups
- Statement of Accounts, Budget Book & Council Tax Leaflet
- Committee Reports, Minutes & Agendas on Website
- Regular Meetings with Trade Unions

The Council's aims, objectives and main priority areas are detailed in its Corporate Improvement Plan 2007 – 2010. A new set of values have been developed and adopted across the Authority. The Authority will strive to be:-

- **F**air (considering everyone's needs and circumstances),
- **A**mbitious (always trying to improve what we do and aiming for excellence),

- **C**ustomer focused (remembering the need to serve the local communities) and
- **E**fficient (delivering effective services that are value for money).

A clear statement of the Council's purpose and vision is in the Community Strategy. The responsibility for the Community Strategy for the Bridgend area rests with the Bridgend Local Service Board with representation from the Authority, health, police, fire, voluntary and business sectors. The vision has been translated into a set of priority themes which have been adopted by the Council and cover actions for children, adults, the economy, community development and the regeneration of the County Borough. The achievement of these objectives is monitored by individual services, quarterly business reviews within the performance management framework, external inspection agencies and reports to Cabinet and Overview and Scrutiny Committees.

The Local Service Board is the lead partnership for the county borough of Bridgend, bringing together heads of key agencies across all sectors. Its aim is to deliver improved outcomes for local people by ensuring partners work effectively together in pursuit of agreed priorities. In all aspects of its activity, it follows citizen-centred governance principles. The governance of a partnership should promote good internal accountability between partners and better external accountability to service users. Currently, the Local Service Board is considering a draft partnership agreement. This sets out the role and purpose of the partnership, how it is made up and how it conducts its business. It also states its commitment to its own on-going development with an annual evaluation.

The Council's Constitution was revised in September 2007. It 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. It defines the roles and responsibilities of the Cabinet (the Executive), Overview and Scrutiny Committees, Full Council and other Committees and Officers. Within the Constitution, there are protocols for effective communication and rules of procedures. The Authority has a clear framework of delegation within its Schemes of Delegation revised in June 2007. This ensures that policy and decision making within the Authority operates efficiently following documented procedures.

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. In addition, the Standards Committee has a duty to promote and maintain high standards of conduct for Members.

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 Chief Executive Officer and the Corporate Director Resources, 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 Corporate Director Resources is the responsible officer for the administration of the Council's affairs under section 151 of the Local Government Act 1972. The statutory definition of the Responsible Financial Officer was developed from case law in Attorney General -v- De Winton 1906. It was established that he is not merely a servant of the authority but holds a fiduciary relationship to the local taxpayers. Section 151 of the Local Government Act 1972 requires every authority in England and Wales to "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". He is responsible for ensuring that appropriate advice is given on all financial matters, for maintaining proper financial accounts and records and maintaining an effective system of internal financial control. He also is responsible for the Council's Anti-Money Laundering Policy and associated Anti Money-Laundering Policy Guidance Note. Both the Monitoring Officer and the Chief Financial Officer comment on every report to the Cabinet or Council which helps ensure compliance with established policies, procedures, laws and regulations.

The Authority has established Codes of Conduct for both Employees and Members that define expected standards of personal behaviour. These are contained within Part 5 of the Constitution. The Code for Employees is available on the Authority's intranet and staff are made aware during their induction when joining the Council. The Whistle-Blowing policy aims to provide avenues for employees to raise concerns and receive feedback on any action taken; allow employees to take the matter further if they are dissatisfied with the Council's response; and reassure employees that they will be protected from reprisals or victimisation for whistleblowing in good faith.

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.

The Corporate Management Board is responsible for the management of risks in all areas of the Council. 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. The Council has also produced a document 'Risk Management – A Tool Kit : A Practical Guide to Integrating Risk Management into Business Processes' which is available for all employees on the intranet. It outlines a simple approach to using risk management techniques to improve the way that services are provided.

In December 2006, the Authority published its performance management framework document. The framework document includes the key elements of the WPI joint risk assessment and improvement plan, financial planning, corporate and service

business planning, staff appraisal and monitoring reporting and accountability processes. In managing performance, the Authority focuses attention on managerial accountability through the quarterly business review (QBR) process. The review process covers business plan actions, financial performance, attendance levels and analysis of Performance Indicators.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of:-

- the Corporate Directors within the Council who have responsibility for the development and maintenance of the governance environment;
- 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 governance framework includes the following measures and actions:-

- The Council has adopted a Performance Management Framework. A key element of this is the introduction of Quarterly Business Reviews (QBRs). The reviews are led by the Chief Executive, and involve Cabinet, Directors/Heads of Service taking stock of the extent to which the Council's priorities are being progressed and the general performance of service management within Directorates. Implementation of the Performance Management Framework will ensure there is greater managerial accountability and help develop the line of sight between the Council's strategic plans and the role individuals/managers have in achieving the Authority's goals.
- There is a well established Overview and Scrutiny function within the Authority. There are currently 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 Audit Committee is a key source of assurance about the authority's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. It has as one of its functions to make recommendations to the Council on corporate governance issues. It receives the findings of the audits completed by the Internal Audit Division, External Audit reports and implementation of recommendations. The Chief Internal Auditor's annual opinion on the overall adequacy of the Council's internal control environment is presented to the Committee. Also submitted is the management's Letter of Representation to the external auditor (KPMG) included within the Statement of Accounts for a financial year and the Relationship Manager's Annual Letter from the Wales Audit Office.
- 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 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. For 2008/09, it has been decided to change the audit plan year from one ending in March to a year ending June. This will allow the Chief Internal Auditor to consider the Joint Risk Assessment linked to the Corporate Improvement Plan and individual business plans across the Authority. The plan also takes into account risk assessments carried out by management within the Authority, concerns expressed by Directors and Internal Audit and the plans of external auditors and inspectors.
- The Joint Risk Assessment for the Authority was undertaken in July 2007 involving the Wales Audit Office, other regulatory bodies, Corporate Management Board and Cabinet. The outcomes of the review were reported in the Corporate Improvement Plan 2007-2010. There are six principal risks that might hinder the Council's achievement of its priority themes as follows:-
 - i. Failure to support vulnerable children by not sustaining improvements in children's services
 - ii. Failure to create learning communities by not rationalising and modernising our schools
 - iii. Failure to care for our future by not remodelling adult social care
 - iv. Failure to deliver the physical and social infrastructure that will secure the long term development needs of the area thereby not valuing our valleys nor realising the potential of our major towns
 - v. Failure to change the culture of the organisation thereby not making the best use of our resources and failing to deliver efficiencies
 - vi. Failure to promote active and healthy living by not determining and implementing a remodelled leisure service.

To support the achievement of objectives and major developments that underpin the priority themes a Programme Management Board has been put in place. The Board ensures that the assessments of risk are kept under review and risk mitigation plans monitored. Ten Programmes have been

identified as being of importance to the Authority in that they directly support the Council's priority themes. Each Programme has a Senior Responsible Officer at Director level and a Programme Manager. The Programmes are regularly revised and within the monitoring reports submitted to the Programme Management Board, each is assessed and a status level identified either red, amber or green. The Programmes are:-

- i. Adult Social Care Remodelling
 - ii. Supporting Vulnerable Children
 - iii. Schools Modernisation
 - iv. Customer Care
 - v. Regeneration
 - vi. Provision of Leisure services
 - vii. Efficiencies
 - viii. Local Development Policies
 - ix. Human Resources
 - x. Performance Improvement
- The Council is responsible for the Risk Management policy. It will receive risk management reports from the Risk Management Programme Board. The Board will also receive and scrutinise operational risk reports from the Directorate Management Teams, recommend the addition of key operational risks to the Council's Risk Register and monitor this Register and identify training requirements where necessary.
 - The Monitoring Officer is responsible for maintaining an up to date Constitution and ensuring that its aims and principles are given full effect. A full review of the Authority's Constitution was undertaken during 2007/08 with it being published in September 2007. This was to ensure that it was accurate and reflected current best practice and legal requirements.

5. Significant Governance Issues

The following governance issues were identified during 2007/08 as a result of the review of arrangements, outstanding issues from the Statement of Internal Control and by the work of external and internal audit:-

- Children's Services & Supporting Vulnerable Children
- School Modernisation, Reorganisation & Funding
- Flagship Projects
 - Procurement
- Potential financial liabilities including waste disposal penalties, equal pay claims, pension fund deficits and an overcommitted Capital Programme.
- Failure to achieve efficiencies to realise cashable gains
- Asset Management Planning
- Remodelling and Provision of Leisure Services
- Adult Social Care Remodelling
- Waste management
- Regeneration of the county borough

- Transforming Bridgend and New Council Structure

An Action Plan has been devised for all these issues together with a timescale for completion and a responsible officer. The Action Plan will need to be monitored throughout the year as a vital part of the quarterly business reviews.

6. Certification of Annual Governance Statement

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

Signed:

Corporate Director – Resources.....G Moss.....Date 24/09/08

Chief Executive Officer.....J Farrar.....Date 24/09/08

Leader of the Council.....Cllr. M Nott..... Date 24/09/08

Statement Of Accounting Policies

1. General principles

The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year end of 31st March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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 on borrowings and receivable 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 and 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. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Reserves shown on the balance sheet that are used to manage the accounting process for tangible fixed assets and retirement benefits are explained in the relevant policies below.

5. Government grants and contributions (revenue)

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, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income & Expenditure Account after Net Operating Expenditure.

6. Retirement benefits

Employees of the council are members of two separate pension schemes. Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

- The *Teachers' Pension Scheme*, administered by Capital Teachers Pensions on behalf of the Department for Education & Skills (DfES). The arrangements for this scheme mean that liabilities for benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payment of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

- The *Local Government Pension Scheme*. Other Employees are members of the Rhondda Cynon Taf County Borough Council Pension Fund. In line with FRS 17 Retirement Benefits, costs charged to the Net Cost of Services in the Income and expenditure Account are the estimated current cost as provided by the pensions Actuary, Hewitt Associates Limited. 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. The estimated liability attributable to Bridgend CBC has been included in the Balance Sheet.
- The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. 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.

8. Overheads and support services

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2007 (BVACOP)*. For 2007/08, 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.

9. 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. The next revaluation will be for assets as at 1st April 2009.

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

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 Revaluation Reserve to recognise unrealised gains.

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. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:-

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustments Account.

Disposals - When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

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 or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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 2007/08 was:

<i>Operational Assets:</i>	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.
<i>Non-Operational Assets:</i>	Depreciated on a straight-line basis over 125 years.
<i>Infrastructure Assets:</i>	Depreciation on a straight-line basis over 30 years.
<i>Community Assets:</i>	Depreciation not applicable as they don't have a finite useful life.
<i>Vehicles, Plant & Equipment:</i>	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.

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

Grants and contributions - Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to a Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

10. Charges to revenue for fixed assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service.
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The council is not required to raise council tax to cover depreciation or impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation and impairment are therefore replaced by this *Minimum Revenue Provision (MRP)* in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

11. 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 Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

12. Leases

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 entered only 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. The total amount of rental payments of finance leases in 2007/08 was just over £4k (£3k Land and Buildings and £1k Vehicles, Plant, Furniture and Equipment). All rentals are peppercorn rentals.

13. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. However, the council does have three Lender's Option Borrower's Option loans (LOBO's) with stepped interest rates. An effective interest rate has been used for these so that there are remeasured amounts for the LOBO's on the Balance Sheet.

Where premiums and discounts on early repayment have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

14. 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 Income and Expenditure Account if this is unlikely to be a temporary fall.

15. Stocks and work in progress

Stocks and stores are included in the balance sheet 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.

16. Private Finance Initiatives (PFI)

A PFI contract for a new comprehensive school in Maesteg was signed in October 2006. The service commencement date was July 2008. For future financial years, accounting treatment will be based on the following premis:

'the operator bears the greater potential variations in property profits or losses and therefore the asset should not be recorded on the Authority's balance sheet.

Service charges should be accounted for as revenue expenditure as they are incurred.'

At the end of the 25 year contract, the school will pass to the Council for nil consideration. Under FRS 5 either a positive or negative accumulated balance is required at the end of the contract to match any difference between the specified payment (in this case zero) and the fair value of the asset. If it is considered that a balance will be required, this should be built up over the life of the contract in order to *'ensure a proper allocation of payments made between the cost of services under the contract and the acquisition of the residual'*. The asset remains off the Balance Sheet.



Core Financial Statements 2007/08

Income and Expenditure Account for the Year Ended 31st March 2008

2006/07 £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000	Notes
	SERVICES				
103,615	Children's and Education Services	136,621	(29,505)	107,116	
32,286	Adult Social Care	49,306	(15,328)	33,978	
12,784	Highways, Roads and Transport Services	18,511	(5,247)	13,264	
2,674	Housing Services	35,842	(33,291)	2,551	
9,777	Central Services	29,085	(19,942)	9,143	
27,532	Cultural, Environmental and Planning Services	46,387	(16,067)	30,320	
3,407	Corporate and Democratic Core	5,229	(15)	5,214	
770	Non-Distributed Costs	4,100		4,100	
192,845	NET COST OF SERVICES	325,081	(119,395)	205,686	
7,072	Precepts Paid	7,538		7,538	1
6,789	Levies and Contributions Paid	6,656		6,656	1
5,450	Interest payable and similar charges	5,065		5,065	
(663)	Interest and Investment Income		(1,918)	(1,918)	
144	Trading Activities Net (surplus) / deficit	26,253	(26,836)	(583)	2
5,040	Pension Interest Cost & Expected Return on Assets	5,810		5,810	3 & 45
	Loss on Sale of Fixed Assets	112		112	
216,677	NET OPERATING EXPENDITURE	376,515	(148,149)	228,366	
(123,159)	Revenue Support Grant		(129,780)	(129,780)	4
(3,072)	Other Government Grants		(2,132)	(2,132)	5
(50,124)	Council Tax		(53,174)	(53,174)	6
(28,819)	Net Proceeds of Non-Domestic Rates		(31,248)	(31,248)	7
11,503	(SURPLUS)/DEFICIT FOR THE YEAR	376,515	(364,483)	12,032	

Statement of Movement on the General Fund Balance Year Ended 31st March 2008

2006/07 £'000		2007/08 £'000	Notes
11,503	(Surplus)/Deficit for the year on the Income & Expenditure Account	12,032	
(10,958)	Net Additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the Yr	(11,964)	24
545	(Increase)/Decrease in Council Fund Balance for the year	68	
(10,912)	Council Fund Balance brought forward	(10,367)	
(10,367)	COUNCIL FUND BALANCE CARRIED FORWARD	(10,299)	
2,640	Amount of Council Fund Balance held by schools under local management schemes	3,020	
7,727	Amount of Council Fund Balance generally available for new expenditure	7,279	
10,367		10,299	

Statement of Total Recognised Gains and Losses

2006/07 £'000		2007/08 £'000	Notes
11,503	Deficit / (Surplus) for the year on the Income and Expenditure Account	12,032	
(3,806)	Deficit / (Surplus) arising on revaluation of fixed assets	(2,608)	35
14	Movements on other funds	(12)	
4,350	Actuarial (gains) / losses on pension fund assets and liabilities	(55,720)	45
12,061	Total (gains) / losses	(46,308)	
-	Restatement in relation to SORP changes 2007	6,752	
12,061	Total recognised (gains) / losses for the year	(39,556)	

Balance Sheet as at 31st March 2008

2006/07 £'000		2007/08		Notes
		£'000	£'000	
	Tangible fixed assets			
	Operational assets			
293,833	Other land and buildings	291,501		
4,949	Vehicles, plant and equipment	4,288		
100,818	Infrastructure assets	101,870		
1,921	Community assets	1,920		
	Non-operational assets			
14,089	Investment properties	13,178		
8,730	Assets under construction	16,572		
2,988	Surplus assets held for disposal	3,209		
427,328	Total fixed assets		432,538	26
361	Long-term debtors	258		28
6,039	Deferred premiums on the early repayment of debt	-		27
6,400	Total long term assets		258	
	Current assets			
290	Stocks and work in progress	332		
23,691	Debtors	25,414		29
10,900	Short term investments	20,321		46
586	Cash at bank	-		
469,195	Total assets		478,863	
	Current liabilities			
(3,359)	Short Term Borrowing	(2,780)		
(33,370)	Creditors	(36,737)		30
0	Bank overdraft	(2,051)		
432,466	Total assets less current liabilities		437,295	
	Long term liabilities			
(91,792)	Long Term Borrowing		(97,342)	32 & 46
(65,404)	Government Grants Deferred		(72,578)	33
(3,820)	Capital Contributions Deferred		(3,568)	33
(5,285)	Provisions		(7,355)	31
(188,920)	Pensions Liabilities		(139,650)	45
77,245	Total assets less liabilities		116,802	
	Financed by:			
-	Revaluation Reserve		-	35
233,253	Capital Adjustment Account		229,136	36
0	Financial Instruments Adjustments Account		(6,548)	34
16,000	Usable Capital Receipts Reserve		14,988	37
7,727	General Fund Balance		7,279	
2,640	Delegated Schools Balance		3,020	38
6,548	Earmarked Balances		8,568	38
(188,920)	Pensions Reserve		(139,650)	45
(3)	Other Funds		9	39
77,245	Total net worth		116,802	

Cash Flow Statement For The Year Ended 31st March 2008

2006/07 Restated £'000		2007/08		Notes
		£'000	£'000	
	Revenue activities			
	Cash outflows			
157,025	Cash paid to and on behalf of employees	163,871		
97,349	Other operating costs	125,799		
34,593	Housing Benefit paid out	36,300		
32,057	NNDR payments to the pool	33,938		
7,072	Precepts Paid	7,537		
	Cash inflows			
(1,953)	Rents (after rebates)	(2,110)		
(49,982)	Council Tax income	(52,761)		
(32,770)	NNDR rate collection	(34,845)		
(27,997)	NNDR net adjustment	(31,730)		
(123,159)	Revenue Support Grant	(129,780)		
(27,846)	DWP grants for benefits	(29,501)		
(44,052)	Other government grants	(44,448)		49
(24,133)	Cash received for goods and services	(32,087)		
(6,299)	Other operating cash receipts	(27,970)		
(10,095)			(17,787)	48
	Return on investments and servicing of finance			
	Cash outflows			
3,482	Interest paid	8,106		
	Cash inflows			
(591)	Interest received	(2,295)		
2,891			5,811	
	Capital activities			
	Cash outflows			
21,328	Purchase of Fixed Assets and Deferred Charges	30,570		
	Cash inflows			
(5,117)	Sale of fixed assets	(2,609)		
(119)	Mortgage receipts	(103)		
(16,926)	Capital grants received	(17,694)		
(834)			10,164	
(8,038)	Net cash (inflow)/outflow before financing		(1,812)	
	Management of Liquid Resources			51
10,800	Purchase of short term investments	9,421		
	Financing			
	Cash outflows			
4,136	Repayments of amounts borrowed	22,842		
	Cash inflows			
(5,000)	New long term loans raised	(27,700)		
(2,080)	New short term loans raised	(114)		
7,856			4,449	
(182)	Net (increase)/decrease in cash		2,637	50

Certification of Accounts

Certification by Corporate Director – Resources

I certify that the accounts set out on Pages 24 to 79 present fairly the financial position of the Council as at 31st March 2008.

Gareth Moss

24/08/09

**Gareth Moss BA(Hons) CPFA
Corporate Director – Resources**



Notes to the Core Financial Statements 2007/08

Notes to Income and Expenditure Account

1. Precepts and levies

Precepts are the amounts paid to non billing authorities (e.g. 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:

2006/07 £'000		2007/08 £'000
	Precepts	
5,898	South Wales Police Authority	6,260
1,174	Community Councils	1,278
7,072	Sub total	7,538
	Levies	
6,428	South Wales Combined Fire Authority	6,287
173	Coroners Service	190
43	South Wales Sea Fisheries	48
106	Archive Service	110
2	Margam Crematorium Joint Committee	2
18	Swansea Bay Port Health Authority	19
19	Magistrates Court	-
6,789	Sub total	6,656
13,861	Total	14,194

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:

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2006/07 (Surplus)/ Deficit £'000	Activity	2007/08 Income £'000	2007/08 Expenditure £'000	2007/08 (Surplus)/ £'000	Target £'000	Variance £'000
2	Outdoor Leisure	(280)	281	1	-	1
(61)	Grounds Maintenance	(2,110)	2,089	(21)	-	(21)
142	Schools Catering	(4,006)	3,889	(117)	-	(117)
(15)	Building Cleaning	(953)	910	(43)	(5)	(38)
(71)	Highway Maintenance	(4,358)	4,269	(89)	(70)	(19)
(16)	Other Cleaning	(2,161)	2,148	(13)	(7)	(6)
(22)	Building Maintenance	(3,493)	3,427	(66)	(25)	(41)
(1)	Fleet Services	(3,256)	3,195	(61)	(60)	(1)
(102)	Other Catering	(648)	529	(119)	(88)	(31)
288	Sports and Recreation (Indoor)	(5,571)	5,516	(55)	-	(55)
144	Transfer to I & E Account	(26,836)	26,253	(583)	(255)	(328)

Highways Services, Other Cleaning and Fleet Services direct service organisations all exceeded their target surplus for 2007/08. Fleet Services increased its surplus by £60,000 from 2006/07 due to the efforts of management to reduce costs and increase income.

3. Pension costs

The disclosures required for 2007/08 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Hewitt Associates Limited as the pensions actuary. There are additional disclosures supporting the Balance Sheet pension fund transactions and these can be found as note 45.

a) Teachers

In 2007/08, the Authority paid £6.5 million (£6.1 million for 2006/07) to the Teachers Pensions Agency in respect of teachers' pension costs, which represent 14.1% 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 2007/08, these amounted to £0.49 million (£0.48 million for 2006/07) representing 1.01% of pensionable pay.

b) Other employees

In 2007/08 the Council paid an employer's contribution of approximately £15.6 million (£14.2million for 2006/07), representing 22.32% of employees' pensionable pay, into Rhondda Cynon Taf CBC Pension Fund. The Fund provides members with defined benefits related to pay and service. The pension costs that are charged to the Council's accounts are defined by FRS17 'Retirement Benefits'.

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 2007/08 these amounted to approximately £0.52million representing 0.75% 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. In 2007/08 the amount of lump sum payments made amounted to £43,152 (£43,445 for 2006/07) and the corresponding capital cost is £236,258.

4. 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 2007/08 was £129.78m (£123.1m for 2006/07).

5. Government grants

In addition to the Revenue Support Grant, the Authority received specific government grants which amounted to £74.2m. 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:-

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2006/07 Restated £'000	Specific Grants	2007/08 £'000
26,272	Mandatory Rent Allowances	27,833
8,422	Council Tax Benefit	8,528
7,509	DCELLS Grant	6,588
6,417	Other Education	7,986
2,711	Other Social Services	2,858
4,846	Others	3,246
3,669	Supporting People	3,823
1,711	Resettlement Grant	1,726
2,075	Concessionary Fares Grant	2,270
*	Flying Start	585
1,469	Sustainable Waste Grant	1,520
1,239	Housing/Council Tax Benefit Administration	1,368
*	Local Transport Services	427
*	Communities First	895
*	Cymorth	2,386
66,340	Total	72,039
	* included in Others 2006/07	
2006/07 £'000	Other Government Grants	2007/08 £'000
742	Deprivation Grant	758
1,363	Performance Incentive Grant	1,365
967	Local Authority Business Growth Incentive	9
3,072	Total	2,132
69,412	TOTAL	74,171

6. 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 - £47,156.87 dwellings for 2007/08 (£46,657.48 in 2006/07). The basic amount for a Band D property £1085.17 in 2007/08 (£1034.73 in 2006/07) 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	9397	14790	13161	8732	6311	3461	1236	256	95

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

2006/07 £'000		2007/08 £'000
50,124	Council Tax Collectable	53,174
	Less:	
(1,174)	Payable to Community Councils	(1,278)
(5,898)	Payable to South Wales Police	(6,260)
(89)	Provision for non payment of Council Tax	(172)
42,963	Net Proceeds from Council Tax	45,464

7. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The government specifies an amount for the rate 44.8p in 2007/08 (43.2p in 2006/07) 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 2007/08 was £34,739k (£32,659k in 2006/07) and the rateable value used for 2007/08 was £85,983,593

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(£85,219,668 in 2006/07). Analysis of the proceeds from non-domestic rates is as follows:

2006/07 £'000		2007/08 £'000
32,659	Non-domestic rates collectable	34,739
	Less:	
(31,934)	Paid into NNDR pool	(33,694)
(219)	Cost of Collection	(221)
(506)	Bad and Doubtful Debts	(372)
-	Small Business Relief	(452)
-		-
40	Council Fund contribution to Rate Relief	35
(28,859)	Receipts from pool	(31,283)
(28,819)	Net Proceeds from NNDR	(31,248)

8. Leasing costs

The following table shows the amounts of rentals payable in the year in respect of operating leases:-

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Rentals Payable 2007/08	684	1,512	2,196

The authority was committed as at 31st March 2008 to making payments of £1.739m under operating leases in 2008/09 as detailed in the table below:-

Committed Expenditure in 2008/09 for Leases Expiring:-	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Leases expiring in 2008/09	80	73	153
Leases expiring between 2009/10 and 2012/13	220	967	1,187
Leases expiring after 2012/13	384	15	399
Total	684	1,055	1,739

9. 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 £653,860 (£5 per head of relevant population 130,772) of the Authority's area under this Section in 2007/08. Its actual

expenditure was £363,635 (£509,108, for 2006/07) which included £635 in administration costs.

10. 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:

Expenditure 2006/07 £'000	Publicity Category	Expenditure 2007/08 £'000
296	Communications to the public	431
256	Recruitment of Staff	77
6	Statutory Notices	23
558	Total	531

11. Road user charging

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

12. 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	127	354	481	137
Transition to Adults Services	39	23	62	60
Community Reablement Project	213	175	388	58
Dementia Register / Referral & Assessment Pathway	59	-	59	50
Preventing Admission & Facilitating Discharge	18	28	46	40
Intermediate Care Development Manager	-	12	12	35
Health, Social Care & Well Being Strategy	-	100	100	100
Total	456	692	1,148	480

Total WAG Grant – This is in respect of the Joint Working Grant.

13. 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 2006/07 £'000		Chargeable 2007/08 £'000	Non Chargeable 2007/08 £'000	Total 2007/08 £'000
	Expenditure:			
376	Employees	202	179	381
31	Transport	20	12	32
23	Supplies & Services	12	9	21
182	Central & support service charges	83	64	147
612	Total Expenditure	317	264	581
	Income:			
357	Building Regulations charges	327	-	327
2	Miscellaneous	-	5	5
359	Total Income	327	5	332
253	(Surplus)/Deficit	(10)	259	249

14. Agency expenditure

The Authority incurs no agency expenditure.

15. Long term contracts

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

Details of Contract	2008/09 £'000	2009/10 £'000	2010/11 £'000
CCTV - Maintenance of cameras	72	74	76
Waste Management	11,152	12,020	12,960
Public Transport	783	823	863
Contracts /Service Agreements for care and support services	25,555	25,555	25,555
Leasing Contract for I.T.	140	140	0
Total	37,702	38,612	39,454

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 31/03/08, 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.

16. Private Finance Initiative (PFI)

In 2000 the Welsh Assembly Government approved an outline business case for the 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.

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.

On 4th October 2006, the Welsh Assembly Government (WAG) approved the Full Business Case for the Maesteg School PFI Project. Following this, on 6 October 2006 a 25 year *Design, Build, Finance and Operate* (DFBO) contract was signed with a total Net Present Value (NPV) of £30.5m which will incur an annual cost of £2.4m (index linked) of which around £1.9m will be met from Welsh Assembly Government PFI credits. Provision for the part year cost to the council of £400,000 has been included in the 2008/09 budget. A further £200,000 growth to meet the full year cost in 2009/10 has been identified in the medium term financial plan. These payments will be incurred monthly from the date the service commenced 28th July 2008.

The new school will not be treated as an asset of the council and hence will not need to be included on the balance sheet. All payments made under the contract will be charged to revenue to reflect the value of services received in each financial year.

WAG PFI credits have been set at an annual level which reflects the total 25 year cost of the contract. Due to indexation, actual payments made by the council will be lower in the early years of the contract, rising by an agreed indexation factor as the contract progresses. It will therefore be necessary to establish an equalisation fund in the balance sheet which will receive annual contributions in the early years to help meet future years' payments.

17. Local Government (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The income for these services is set out below:

2006/07 £'000	Category of Supply	Client	2007/08 £'000
101	Supply of Goods or Materials	Bro Morgannwg NHS Trust	110
-		Newport Council	18
-		Blaenau Gwent CBC	7
640		Bridgend Local Health Board	968
1		Cardiff County Council	20
4		Carmarthen County Council	-
216		Caerphilly County Borough Council	175
198		Merthyr County Borough Council	192
3		Neath Port Talbot Council	10
331		Rhondda Cynon Taff Council	306
32		Royal Kingston Council	33
1		Southend on Sea District Council	(1)
32		Thurrock Council	5
2		Glamorgan Heritage	-
1		Bridgend County Care & Repair	-
432		Vale of Glamorgan Council	413
1,994			2,256
285	Provision of Administrative Professional or Technical Services	Bridgend College	232
3		Careers Service	-
4		ESIS	-
2		Blaenau Gwent CBC	-
2		Education Business Partnership	-
27		Hafod Housing Association Ltd	-
1		Pec Project	-
324			
7	Use of Vehicles, Plant or Apparatus	Welsh Assembly Government	-
10		Trunk Road Agency	27
17			27
2,335	Total		2,515

18. 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 2007/08 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 01/04/07	125,211		125,211
Factor A Adjustment	(82)		(82)
CFR Adj Para 19 2008	(1,718)		(1,718)
Adjusted CFR	123,411	-	123,411
MRP - 4%	4,936		4,936
Commutation Adjustment		(115)	(115)
Sub-total MRP	4,936	(115)	4,821
Additional Voluntary MRP	271		271
Total MRP	5,207	(115)	5,092

19. Officers' emoluments

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

2006/07 Number of Employees	Remuneration Band	Number of Employees		
		Movement in Bandings	2007/08 inc Redundancy Costs	2007/08 exc Redundancy Costs
9	£60,000 - £69,999	7	16	19
10	£70,000 - £79,999	1	11	11
3	£80,000 - £89,999	4	7	7
2	£90,000 - £99,999	2	4	4
0	£100,000 - £109,999	3	3	3
0	£110,000 - £119,999	1	1	0
0	£120,000 - £129,999	0	0	0
0	£130,000 - £139,999	1	1	0
0	£140,000 - £149,999	0	0	0
0	£150,000 - £159,999	1	1	0
0	£160,000 - £169,999	0	0	0
0	£170,000 - £179,999	1	1	0
0	£180,000 - £189,999	0	0	0
0	£190,000 - £199,999	0	0	0
0	£200,000 - £209,999	0	0	0
0	£210,000 - £219,999	0	0	0
0	£220,000 - £229,999	1	1	0
24		22	46	44

20. Members' allowances

The expenditure on Members' allowances for 2007/08 was £1,012,902 (£990,486 in 2006/07). This is made up of basic allowances (£746,754) and special responsibility allowances (£266,148). 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.

21. External audit costs

In 2007/08 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2006/07 £'000		2007/08 £'000
299	External audit services	305
80	Statutory Inspection	90
96	Grant Claims and Returns	92
39	Other Services	-
514	Total	487

22. 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 Limited 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. 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.

23. 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	Notes 4&5 to accounts
Capital Grants	Note 26h to accounts
Precepts and Levies	Note 1 to accounts
Rhondda Cynon Taff County Borough Council Pension Fund	Note 3 to accounts
Department of Education and Employment (Teachers Superannuation Fund)	Note 3 to accounts

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

Organisation	Nature of Payment	£'000
Welsh Assembly Government	Specific Grants	8,382
Independent Care Providers	Provision of Care Services	13,839
Voluntary Organisations	Provision of Funding to support services	1,470
Total		23,691

Chief Officers and Members

Authority Members had various roles in a number of organisations during 2007/08 including:-

- Town and Community Councils
- Local Health Board
- Community Associations
- Coity Walia Board of Conservators
- Glamorgan Holiday Home
- South Wales Police Authority
- South Wales Fire and Rescue Service
- Maesteg Town Hall
- Wyndham Boys and Girls Club
- Board of Governors of Schools

24. Statement of Movement on General Fund Balance

The Income and Expenditure account shows the Council's actual financial performance for the year, measured in terms of the resources generated and consumed over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main difference being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The Council Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure account and the Council Fund Balance. The following is a breakdown of those adjustments required for this reconciliation:

2006/07 £'000		2007/08 £'000
	Amounts Included in I&E Account but required by statute to be excluded from movement in Council Fund Balance	
(11,717)	Depreciation & impairment of fixed assets	(17,576)
2,144	Government Grants and contributions deferred amortisation	4,321
225	Capital Contributions deferred amortisation	1,703
(2,074)	Amounts treated as revenue expenditure in accordance with SORP but classified as capital expenditure by statute	(1,486)
-	Net loss on sale of fixed assets	(112)
-	Amounts by which finance costs calculated in accordance with SORP differ from those classified by statute relating to Financial Instruments	204
(13,630)	FRS 17 Adjustment	(13,710)
(25,052)		(26,656)
	Amounts Not Included in I&E Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year	
4,586	Statutory provision for repayment of debt	4,821
23	Capital Expenditure charged in year to Council Fund	320
15,840	Employers Contributions to Pensions Fund & Direct Retirement Benefits	17,170
20,449		22,311
	Transfers to or from Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the year	
282	Voluntary revenue provision for repayment of debt	271
(5,810)	Pensions Costs Adj Net	(9,910)
(827)	Net transfer to or from earmarked reserves	2,020
(6,355)		(7,619)
(10,958)	Net Additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the Year	(11,964)

25. Transfers to/(from) earmarked reserves

This represents the net movement on the earmarked reserves of the Authority within 2007/08 and represents a charge to the Net Cost of Services within the Income and Expenditure Account. This includes money transferred into the Income and Expenditure Account to match expenditure within the year. Also amounts have been set aside from revenue reserves in 2007/08 to be utilised in future years to finance expenditure.

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Move- ment 2006/07 £'000	Reserve	Opening Bal 2007/08 £'000	Move- ment 2007/08 £'000	Closing Bal 2007/08 £'000
(139)	Chief Executive Directorate	-	37	37
(859)	Resources Directorate	-	557	557
237	Education, Leisure & Community Services	-	245	245
81	Environmental & Planning	-	(31)	(31)
716	Personal Services	-	28	28
-	- Community Regeneration & Strategic Division	-	48	48
-	- Legal and Democratic Services	-	65	65
(129)	Business Systems Development Reserve	-	-	-
(167)	Carpark Strategy	-	-	-
(716)	Children's Services	-	-	-
(228)	Energy Conservation Fund	-	-	-
(70)	Health & Safety	-	-	-
(340)	HR / Payroll Re-engineering	-	-	-
(750)	Job Evaluation / Equal Pay	-	-	-
(255)	Financial Systems Re-Engineering	-	-	-
-	- Customer services strategy	150	-	150
-	- Election costs	25	185	210
-	- Insurance reserve	1,209	500	1,709
-	- Legionella assessment	51	(2)	49
-	- Maesteg school PFI	600	-	600
(344)	Mid Glam CC post balance sheet events	881	-	881
-	- Other Minor Reserves	22	8	30
184	Porthcawl regeneration	200	77	277
75	Unitary Development Plan reserve	105	60	165
200	Waste management reserve	1,250	(650)	600
112	Business restructuring	450	(450)	-
500	Financial & HR systems	500	35	535
350	Change management	350	158	508
300	E-coli court costs	300	(174)	126
-	- Treasury Management Reserve	-	644	644
-	- Night Time Economy	-	50	50
12	Capital feasibility fund	52	7	59
-	- Pump Priming Reserve	-	606	606
-	- Suicide Prevention Strategy	-	100	100
403	Invest to save	403	(83)	320
(827)	Total	6,548	2,020	8,568

Directorate under and overspends have been reintroduced to be used in 2008/09 for specific earmarked schemes.

Notes To Balance Sheet

26. Tangible fixed assets

a) Summary of tangible fixed assets

	2007/08 £'000
Tangible Fixed Assets	
Other land & buildings	291,501
Vehicles, plant & equipment	4,288
infrastructure	101,870
Community assets	1,920
Non-operational assets	32,959
Total	432,538

b) Numbers of fixed assets by type

Category	Number as at 31st March 2007	Number as at 31st March 2008
Schools	68	68
Other educational establishments	7	7
Libraries	7	7
Car parks	16	16
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 & parks	15	17
Recreation & entertainment centres	12	12
Community centres	17	17
Swimming pools	5	5
Industrial estates	23	23
Civic offices	2	2
Other offices	5	5
Depots	9	9
Vehicles	94	97
Miscellaneous assets	27	27
Total	451	456

c) Movement of fixed assets

	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Total £'000
1. Operational Assets					
Certified valuation at 31st March 2007	313,029	15,494	141,889	1,920	472,332
Accumulated depreciation and impairment	(19,197)	(10,544)	(41,070)	-	(70,811)
* Net book value at 31st March 2007	293,832	4,950	100,819	1,920	401,521
<u>Movement in 2007/08</u>					
Additions	5,884	768	4,989	12	11,653
Net Additions	5,884	768	4,989	12	11,653
Reclassification	1,663	-	2,030	-	3,693
Depreciation	(5,781)	(1,234)	(4,779)	-	(11,794)
Impairments	(4,097)	(196)	(1,189)	(12)	(5,494)
Net book value at 31st March 2008	291,501	4,288	101,870	1,920	399,579
2. Non-Operational Assets					
		Investment Properties £'000	Assets Under Construct. £'000	Surplus Assets £'000	Total £'000
Certified valuation at 31st March 2007		13,731	9,283	5,392	28,406
Accumulated depreciation and impairment		(345)	(76)	(2,178)	(2,599)
* Net book value at 31st March 2007		13,386	9,207	3,214	25,807
<u>Movement in 2007/08</u>					
Additions		31	11,202	12	11,245
Net Additions		31	11,202	12	11,245
Reclassification		76	(3,769)	-	(3,693)
Disposals / Deminimis		(112)	-	(2,497)	(2,609)
Revaluations		-	-	2,497	2,497
Depreciation		(96)	-	(5)	(101)
Impairments		(107)	(68)	(12)	(187)
Net book value at 31st March 2008		13,178	16,572	3,209	32,959

During 2007/08 assets were disposed of which had a book value of £2.61m.

* As a result of changes within the SORP, the Authority's Fixed Asset Register has been thoroughly reviewed. This has resulted in some reclassification between the opening certified value of assets and the opening accumulated depreciation and impairment. The actual Net Book Value as at the 31st March 2007 did not change.

d) Capital commitments

At 31st March 2008 commitments of approximately £3.7m existed on capital works contracts started before that date, details of which are shown in the table below.

2006/07 £'000	Description	2007/08 £'000
1,290	Bridgend town centre regeneration	193
978	Maesteg town centre regeneration Ph3	-
5,521	Ynysawdre swimming pool	1,784
390	Broadlands primary school extension	-
486	Heronsbridge school hall & therapy rooms	-
-	Glamorgan Records Office - BCBC Contribution	1,090
-	Civic Offices New Foyer	340
-	Llynfi Library Extension	170
-	Pontycymmer Square	139
8,665	Total	3,716

e) 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 24.

f) Assets held under finance leases

Any remaining assets held under finance leases have a zero net book value as at 31st March 2008. This was also the case as at the 31st March 2007.

g) Analysis of capital expenditure

2006/07 £'000	Description	2007/08 £'000
8,543	Operational fixed asset net expenditure	7,264
7,595	Non operational fixed asset net additions	11,060
1,736	Operational non enhancement expd written out to deferred charges	-
-	Operational non enhancement exp written out to impairment	4,388
62	Non operational non enhancement expd written out to deferred charges	-
-	Non operational non enhancement exp written out to impairment	187
5,191	Deferred charges	7,672
23,127	Total	30,571

h) Sources of finance for acquisition of fixed assets

2006/07 £'000	Description	2007/08 £'000
7,259	Loans	7,395
14,672	Government grants	18,293
556	Capital receipts	3,569
23	Revenue contribution	320
617	Other contribution	994
23,127	Total	30,571

i) 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.

	Bal b/fwd £'000	Expd in Year £'000	Written to Revenue £'000	Bal c/fwd £'000
Improvement grants written out to Deferred Chgs	-	4,096	(4,096)	-
Other Write Outs to Deferred Charges	-	3,576	(3,576)	-
	-	7,672	(7,672)	-

j) Capital financing requirement and the financing of capital expenditure

Total 2006/07 £'000	Capital Financing Requirement	Assets 2007/08 £'000	Deferred Charges £'000	Total 2007/08 £'000
122,820	Opening Capital Financing Requirement			125,211
	Capital Investment			
8,543	Operational Assets	11,653		11,653
7,595	Non-operational Assets	11,245		11,245
6,989	Deferred Charges and Intangible Assets		7,672	7,672
	Sources of Finance			
(15,289)	Grants & Contributions			(19,286)
(556)	Capital receipts applied			(3,569)
(23)	Revenue Contributions			(320)
(4,586)	Minimum Revenue Provision			(4,821)
(282)	Additional Voluntary Contributions			(271)
125,211	Closing Capital Financing Requirement	22,898	7,672	127,514

27. Loan premiums paid

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

2006/07 £'000		2007/08 £'000
6,532	Balance brought forward	6,039
-	Charged to Financial Instruments Adj Account	(5,956)
(493)	Charged to Revenue Accounts	(83)
6,039	Balance carried forward	-

28. Long term debtors

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

	Mortgages Total £'000
Balance brought forward	361
Loans Repaid	(103)
Balance carried forward	258

29. 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:

2006/07 £'000		2007/08 £'000
	Taxpayers:	
4,627	Council Tax	5,067
2,194	Business Rate Payers	2,208
	Others:	
2,017	Customs and Excise VAT	3,622
1,689	Government Grants	1,704
-	Capital Debtors	5
1,045	National Assembly for Wales NDR Pool	102
3,774	Sundry Debtors	5,571
5,579	Reserve Debtors	3,735
5,754	Capital Grants	6,977
803	Other	699
27,482		29,690
(3,791)	Less Bad Debt Provision	(4,276)
23,691	Total	25,414

Note 29a) The bad debt provision comprises:

2006/07 £'000		2007/08 £'000
472	Sundry Debtors	588
1,897	Council Tax Payers	2,069
806	Housing Benefits	899
616	Business Rate Payers	720
3,791	Total	4,276

30. Creditors

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

2006/07 £'000				2007/08 £'000
11,645	Other Reserve Creditors			14,715
437	Capital Creditors			1,483
3,723	Payroll Creditors			3,560
10,610	Revenue Creditors			9,490
969	Government Grants			1,396
1,744	Local Tax Payers			2,154
2,411	Superannuation Fund			2,590
173	Private Street Works			159
234	Miscellaneous Deposits			221
1,210	Other			969
214	VAT			-
33,370	Total			36,737

31. 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. A further Major Claims provision has been created to meet the anticipated costs of the on-going job evaluation exercise along with any valid equal pay claims which may be received, any liability for the waste disposal contract of approximately £2.8m together with any potential shortfall on Capital Programme schemes. The Interest Actualisation Account has been written off back to the income and expenditure account in line with new guidance on the treatment of financial instruments.

	Balance b/f £'000	Expenditure £'000	Income £'000	Written Off £'000	Balance c/f £'000
Insurance (BCBC)	3,482	(682)	-	(610)	2,190
Interest Actualisation Acc	703	-	-	(703)	-
Major Claims	1,100	-	4,065	-	5,165
Total	5,285	(682)	4,065	(1,313)	7,355

32. Long and Short term loans

Long-Term borrowing represents amounts owed by the Council that are not due to be repaid within the next year whereas short term loans need to be repaid within the year. The Council uses long-term borrowing to finance capital expenditure. Further details are contained within the disclosures on financial instruments below (page 72).

33. 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 income and expenditure 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.

2006/07 £'000		2007/08 £'000
61,219	Balance brought forward	69,224
10,374	Grants Credited in year	11,243
(2,369)	Grants applied in Income and Expenditure account	(4,321)
69,224	Balance as carried forward	76,146

34. Financial Instruments Adjustment Account (FIAA)

This is a new account for 2007/08. It holds the difference between the amounts charged to the income and expenditure in accordance with the Statement of Recommended Practice for applying the transaction costs and assessing the fair cost of loan debts and investments and the amounts charged to the General Fund Balance in accordance with statute.

2006/07 £'000		Movement in Year	2007/08 £'000
-	Premiums / Discounts Adjustments	5,757	5,757
-	Loans / Investments Adjustments	791	791
-	Total	6,548	6,548

35. Revaluation Reserve (RR)

This is a new reserve for 2007/08 established with a zero opening balance as at 1st April 2007. It records the accumulated gains on fixed assets held by the authority arising from increases in value as a result of inflation or other factors.

2006/07 £'000		2007/08 £'000
-	Revaluation of Assets Disposed	(2,608)
-	Market Value of Assets Disposed	2,608
-	Total	-

36. Capital Adjustment Account (CAA)

This is a new reserve for 2007/08 established with an opening balance as at 1st April 2007 consisting of the combining of the balances as at the 31st March 2007 of the Fixed Asset Restatement Account and the Capital Financing Account.

		2007/08	
		£'000	£'000
Balance brought forward			(233,254)
Debits			
Depreciation		11,895	
Impairment		5,681	
Mortgage repayments (Council Fund)		103	
Net Book Value of Fixed Asset Disposal		112	
Net Deferred Charges		1,486	
			19,277
Credits			
Minimum Revenue Provision (Note 18)		(4,821)	
Direct Revenue Financing		(320)	
Capital Receipts		(3,569)	
Government grants and contributions written down		(6,024)	
Prudential Code principal repayment		(271)	
Capital Receipts Amended for Previous Years Funding		(154)	
			(15,159)
Balance Carried Forward			(229,136)

37. Useable capital receipts reserve

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

2006/07 £'000		2007/08 £'000
10,220	Balance Brought Forward	16,000
6,336	Capital Receipts Received	2,711
0	Receipts adjustment previous year's financing	(154)
(556)	Receipts Used to Finance Capital Expenditure	(3,569)
16,000	Balance Carried forward	14,988

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 and housing disrepair claims.

38. Revenue reserves

The total of revenue reserves in the Balance Sheet as at 31st March 2008 is detailed below with descriptions of what they represent:-

2006/07 £'000		2007/08 £'000
7,727	Council Fund Balance	7,279
2,640	Delegated Schools Balance	3,020
	Earmarked Balances :-	
	<u>Potential major Claims</u>	
881	Reserve for former Mid Glamorgan CC liabilities	881
1,250	Waste management reserve	600
300	E-coli	126
	<u>Directorate Balances</u>	
-	Education, Leisure & Community Services	245
-	Personal Services	62
-	Environmental & Planning Services	(31)
-	Resources	557
-	Office of the Chief Executive	37
-	Legal and Democratic Services	65
-	Community Regeneration & Strategic Development	14
	<u>Business Re-Engineering</u>	
500	Financial & HR systems	535
800	Change management	508
	<u>Specific Provisions</u>	
1,209	Insurance reserve	1,709
600	Maesteg school PFI	600
-	Treasury Management	644
	<u>Other Reserves</u>	
403	Invest to Save	320
-	Pump Priming	606
200	Porthcawl regeneration	277
150	Customer services strategy	150
-	Suicide Prevention Strategy	100
255	Other minor reserves	563
6,548	Earmarked Balances	8,568
16,915	Total	18,867

Analysis of Delegated Schools Balance

2006/07 Closing Balance £'000		2007/08 Over spends £'000	2007/08 Under spends £'000	2007/08 Closing Balance £'000
26	Nursery Schools	(19)	14	21
848	Primary Schools	(328)	484	1,004
1,514	Secondary Schools	(110)	283	1,687
252	Special Schools	(37)	93	308
2,640	Total	(494)	874	3,020

- a) Delegated School Balances
These balances represent the cumulative effect of over and under-spending on school delegated budgets not available to the Council.
- b) Potential Major Claims
Accounting regulations require the Council to make adequate provision for all known potential liabilities. Any shortfall in these reserves will have to be met from the Council Fund Balance. These are detailed below:-
- i. Reserve for former MGCC liabilities
This covers the potential liabilities arising out of the former Mid Glamorgan County Council. Information received from RCT in 2008 has confirmed that the balance on this reserve needs to be maintained at £881,000.
 - ii. Waste management reserve
This earmarked reserve has been established to offset increased waste management costs in 2008/09 and future years.
 - iii. E-coli court costs
This reserve has been established to meet the potential legal costs associated with the e-coli outbreak in the borough.
- c) Business Re-Engineering Reserves
These reserves were established to meet the future 'one-off' costs relating to business re-engineering and are detailed below:-
- i. Financial & HR Systems
This reserve will fund the costs of planned system developments in 2008/09 onwards.
 - ii. Change management
This reserve will meet the costs associated with the current organisational changes being undertaken by the Authority.
- d) Specific Provisions
These are summarised below:-
- i. Insurance reserve
This reserve is based on the assessment for future liabilities from the actuary.
 - ii. Maesteg school PFI
This reserve has been established to meet any unforeseen contract costs together with some smaller contract variations on the Maesteg PFI School. This will be fully spent in 2008/09.

- iii. Treasury Management
This reserve has been set up to cover unforeseen treasury management liabilities.

- e) Invest to save
This fund has been established to meet the costs of approved 'invest to save' initiatives. The fund will be reimbursed by savings made as a result of these initiatives.

- f) Pump Priming
This has been established to allow one off injections of financial resources into service areas to facilitate change/development.

- g) Other Reserves
There are a number of other reserves as detailed below:-
 - i. Porthcawl regeneration
This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl phases 1 and 2.

 - ii. Customer services strategy – Revenues / Benefits
This reserve had been set up to develop a strategy to make services more accessible to the public.

 - iii. Capital feasibility fund
This fund has been established from capital receipts of less than £10,000 and will be used to fund studies into proposed capital investment projects.

 - iv. Night Time Economy
This fund is for on-going works undertaken by the council and its partner organisations for community safety, poster campaigns and associated works.

 - v. Suicide Prevention Strategy
This fund is to support the on-going work throughout the Authority to prevent suicides.

- h) Directorate Balances
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 as detailed below:-
 - i. Asset Management Planning £356k
 - ii. Transforming Bridgend - Changemaster & Management Development £37k
 - iii. Children's Services Specific Projects £62k
 - iv. Legal Services Agency Costs £12k

39. Other funds

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

40. 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 2008 are:

2006/07 £'000		2007/08 £'000
181	Social Services Home For The Elderly	175
54	Education	56
42	Nantymoel Workmans Hall	44
40	Swimming Development Fund	37
1	Other	1
318	Total	313

41. Escrow accounts

As part of a planning condition relating to the sale of land to Asda previously used by Bridgend Town Football Club, the Authority is holding £2million in escrow accounts. These funds are to be used to replace the site and facilities previously enjoyed by the football club within 5 years from February 2007. Funds unused by that date will then accrue to the Council. With interest accrued in 2007/08, the value of the funds at 31st March 2008 was as follows:

Accounts	Balance £'000
Replacement facilities account	1,908
Replacement site account	223
Total	2,131

The escrow accounts do not represent assets of the Council and are accounted for separately.

42. Developers' Contributions

Section 106 receipts are monies paid to the council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. improvement of transport links for a housing or retail development). The sums are restricted to

being spent only in accordance with the agreement concluded with the developer. The major balances (i.e. over £100k) of section 106 receipts held by the council during the year were as follows:

	31st March 2007 £'000	Income £'000	Expenditure £'000	31st March 2008 £'000
Redrow - Marlas Farm - Enlargement of Afon y Felin Primary School	177			177
Llanmoor Homes - Maesteg Rd Tondy – additional education facilities	181			181
Newbridge Fields, Broadlands Consortium – provision of playing fields	149			149
Lock's Lane, Porthcawl – Redrow – ongoing maintenance of playing field and pavilion		138		138
Redrow & Belway - Marlas Farm – Meadow St Playing Field facilities		273	(29)	244
Locks Common , Porthcawl – Locks Court (use to be determined 2008/09)		100		100
Redrow - Brackla Park & Ride – upgrade B4181	323	15		338
Rockwool - Pencoed		216		216
Other	671	281	(102)	850
Total	1,501	1,023	(131)	2,393

43. Contingent liabilities

a) Municipal Mutual Insurance Ltd

Prior to Local Government Reorganisation the former Ogwr Borough Council's insurance cover was provided by Municipal Mutual Insurance Limited, 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.

b) 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.

c) Equal pay claims

In common with other Local Authorities, the Council is aware of the potential liability in respect of equal pay claims. At the balance sheet date a number of grievances and claims have been received. The Council is currently following the Equal Pay Grievance procedure to assess the validity of these claims. Despite these circumstances the Council has identified resources to contribute towards any sums that might be payable in its Major Claims Provision.

d) Waste management

There is a potential liability facing the Authority in respect of the Materials Recovery and Energy Conversion (MREC) facility, currently operated by Neath Port Talbot CBC. Compensation to the Royal Bank of Scotland equivalent to the fair value of the Principal Agreement at the time of termination is still to be resolved. Neath Port Talbot CBC will seek a compensation contribution from this Authority, however, it is not possible to quantify any potential liability at this time. However, the balance of probability is that no claim will be made against this Council.

44. Analysis of net assets employed

2006/07 £'000			2007/08 £'000
70,494	General Fund		109,924
6,752	Trading Accounts		6,521
77,246	Total		116,445

45. Pensions liabilities, FRS 17 disclosures

Employees are admitted to the Rhondda Cynon Taff County Borough Council Pension Fund, which is administered by Rhondda Cynon Taff 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 2007 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 2008 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 2007 % pa	31st March 2008 % pa
Inflation Rate	3.2	3.7
Discount rate for scheme liabilities	5.3	6.8
Discount rate for pension costs over year	5.3	6.8
Rate of pension increases	3.2	3.7
Rate of salary increases	4.7	5.2

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 2006, 2007 and 31st March 2008 are set out in the following table.

	31st March 2007 %	31st March 2008 %	Long Term Returns 31st March 2007 %	Long Term Returns 31st March 2008 %
Equities	81	73	7.7	7.6
Bonds - Government	12	12	4.7	4.6
Bonds - Corporate	2	2	5.3	6.8
Property	0	4	6.7	6.6
Other	5	9	5.6	6.0
Total	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 a decrease in the deficit of £49.27m.

	31st March 2007 £m	31st March 2008 £m
Share of assets	224.88	234.57
Estimated funded liabilities	(397.68)	(359.63)
Estimated unfunded liabilities	(16.12)	(14.59)
Bridgend CBC Deficit	(188.92)	(139.65)

Bridgend CBC has usable reserves of £18.5m, representing a shortfall of £121.140m 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 2008 is as follows:

	31st March 2007 £m	31st March 2008 £m
Opening deficit in the fund	(180.97)	(188.92)
Contributions paid	15.84	17.17
Current service cost	(13.63)	(13.71)
Past service cost	(0.77)	(4.10)
Expected return on pension fund assets	14.20	16.28
Interest on pension scheme liabilities	(19.24)	(22.09)
Actuarial gains(losses)	(4.35)	55.72
Closing deficit in the fund	(188.92)	(139.65)

Use of the projected unit method to value liabilities will mean that the current service cost increases as a percentage of payroll as the members approach retirement.

The history of experience gains and losses on the fund is shown below:-

History of Experience Gains and Losses	31st March 2008 £m
Difference between expected and actual return on assets	(15.28)
Percentage of Assets	-6.50%
Experience of gains (losses) on liabilities	(0.73)
Percentage of the present value of the liabilities	-0.20%

Disclosure of information about movements on the net liability

The following transactions have been made during the year:-

2006/07 £'000	Income & Expenditure Account	2007/08 £'000
(14,700)	Contributions towards Funded Liabilities	(16,040)
(1,140)	Unfunded Benefit Payments	(1,130)
13,630	Current Service Costs	13,710
(2,210)	Services Expenditure	(3,460)
	Non-Distributed Costs	
770	Past Service Costs	4,100
	Commutation Adjustment 50% take up	
(1,440)	Net Cost of Services	640
5,040	Pension Interest Cost & Expected Return on Assets	5,810
3,600	Net Operating Expenditure	6,450
(3,600)	Transfer to/(from) Pensions Reserve	(6,450)
0	Amount to be met from Local Tax Payers & Government Grant	0
2006/07 £'000	Funding Position	2007/08 £'000
224,880	Estimated Assets in Scheme	234,570
(413,800)	Estimated Liabilities in Scheme	(374,220)
(188,920)	Net Asset / (Liability)	(139,650)
2006/07 £'000	Statement of Total Recognised Gains & Losses	2007/08 £'000
(3,600)	Appropriations to/from Revenue	(6,450)
(4,350)	Actuarial Gains & (Losses) relating to Pensions	55,720
(7,950)		49,270

46. Financial Instruments Disclosures

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

Financial Liabilities	31st March 2008		31st March 2007	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Public Works Loan Board (Long Term)	72,961		68,542	
Public Works Loan Board (<1 year)	335		871	
Total PWLB Debt	73,296	80,953	69,413	71,319
Fixed Market Long Term Loans	4,005	4,428	4,000	4,419
Lender Option Borrower Option Loans	20,041	21,779	19,250	21,698
Total Fixed Market Long Term Loans	24,046	26,207	23,250	26,117
TOTAL	97,342	107,160	92,663	97,436

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The fair value reflects the fact that the Council's portfolio of loans were taken out when interest rates were higher than those available for similar loans at the Balance Sheet date. This value was provided by the Public Works Loan Board and Depfa Bank Plc for the Lender Option Borrower Option Loans. However, for the Fixed Market Long Term Loans, a calculation was undertaken to assess the fair value based upon a rate available for a new loan.

Financial Assets	31st March 2008		31st March 2007	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Investments (< 1 year)	20,321		10,900	10,900
Total Investments	20,321	0	10,900	10,900

The Council's activities expose it to a variety of financial risks, the key risks are:

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. The Council meeting of the 28th February 2007 accepted the Treasury Policy Statement 2007/08 and Prudential Indicators 2007/08 to 2009/10. Actual performance is also reported annually to Members in the form of the Annual Treasury Management Report. These policies are implemented by a central Financial Control Team within Accountancy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Policy Statement 2007/08.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £3.6m is past its due date for payment. The table below details the debtors analysed by age as follows:

Trade Debtors	£'000
Less than three months	2,278
Three to six months	613
Six months to one year	146
More than one year	594
	3,631

Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant residual risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments providing stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Maturity Analysis Of Debt	£'000
Less than one year	335
Between one and two years	335
Between two and seven years	4,237
Between seven and 15 years	0
More than fifteen years	91,867
	96,774

The maturity analysis of financial assets is as follows:

Maturity Analysis Of Investments	£'000
Less than one year	19,600
Between one and two years	0
Between two and three years	0
More than three years	0
	19,600

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Policy Statement draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Financial Control team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

Price risk - The Council, excluding the pension fund, does not invest in equity shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

47. Post Balance Sheet Events

There have been no material changes since the date of the balance sheet affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounting statements and related notes, are of such importance that they should have been brought to the notice of the auditor.

Notes To Cash Flow Statement

The figures for the 2006/07 Cash Flow Statement have been restated to reflect the methodology followed during the production of the Cash Flow 2007/08.

48. Reconciliation to income and expenditure account

2006/07 Restated £'000		2007/08	
		£'000	£'000
	Surplus/(Deficit) on:		
(545)	Income & Expenditure Account	(68)	
	Add Back:		(68)
11,717	Depreciation and Impairment	17,576	
(10,723)	Depreciation Transfer to Capital Financing Account	(12,164)	
265	Transfers to/(from) Earmarked Reserves	2,019	7,431
	Plus/(Less) Movements in Relevant Balance Sheet Items:		
22	(Increase) / Decrease in Stock	(42)	
225	Increase / (Decrease) in Provisions	2,070	
5,646	Increase / (Decrease) in Creditors	4,804	
118	(Increase) / Decrease in Debtors	(1,722)	
(14)	(Increase) / Decrease in Other Funds	12	
493	(Increase) / Decrease in Loan Premiums	6,039	
0	(Increase) / Decrease in Financial Instruments Adjustment Acc	(6,548)	4,613
7,204			11,976
2,891	Cash Flow on Servicing of Finance		5,811
10,095	Cash Flow on Revenue Activities		17,787

49. Government grants received

2006/07 £'000		2007/08 £'000
8,422	Council Tax Benefit	8,528
8,579	Others	3,946
7,509	DCELLS Grant	6,588
6,417	Other Education	7,509
3,669	Supporting People	3,823
2,711	Other Social Services	2,867
2,075	Concessionary Fares Grant	2,236
1,720	Waste Disposal	1,564
1,711	Resettlement Grant	1,726
1,239	Housing/Council Tax Benefit Administration	1,368
*	Communities First	895
*	Cymorth	2,386
*	Flying Start	585
*	Local Transport Services	427
44,052	Total	44,448

* included in Others 2006/07

50. Analysis of cash balances and Overdraft

	Balance B/F 01/04/07 £'000	Balance C/F 31/03/08 £'000	Change During Year £'000
Cash at Bank / (Overdraft)	586	(2,051)	(2,637)
	586	(2,051)	(2,637)

51. Financing and management of liquid resources

	Balance B/F 01/04/07 £'000	Balance C/F 31/03/08 £'000	Change During Year £'000
Short Term Investments	10,900	20,321	9,421
	10,900	20,321	9,421

52. Reconciliation of movement in cash to movement in net debt

	Balance B/F 01/04/07 £'000	Balance C/F 31/03/08 £'000	Change During Year £'000
<u>Borrowing</u>			
Short Term	3,359	2,780	(579)
Long Term	91,792	97,342	5,550
<u>Cash</u>			
Short Term Investment	(10,900)	(20,321)	(9,421)
Cash at Bank / (Overdraft)	(586)	2,051	2,637
Net Debt	83,665	81,852	(1,813)
Decrease in Cash During the Period			2,637
Increase in Short Term Investments			(9,421)
Decrease in Short Term Borrowing			(579)
Increase in Long Term Borrowing			5,550
Change in Net Debt			(1,813)
Net Debt 01/04/07			83,665
Net Debt 31/03/08			81,852
Change in Net Debt			(1,813)

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 accounts.

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 Adjustment 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.

Balance Sheet

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

Contingent liabilities

A Contingent Liability is a possible obligation that arises from past events and 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 or previous years.

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 or previous years.

Deferred grants

The government grants deferred account represents the balance of grants applied to the financing of fixed assets awaiting amortisation to the Income and Expenditure account to match the depreciation of the relevant assets.

Delegated schools balances

Under the Local Management of Schools provisions, any balances accrued at year end are delegated to individual schools. These funds 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.

Escrow account

Escrow is a legal arrangement whereby money is delivered to a third party (called an escrow agent) to be held in trust pending a contingency or the fulfillment of a condition or conditions in a contract.

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).

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.

Income and Expenditure Account

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.

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.

Revaluation Reserve

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

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 Recognised Gains and Losses (STRGL)

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.

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.

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.