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Explanatory Foreword

By Gareth Moss, Corporate Director - Resources



1. Introduction To The Statement Of Accounts

The accounts for 2008/09 have been produced in line with a new Statement of Recommended Practice (SORP) for 2008. Specific changes include:

- Some changes to capital accounting arrangements including the introduction of the term Revenue Expenditure Funded from Capital Resources under statute to replace Deferred Charges
- Revised guidance on the impact of the revision to the Pensions SORP

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 2008/09, the Authority showed a deficit on the Income and Expenditure Account of £8.170m. 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 increased by £0.091m. This is made up of a £0.233m increase in schools balances and a £0.142m 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 a decrease of £74.50m primarily arising from a fall in the market value of the pension scheme assets.

4. Balance Sheet

This shows the Council's financial position as at 31 March 2009, where the net worth of assets was £42.08m. 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 increased by £2.3m.

2. **Funding council services**

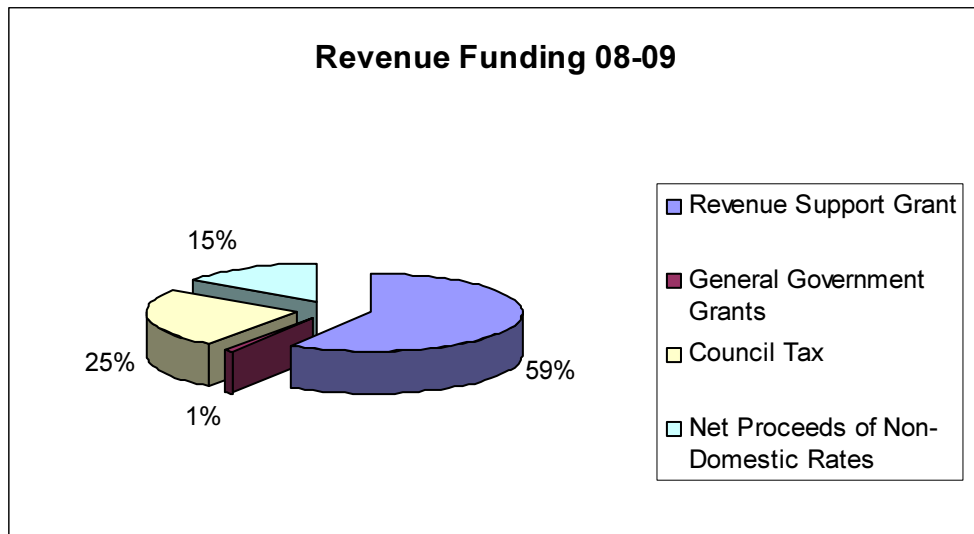
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

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.

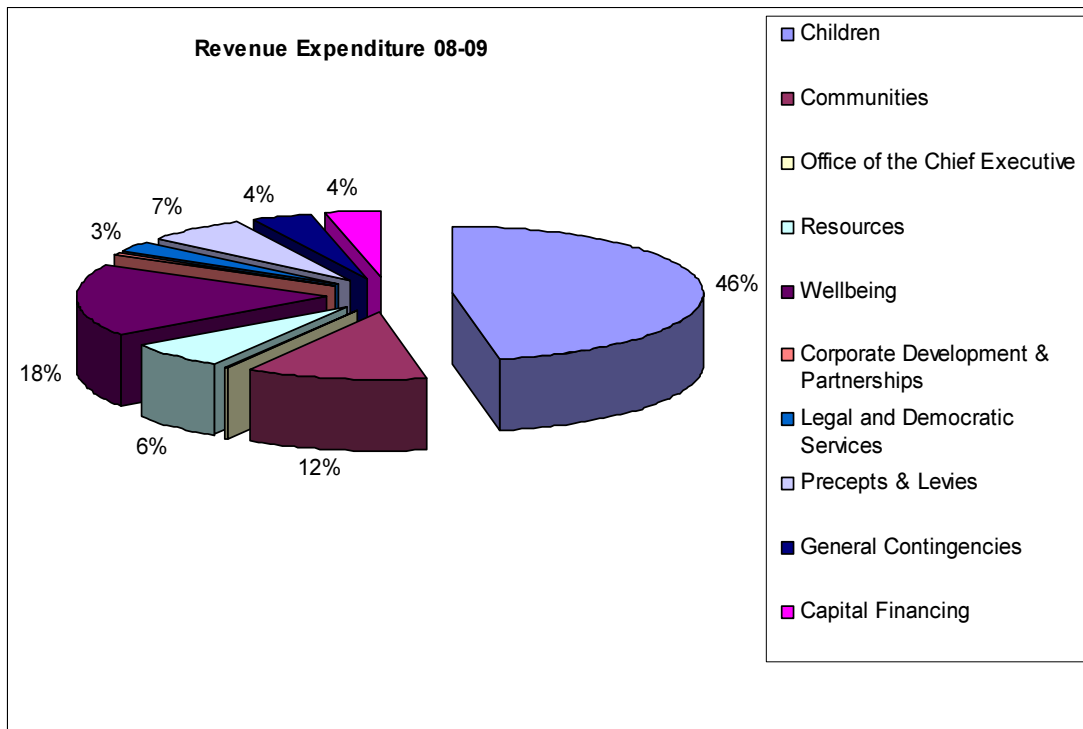
Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

a) Revenue spending on council services

Where the money came from.....



Where the money was spent.....



In 2008/09 £195.194m was the net spend on revenue services. This compares to £195.277m anticipated when the budget was set resulting in a £0.083m under-spend on Directorates. The overall position for the Authority was an over-spend of £0.142m resulting from an increased use of general contingencies. Additional income from council tax and investment income were used to make contributions to earmarked reserves and the Major Claims provision.

The following table shows how the actual spend on services during 2008/09 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2008/09

	Revised Budget 08/09 £'000	Actual 08/09 £'000	Variance 08/09 £'000
Directorates			
Children	106,976	106,358	(618)
Communities	25,644	26,641	997
Office of the Chief Executive	418	414	(4)
Resources	15,236	14,719	(517)
Wellbeing	39,735	39,997	262
Corporate Development & Partnerships	1,263	1,064	(199)
Legal and Regulatory Services	6,005	6,001	(4)
Net Cost of Services	195,277	195,194	(83)
Precepts & Levies	14,931	14,931	-
General Contingencies	4,493	8,404	3,911
Capital Financing	10,215	8,364	(1,851)
General Government Grants	(2,089)	(2,098)	(9)
Appropriation to/(from) Reserves	(1,140)	(1,366)	(226)
Net Expenditure	221,687	223,429	1,742
Revenue Support Grant	(132,817)	(132,817)	-
Non Domestic Rates	(34,752)	(34,752)	-
Council Tax	(54,118)	(55,718)	(1,600)
Net (Under)/Overspend on Services	-	142	142

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 2008/09 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 13 February 2008. 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 31 March 2009 showed an under-spend on service expenditure within the year of £0.083m.

The main reasons for this are:

- **Children** had an overall under-spend of £0.618m with the more significant variances shown below :
 - Over-spend of £506,000 on Fostering Services due to the continued pressure of demand for Independent Fostering Placements (£1.025m over-spend) offset in part by lower than anticipated in-house foster placements (£0.519m under-spend).
 - Over-spend of £143,000 on Children's Homes as the budget saving for the reprovision of residential services was not achieved together with increased expenditure on out of county placements.
 - Over-spend of £134,000 on Special Needs Education due to increased demands particularly in respect of behaviour support, increased expenditure on out of county education placements and income from other local authorities for placement in Bridgend Special Schools being less than anticipated.
 - Under-spend of £299,000 on the Schools Meals Service resulting from an increased number of school days and related increased income, reduced food and labour costs and income from the free breakfast initiative being able to offset management costs.
 - Under-spend of £235,000 on Family Support Services following the securing of grant funding at year end to offset all base budget costs of Family Centres and grants to support voluntary organisations.
 - Under-spend of £227,000 on Strategic Management due to a tighter control of expenditure, along with general efficiencies.
 - Under-spend of £188,000 on Other Child and Family Services as adoptions continue to be made at lower costs than anticipated and further savings within the Leaving Care.
 - Under-spend of £182,000 on home to school / college transport as contract prices did not increase by the level anticipated when contracts were re-let and additional savings were made when services were disrupted through bad weather.
 - Under-spend of £158,000 on the Education Support and Advisory Service resulting from staff savings due to the use of grant to fund project management costs.
 - Under-spend of £156,000 on supply costs for maternity cover.

- **Communities** reported an over-spend of £0.997m which included:

- Over-spend of £465,000 on Waste Management resulting from increased costs at the MREC along with an increase in the amount of waste dealt with at Civic Amenity sites. The service will be subject to a review during 2009/10.
 - Over-spend on Highways and Fleet Services of £428,000 for a number of reasons including increased costs relating to flooding, snow and other inclement weather; failure to achieve additional income relating to the New Roads and Street Works Act and ageing fleet vehicles.
 - Over-spend of £342,000 on Car Parking mainly the result of the loss of income from one car park demolished for a supermarket development. This was compounded with the supermarket offering free car parking within the town.
 - Over-spend of £175,000 on Parks and Open Spaces caused by higher than budgeted repairs and maintenance and utility costs.
 - Under-spend of £197,000 on Street Scene Support.
 - Under-spend of £161,000 on Engineers due to increased external fee income within the section.
 - Under-spend of £137,000 on Housing and Community Regeneration mainly due to staff vacancies.
- **Office of Chief Executive** had a small under-spend of £0.004m resulting from reduced running costs.
 - **Resources** reported an under-spend for the year of £0.517m made up of the following significant variances:-
 - Over-spend of £239,000 on Public Buildings due to increased maintenance and utility expenditure in the year.
 - Over-spend of £227,000 on Information and Communication and the Customer Contact Centre due to software license supplier uplifts in excess of inflation rates and staffing costs relating to the new Centre being higher than anticipated.
 - Under-spend of £240,000 on Accountancy resulting from various staff vacancies throughout the Authority not being filled in the short term due to the impending finance restructure.
 - Under-spend of £237,000 within other Finance and £54,000 within Corporate Human Resources due to various staff vacancies generating savings.
 - Under-spend of £158,000 on Property Income due to the number of void properties being reduced and units let being increased resulting in increased income.
 - Under-spend of £157,000 on Insurance following a reduced contribution needed to the Insurance Fund based on the end of financial year Fund Evaluation Report.
 - Under-spend of £114,000 on Council Tax where income through the recovery of court costs has increased.
 - **Wellbeing** had an over-spend of £0.262m resulting from :-

- Over-spend of £256,000 due to slippage on achieving efficiency savings linked to remodelling adult social care services.
 - Over-spend of £217,000 on Healthy Living Services and £103,000 on Adult Social Care establishments due to increased energy contract prices from October 2008.
 - Over-spend of £173,000 related to reduced income from charges for customers of sports and recreation facilities.
 - Over-spend of £98,000 due to the increased service demands for younger adults.
 - Over-spend of £100,000 on the Meals on Wheels Service.
 - Under-spend of £432,000 on Residential and Nursing Home Placements due to a continued reduction in the assessed need for residential and nursing placements.
 - Under-spend of £253,000 due to staff vacancies and additional external funding within the Directorate
- **Community Development & Partnership** reported a year end under-spend of £0.199m resulting from:-
 - Under-spend of £90,000 on Policy and Performance Management due to staff vacancies and one off funding in respect of management development.
 - Under-spend of £59,000 on Scrutiny due to part year vacancies and reduced working hours and additional income following the secondment of an employee to the Legal Commission.
 - Under-spend of £39,000 on Senior Management and Business Support due to staff vacancies.
- **Legal & Regulatory Services** under-spent in the year by £0.004m with the significant variances as below:-
 - Over-spend of £147,000 on Legal resulting from increased litigation costs, under achievement of income and increased agency fees partly offset by staff savings and a reduction in child care contract costs.
 - Under-spend of £92,000 on Democratic Services resulting from increased Elections income and staff savings.
 - Under-spend of £59,000 on Environmental Health Services and Trading Standards due to 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 £0.142m. This was as a result of:

- An increase in Council Tax income over budget of £1.60m 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 £1.85m from increased investment income and lower borrowing than was anticipated at the time that the budget was set.
- The increased call on the Contingency Fund of £3.91m relates to an increase in the Major Claims Provision for Job Evaluation, MREC and Equal Pay. This has been offset by the additional Council Tax income and increased investment income due to a particular favourable interest rate on one investment.
- A review of the Authority’s Earmarked Reserves and Contingency Fund to ensure that they were at the required level at year end.

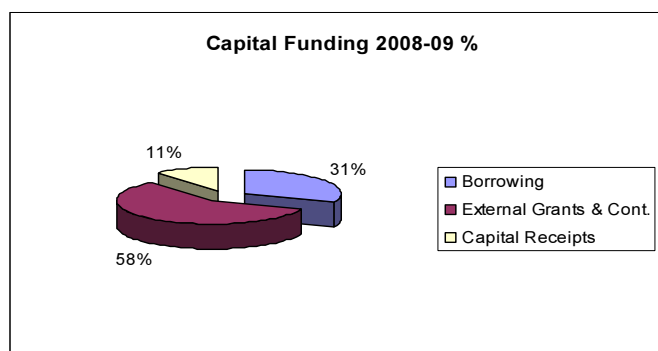
b) Capital spending in 2008/09

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 2008/09 was £27.9m. Assets created or improved as a result of this spend included:

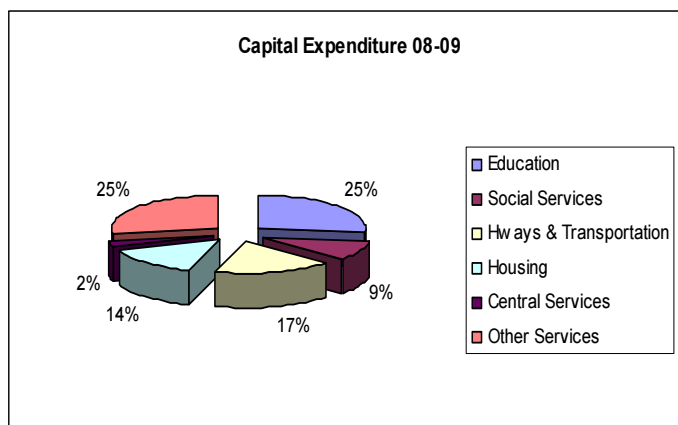
- New swimming development centre at Ynysawdre
- Refurbishment works at YGG Llangynwyd
- Refurbishment works at Heronsbridge Special School
- Bridgend river walkway
- New reception area at civic offices
- Refurbishment and extension at Ty Penybont day centre
- Improvements to Sarn and Maesteg Libraries

In addition over £3.4m was spent on improvements to a number of schools.

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	£133m
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 £98.5m as at 31 March 2009.

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 as at 31 March 2009 can be summarised as follows:

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Council Fund	7,279	(142)	7,137
Delegated Schools	3,020	233	3,253
Earmarked Reserves	8,568	3,979	12,547
Total Reserves	18,867	4,070	22,937

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. Pension Fund Liability

Disclosure information about retirement benefits in the Statement of Accounts is based on FRS 17. The pension fund liability that is disclosed in the Balance Sheet is the total projected deficit that exists over the expected life of the fund. The deficit will change on an annual basis dependent on the performance of investments and the actual assumptions that are made in terms of current pensioners, deferred pensions and current employees. The Pension Liability for 2008-09 is £212.5 million (£139.9 m restated 2007-08).

5. 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 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 31 March 2009 was approved by the Council of 17 June 2009.

Signed :

Leader of the Council

Date :

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 SORP).

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.

The Corporate Director - Resources should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

Director's Certificate

I certify that the Statement of Accounts presents fairly the financial position of Bridgend CBC at 31 March 2009.

Signed :

Corporate Director – Resources

Date :

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 and processes 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.

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 31 March 2009 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 2008/09. 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 2005-16
- The Corporate Improvement Plan 2008-2011 (incorporating the Corporate Plan)
- Children and Young People's Single Plan 2008-11
- Health, Social Care and Wellbeing Strategy 2008-11
- Local Development Plan
- 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
- 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
 - Corporate Improvement Plan 2008/11
 - 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 (revised March 2009)
 - Contract Procedure Rules (revised March 2009)
 - Annual Internal Audit Opinion
 - 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 Transaction
 - Members Training Programme
 - Corporate Complaints Policy
 - Risk Management Strategy
 - Business Continuity 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 (revised March 2009)
 - Contract Procedure Rules (revised March 2009)
- (v) Developing the capacity and capability of members and officers to be effective
- Corporate Induction of New Starters
 - Training Unit – in-house and external courses arranged
 - Continuous Professional Development
 - Staff Appraisals
 - 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 2005-16
 - Relationship Letter Wales Audit Office
 - Publication of Reports of External Inspectors & Regulators
 - Public access to Committees
 - Bridgend Local Service Board
 - Consultation Strategy and Consultation Best Practice Guide
 - Citizen's Panel
 - Communication Strategy
 - Forums & Focus Groups
 - Statement of Accounts, Budget Book & Council Tax Leaflet
 - BCBC newsletters and website
 - Committee Reports, Minutes & Agendas on Website
 - Regular Meetings with Trade Unions

Where reference is made to documents within the Council, details are available from the Council on request or can be found on the Council's website www.bridgend.gov.uk.

The Council's aims, objectives and main priority areas are detailed in its Corporate Improvement Plan 2008–2011. In the previous year's Corporate Improvement Plan, a new set of values were 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, 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 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 aim of the Whistle-Blowing policy is 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 whistle-blowing 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 addition to risk management policies, the authority has a business continuity management strategy in place and is in the process of developing Business Continuity plans. The aim of the strategy is to create an internal environment where risks to the Council's business are minimised and interruptions to service provision are prevented as far as possible. The Business Continuity Plan (currently at draft stage) provides a strategic framework around which staff may work in the event of business interruptions in order to enable critical functions to be delivered as quickly as possible. The plan will be continuously updated to incorporate lessons learnt from real-life incidents and training exercises, as well as changes in service provision and delivery.

In December 2006 (revised March 2009) 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 and Scrutiny Chairs 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 Final Letter of Representation to the external auditor which is 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 onwards the audit plan year has been changed from one ending in March to a year ending June. This allows 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 2008 and updated throughout the year 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 2008-2011. Risks have been ranked 1-6, according to relative importance. The top ranked risks (1-3) are listed below:

- School Modernisation (rank 1) - Progress all aspects of school modernisation to provide sufficient, suitable, well-maintained and resourced facilities.
 - Early Intervention in Children's Services (rank 2) – Need for early intervention and preventative services across the whole range of children's services and deliver inclusive services.
 - Highways Infrastructure (rank 2) – The current funding has resulted in a reactive regime rather than a more efficient planned approach being adopted.
 - Equal Pay (rank 2) – Ensure the Council can modernise its pay structure in compliance with equal pay legislation.
 - Strong Working Relationships (rank 3) – Not having strong working relationships between the Children's Directorate, the Wellbeing Directorate and partner organisations could compromise the efficient provision of services.
 - Adult Social Care (rank 3) – Not progressing with the remodelling of adult social care will lead to existing service provision becoming unsustainable because of demographic changes in population.
 - Leisure (rank 3) – Outdated, unattractive and unsafe leisure facilities mean fewer visits from existing customers and an inability to attract new sections of the community.
 - Use of Resources (rank 3) – Ensure the Council is making optimum and effective use of its resources and in particular improving its asset base.
-
- To support the achievement of objectives and major developments that underpin the priority themes a Corporate Programme Management Board is in place. The Corporate PMB oversees those programmes identified as being of strategic importance to the Authority, in that they directly support the Council's Priority Themes and link directly to the Corporate Improvement Plan for the Council. Each Programme has a Senior Responsible Officer at Director level and a Programme Manager. The Board meets monthly, regularly reviewing programmes and receiving highlight reports on an exception basis. For each Programme timescales, budget, resource, risks and issues are separately assessed and assigned a status level of red, amber or green. The Board has responsibility for managing those risks and issues escalated to it for action. The Strategic Programmes are:
 - i. Adult Social Care Remodelling
 - ii. Supporting Vulnerable Children
 - iii. Implementation of Inclusion Strategy
 - iv. Schools Modernisation
 - v. Customer Care
 - vi. Sustainable Communities
 - vii. Porthcawl Regeneration

- viii. Waste
- ix. Promoting Active and Healthy Living
- x. Efficiencies
- xi. Job Evaluation

- The Council is responsible for the Risk Management policy. It receives 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, and has been subject to regular review since. This ensures that it is accurate and reflects current best practice and legal requirements.

5. Significant Governance Issues

For 2008/09, a desktop review of documents to support assurances has been carried out, along with an exercise to update the Action Plan identified as part of the 2007/08 exercise. These are as detailed below:-

- Children's Services & Supporting Vulnerable Children
- School Modernisation, Reorganisation & Funding
- 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
- Remodeling and Provision of Leisure Services
- Adult Social Care Remodeling
- Waste management
- Regeneration of the county borough

An Action Plan has been devised for all these issues together with a timescale for completion and a responsible officer. The Action Plan will be 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.....Date.....

Chief Executive Officer.....Date.....

Leader of the Council.....Date.....

Statement of Accounting Policies

1. General principles

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008* (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.

Certain reserves shown on the balance sheet are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves 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

The amount charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for employees' pensions should be in accordance with FRS 17 Retirement Benefits, subject to the interpretations set out in the SORP.

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 Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). 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. The Local Government Scheme is accounted for in line with FRS 17 Retirement Benefits:-
 - The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
 - Liabilities are discounted to their value at current prices, using a discount rate.
 - The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:-
 - i. Quoted securities – current bid price
 - ii. Unquoted securities – professional estimate
 - iii. Property – market value
 - The change in the net pensions liability is analysed into seven components:-
 - i. Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - ii. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Service in the Income and Expenditure Account as part of Non Distributed Costs
 - iii. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
 - iv. Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
 - v. Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees

- debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - vi. Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuations or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
 - vii. Contributions to the pension fund – cash paid as employer's contribution to the pension fund.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.
 - 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.
 - Under the 2008 SORP, the Council has adopted the amendment to FRS 17 Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £139.65 million to £139.86 million.

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 2008 (BVACOP)*. For 2008/09, 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

Recognition - 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 £10k on a particular scheme, this is classified as de-minimis and the expenditure is written off to the revenue accounts.

Measurement - The current asset values used in the accounts are based upon independent external revaluations as at 1 April 2004.

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 proceeds 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 2008/09 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 prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement and is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement for supported borrowing and based on the asset life for unsupported borrowing. 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. Revenue Expenditure Funded from Capital Resources under statute

These arise when capital expenditure is incurred which does not result in, or match a tangible fixed asset. Examples of such expenditure include home improvement grants, town improvement grants, demolitions and land feasibility studies. This expenditure is incurred during the year and then written off to the relevant service revenue account. Where the Council has determined to meet the cost of these 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 1 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 2008/09 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 (LOBOs) with stepped interest rates. An effective interest rate has been used for these so that there are remeasured amounts for the LOBOs 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)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

Residual Interests

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value including nil (residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future expenditure.

A PFI contract for a new comprehensive school in Maesteg was signed in October 2006. The service commencement date was July 2008. The accounting treatment is based on the following premise:

'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.

Where the Council has entered into PFI contracts the accounting treatment accords with proper practice as determined by the Accounting Standards Board. This means the adoption of *Application Note F to Financial Reporting Standard 5: Reporting the substance of transactions (FRS 5)*, and also reference to *Treasury Taskforce Technical Note Number 1 (revised): How to account for PFI transactions*.

A long term debtor and PFI Acquisition Account have been established equal to the estimated residual interest in the assets divided by 25 years. This represents the accrual of the Council's residual interest in the asset which reverts to the Council after the end of the contract.

17. Joint Arrangements

The Council has administrative responsibilities for County Borough Supplies and Coychurch Crematorium. Independent financial statements continue to be prepared and audited for each of these joint committees. The activities of these joint arrangements are excluded from the Council's single entity financial statements on the basis of materiality of both assets and population.



Core Financial Statements 2008/09

Statement of Accounts

2008/09

Income and Expenditure Account for the Year Ended 31 March 2009

2007/08 £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000	Notes
	SERVICES				
107,116	Children's and Education Services	147,434	(36,504)	110,930	
33,978	Adult Social Care	53,079	(18,730)	34,349	
13,264	Highways, Roads and Transport Services	19,850	(6,693)	13,157	
2,551	Housing Services	40,330	(37,689)	2,641	
9,143	Central Services	34,715	(22,734)	11,981	
30,320	Cultural, Environmental and Planning Services	53,233	(25,121)	28,112	
5,214	Corporate and Democratic Core	5,703	(441)	5,262	
4,100	Non-Distributed Costs	280		280	
205,686	NET COST OF SERVICES	354,624	(147,912)	206,712	
7,538	Precepts Paid	8,019		8,019	1
6,656	Levies and Contributions Paid	6,912		6,912	1
5,065	Interest payable and similar charges	5,065		5,065	
(1,918)	Interest and Investment Income	(1,926)		(1,926)	
(583)	Trading Activities Net (surplus) / deficit	23,395	(23,527)	(132)	2
5,810	Pension Interest Cost & Expected Return on Assets	8,940		8,940	3 & 45
112	(Profit)/Loss on Sale of Fixed Assets	(35)		(35)	
228,366	NET OPERATING EXPENDITURE	404,994	(171,439)	233,555	
(129,780)	Revenue Support Grant		(132,817)	(132,817)	4
(2,132)	Other Government Grants		(2,135)	(2,135)	5
(53,174)	Council Tax		(55,718)	(55,718)	6
(31,248)	Net Proceeds of Non-Domestic Rates		(34,715)	(34,715)	7
12,032	DEFICIT/(SURPLUS) FOR THE YEAR	404,994	(396,824)	8,170	

Statement of Movement on the General Fund Balance Year Ended 31 March 2009

2007/08 £'000		2008/09 £'000	Notes
12,032	Deficit/(Surplus) for the year on the Income & Expenditure Account	8,170	
(11,964)	Net Additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the Yr	(8,261)	24
68	(Increase)/Decrease in Council Fund Balance for the year	(91)	
(10,367)	Council Fund Balance brought forward	(10,299)	
(10,299)	COUNCIL FUND BALANCE CARRIED FORWARD	(10,390)	
3,020	Amount of Council Fund Balance held by schools under local management schemes	3,253	
7,279	Amount of Council Fund Balance generally available for new expenditure	7,137	
10,299		10,390	

Statement of Total Recognised Gains and Losses

2007/08		2008/09	Notes
£'000		£'000	
12,032	Deficit / (Surplus) for the year on the Income and Expenditure Account	8,170	
(2,608)	Deficit / (Surplus) arising on revaluation of fixed assets	(3,000)	35
(12)	Movements on other funds	-	
(55,720)	Actuarial (gains) / losses on pension fund assets and liabilities	69,330	45
(46,308)	Total (gains) / losses	74,500	
6,752	Restatement in relation to SORP changes 2007		
(39,556)	Total recognised (gains) / losses for the year	74,500	

Balance Sheet as at 31 March 2009

2007/08 Restated £'000		2008/09		Notes
		£'000	£'000	
	Tangible fixed assets			
	Operational assets			
291,501	Other land and buildings	290,828		
4,288	Vehicles, plant and equipment	4,741		
101,870	Infrastructure assets	109,757		
1,920	Community assets	1,920		
	Non-operational assets			
13,178	Investment properties	12,277		
16,572	Assets under construction	9,325		
3,209	Surplus assets held for disposal	6,228		
432,538	Total fixed assets		435,076	26
258	Long-term debtors	502		28
258	Total long term assets		502	
	Current assets			
332	Stocks and work in progress	289		
25,414	Debtors	22,925		29
20,321	Short term investments	23,841		46
-	Cash at bank	226		
478,863	Total assets		482,859	
	Current liabilities			
(2,780)	Short Term Borrowing	(817)		
(36,737)	Creditors	(40,709)		30
(2,051)	Bank overdraft	-		
437,295	Total assets less current liabilities		441,333	
	Long term liabilities			
(97,342)	Long Term Borrowing		(98,472)	32 & 46
(72,578)	Government Grants Deferred		(77,944)	33
(3,568)	Capital Contributions Deferred		(3,570)	33
(7,355)	Provisions		(6,754)	31
(139,860)	Pensions Liabilities		(212,510)	45
116,592	Total assets less liabilities		42,083	
	Financed by:			
-	Revaluation Reserve		3,000	35
229,136	Capital Adjustment Account		219,963	36
(6,548)	Financial Instruments Adjustments Account		(6,344)	34
14,988	Usable Capital Receipts Reserve		14,307	37
7,279	General Fund Balance		7,137	
3,020	Delegated Schools Balance		3,253	38
-	Maesteg PFI Equalisation Reserve		431	39
-	Maesteg PFI Acquisition Account		299	39
8,568	Earmarked Balances		12,547	38
9	Other Funds		-	
(139,860)	Pensions Reserve		(212,510)	45
116,592	Total net worth		42,083	

Cash Flow Statement for the Year Ended 31 March 2009

2007/08 £'000		2008/09		Notes
		£'000	£'000	
	Revenue activities			
	Cash outflows			
163,871	Cash paid to and on behalf of employees	166,676		
125,799	Other operating costs	141,388		
36,300	Housing Benefit paid out	43,425		
33,938	NNDR payments to the pool	37,333		
-	Revenue Expenditure charged to Capital	5,701		
7,537	Precepts Paid	8,019		
	Cash inflows			
(2,110)	Rents (after rebates)	(2,902)		
(52,761)	Council Tax income	(51,934)		
(34,845)	NNDR rate collection	(39,216)		
(31,730)	NNDR net adjustment	(39,069)		
(129,780)	Revenue Support Grant	(132,817)		
(29,501)	DWP grants for benefits	(33,047)		
(44,448)	Other government grants	(50,232)		49
(32,087)	Cash received for goods and services	(30,498)		
-	Revenue Expenditure charged to Capital Funding	(4,426)		
(27,970)	Other operating cash receipts eg cust/client receipts	(28,110)		
(17,787)			(9,709)	48
	Return on investments and servicing of finance			
	Cash outflows			
8,106	Interest paid *	4,860		
	Cash inflows			
(2,295)	Interest received	(2,063)		
5,811			2,797	
	Capital activities			
	Cash outflows			
30,570	Purchase of Fixed Assets	22,383		
	Cash inflows			
(2,609)	Sale of fixed assets	(2,448)		
(103)	Mortgage receipts	(55)		
(17,694)	Capital grants received	(19,599)		
10,164			281	
(1,812)	Net cash (inflow)/outflow before financing		(6,631)	
	Management of Liquid Resources			
9,421	Purchase of short term investments	3,520		51
	Financing			
	Cash outflows			
22,842	Repayments of amounts borrowed	34,310		
	Cash inflows			
(27,700)	New long term loans raised	-		
(114)	New short term loans raised	(33,476)		
4,449			4,354	
2,637	Net (increase)/decrease in cash		(2,277)	50

Certification of Accounts

Certification by Corporate Director – Resources

I certify that the accounts set out on Pages 25 to 86 present fairly the financial position of the Council as at 31 March 2009.

Gareth Moss

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



Notes to the Core Financial Statements 2008/09

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:

2007/08 £'000		2008/09 £'000
	Precepts	
6,260	South Wales Police Authority	6,685
1,278	Community Councils	1,334
7,538	Sub total	8,019
	Levies	
6,287	South Wales Combined Fire Authority	6,504
190	Coroners Service	220
48	South Wales Sea Fisheries	53
110	Archive Service	113
2	Margam Crematorium Joint Committee	2
19	Swansea Bay Port Health Authority	20
6,656	Sub total	6,912
14,194	Total	14,931

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:

Statement of Accounts

2008/09

2007/08 Deficit/ (Surplus) £'000	Activity	2008/09 Income £'000	2008/09 Exp. £'000	2008/09 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
(55)	Sports and Recreation (Indoor)	(5,482)	5,811	329	-	329
(21)	Grounds Maintenance	(2,128)	2,174	46	16	30
(117)	Schools Catering	-	-	-	-	-
1	Outdoor Leisure	(278)	271	(7)	4	(11)
(66)	Building Maintenance	(3,646)	3,625	(21)	(21)	-
(13)	Other Cleaning	(2,135)	2,080	(55)	(25)	(30)
(43)	Building Cleaning	(1,107)	1,048	(59)	(44)	(15)
(61)	Fleet Services	(3,410)	3,349	(61)	(90)	29
(119)	Other Catering	(703)	563	(140)	(109)	(31)
(89)	Highway Maintenance	(4,638)	4,474	(164)	(118)	(46)
(583)	Transfer to I & E Account	(23,527)	23,395	(132)	(387)	255

The large deficit on Sports and Recreation has resulted in the main from an increase in energy costs of £177k and a decline in fees and charges income of £130k probably as a result of the economic downturn.

Grounds Maintenance had a larger deficit than target due to the general increase in contractor costs in particular trade waste costs which increased significantly during 08/09 as a result of new waste disposal regulations.

Outdoor Leisure made a small surplus despite a deficit being predicted. Building Maintenance achieved a breakeven position as an earmarked reserve was created to cover potential future losses or finance capital expenditure.

Other Cleaning, Building Cleaning, Other Catering and Highways Maintenance all exceeded their target surpluses.

Although Fleet Services maintained its level of surplus, it was slightly below target due to the cost of maintaining ageing vehicles in the year. Maintenance costs should reduce in 2009/10 due to the replacement of some of the older vehicles.

Schools Catering is no longer structured as a Trading Account.

3. Pension costs

The disclosures required for 2008/09 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 2008/09, the Authority paid £6.6 million (£6.5 million for 2007/08) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Authority is responsible for all pension payments relating to added years awarded, together with the related increases. In 2008/09, these amounted to £0.50 million (£0.49 million for 2007/08).

b) Other employees

In 2008/09 the Council paid an employer's contribution of £14.76 million (£16.04 million for 2007/08) into Rhondda Cynon Taf CBC Pension Fund. The Fund provides members with defined benefits related to pay and service.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

The pension costs that are charged to the Council's accounts are defined by FRS17 'Retirement Benefits'.

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.

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 2008/09 was £132.82m (£129.78m for 2007/08).

5. Government grants

In addition to the Revenue Support Grant, the Authority received specific government grants which amounted to £80.4m. Grant income sits within the gross income column within services except for the Deprivation Grant, Improvement Agreement Grant and the Local Authority Business Growth Incentive Grant. The main specific grants within services are shown below:-

2007/08 £'000	Specific Grants	2008/09 £'000
27,833	Mandatory Rent Allowances	31,453
8,528	Council Tax Benefit	9,416
6,588	DCELLS Grant	7,172
	Foundation Phase Grants *	2,464
	Raise Grant *	688
7,986	Other Education	2,642
2,231	Other Social Services	2,708
3,246	Others	6,093
3,823	Supporting People	3,781
1,726	Resettlement Grant	1,741
627	SMAP	845
2,270	Concessionary Fares Grant	2,825
585	Flying Start	1,111
1,520	Sustainable Waste Grant	2,130
1,368	Housing/Council Tax Benefit Administration	1,335
427	Local Transport Services	468
895	Communities First	1,332
2,386	Cymorth	2,244
72,039	Total	80,448

* included in the 'Other Education' figure in 2007/08

2007/08 £'000	Other Government Grants	2008/09 £'000
758	Deprivation Grant	758
1,365	Improvement Agreement Grant	1,377
9	Local Authority Business Growth Incentive	-
2,132	Total	2,135
74,171	TOTAL	82,583

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 1 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 - 47,962.84 dwellings for 2008/09 (47,156.87 in 2007/08). The basic amount for a Band D property is £1,128.33 in 2008/09 (£1,085.17 in 2007/08 on average) and 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:

Statement of Accounts

2008/09

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	25	9,818	14,557	13,329	8,916	6,445	3,561	1,258	270	79

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

2007/08 £'000		2008/09 £'000
53,174	Council Tax Collectable	55,718
	Less:	
(1,278)	Payable to Community Councils	(1,334)
(6,260)	Payable to South Wales Police	(6,685)
(172)	Provision for non payment of Council Tax	(143)
45,464	Net Proceeds from Council Tax	47,556

7. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government (WAG) specifies an amount for the rate of 46.6p in 2008/09 (44.8p in 2007/08) 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 WAG. WAG then 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 2008/09 was £39,056k (£34,739k in 2007/08) and the rateable value used for 2008/09 was £85,968k (£85,984k in 2007/08). Analysis of the proceeds from non-domestic rates is as follows:

2007/08 £'000		2008/09 £'000
34,739	Non-domestic rates collectable	39,056
	Less:	
(33,694)	Paid into NNDR pool	(37,333)
(221)	Cost of Collection	(206)
(372)	Bad and Doubtful Debts	(884)
(452)	Small Business Relief	(633)
-		-
35	Council Fund contribution to Rate Relief	37
(31,283)	Receipts from pool	(34,752)
(31,248)	Net Proceeds from NNDR	(34,715)

8. Leasing costs and income

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
Rentals Payable 2008/09	784	1,530	2,314

The authority was committed as at 31 March 2009 to making payments of £1.9m under operating leases in 2009/10 as detailed in the table below:-

Committed Expenditure in 2009/10 for Leases Expiring:-	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Leases expiring in 2009/10	184	109	293
Leases expiring between 2010/11 and 2013/14	136	1,028	1,164
Leases expiring after 2013/14	448	-	448
Total	768	1,137	1,905

Where the Authority is a lessor, the aggregate rentals receivable in the year is £2.9 million (£2.1 million 2007/08).

9. Section 137 expenditure

Section 137 of the Local Government Act 1972, as amended, empowers Local Authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. Its actual expenditure was £206k (£120k for 2007/08).

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:

2007/08 £'000	Publicity Category	2008/09 £'000
431	Communications to the public	638
77	Recruitment of Staff	73
23	Statutory Notices	1
531	Total	712

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 33 NHS (Wales) Act 2006

Under Section 33 NHS (Wales) Act 2006 the following informal 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	140	317	457	122
Transition to Adults Services	40	40	80	53
Community Reablement Project	207	180	387	51
Dementia Register / Referral & Assessment Pathway	45	-	45	45
Preventing Admission & Facilitating Discharge	15	28	43	36
Intermediate Care Development Manager	-	22	22	31
Health, Social Care & Well Being Strategy	-	100	100	100
Total	447	687	1,134	438

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

There are however some formal pooled budget between the Authority and the NHS Trust and these are detailed below (full Memorandum Accounts for both can be found before the Glossary of Terms at the end of the Statement of Accounts):-

Purpose of Partnership	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Authority's Contribution £'000
Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.	470	470	234
Lead Commissioning from a Pooled Fund for procuring specified community equipment for eligible people within the Council's administrative area.	541	541	520

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 2007/08 £'000		Chargeable 2008/09 £'000	Non Chargeable 2008/09 £'000	Total 2008/09 £'000
	Expenditure:			
381	Employees	189	199	388
32	Transport	18	14	32
21	Supplies & Services	11	11	22
147	Central & support service charges	38	37	75
581	Total Expenditure	256	261	517
	Income:			
327	Building Regulations charges	249	-	249
5	Miscellaneous	-	7	7
332	Total Income	249	7	256
249	Deficit/(Surplus)	7	254	261

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	2009/10 £'000	2010/11 £'000	2011/12 £'000
Refuse Collection	4,248	4,672	5,140
Kerbside Recycling	825	883	945
Waste Management	6,948	7,405	7,893
Public Transport	823	863	907
Pest Control Contract	61	61	61
Contracts /Service Agreements for care and support services (various length)	25,330	25,330	25,330
Maesteg PFI - 25 Year contract for secondary school, part funded by PFI credits from WAG	2,494	2,510	2,527
Total	40,729	41,724	42,803

Wellbeing 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 as at 31 March 2009, 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)

During 2008/09 financial year, the Council entered into a Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg. The arrangement will run until August 2033. There is a commitment of £30.5m (Net Present Value) over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Assembly Government, and Council/Delegated School resources.

Having evaluated the qualitative, quantitative and other risks, the PFI contract has been deemed to be off Balance Sheet, in accordance with the SORP and Application Note F of Financial Reporting Standard 5 as the operator bears the greater potential variations in property profits or losses.

The Council meets the costs of the Unitary Charge from its own resources and funding from the Welsh Assembly Government. The profile of funding from the Assembly reduces annually until the expiry of the contract term whereas the unitary charge payable by the Authority increases annually over the same period. This results in a "surplus" of resources for PFI when compared to payments for the initial period of the contract period. These surplus amounts are set-aside in an earmarked reserve to fund the later part of the contract period where annual payments are greater than annual resources.

As at 31 March 2009, the balance on the PFI equalisation earmarked reserve is £0.431m.

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:

Statement of Accounts

2008/09

2007/08 £'000	Category of Supply	Client	2008/09 £'000
110	Supply of Goods or Materials	Bro Morgannwg NHS Trust	101
18		Newport Council	12
7		Blaenau Gwent CBC	18
968		Bridgend Local Health Board	87
20		Cardiff County Council	20
-		City & County of Swansea	18
175		Caerphilly County Borough Council	176
-		Camden & Islington CBC	6
192		Merthyr County Borough Council	169
10		Neath Port Talbot Council	57
306		Rhondda Cynon Taff Council	352
33		Royal Kingston Council	4
(1)		Southend on Sea District Council	-
5		Thurrock Council	-
-		Powys County Borough Council	13
-		Reading Borough Council	21
-		Vision Products	2
413		Vale of Glamorgan Council	405
2,256			1,461
232	Provision of Administrative	Bridgend College	282
-	Professional or Technical		-
-	Services		-
232			282
-	Use of Vehicles, Plant		
27	or Apparatus	South Wales Trunk Road Agency	-
27			-
2,515	Total		1,743

18. Minimum Revenue Provision

The Council is required by statute to set a prudent Minimum Revenue Provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2008/09 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
CFR 01/04/08	127,515
Factor A Adjustment	(82)
CFR Adj Para 19 2008	(1,902)
Adjusted CFR	125,531
MRP - 4%	5,021
Sub-total MRP	5,021
Unsupported Borrowing MRP	314
Total MRP	5,335

19. Officers' emoluments

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

2007/08 Number of Employees inc Redundancy Costs	Remuneration Band	Number of Employees			
		Movement in Bandings	2008/09 inc Redundancy Costs	2008/09 exc Redundancy Costs	Number of Teachers inc in Figures
16	£60,000 - £69,999	5	21	22	20
11	£70,000 - £79,999	3	14	13	3
7	£80,000 - £89,999	-1	6	6	4
4	£90,000 - £99,999	1	5	4	3
3	£100,000 - £109,999	-1	2	3	0
1	£110,000 - £119,999	-1	0	0	0
0	£120,000 - £129,999	0	0	0	0
1	£130,000 - £139,000	0	1	1	0
0	£140,000 - £149,000	1	1	0	0
1	£150,000 - £159,000	-1	0	0	0
0	£160,000 - £169,999	0	0	0	0
1	£170,000 - £179,999	-1	0	0	0
0	£180,000 - £189,999	0	0	0	0
0	£190,000 - £199,999	0	0	0	0
0	£200,000 - £209,999	0	0	0	0
0	£210,000 - £219,999	0	0	0	0
1	£220,000 - £229,999	-1	0	0	0
0	£230,000 - £239,999	1	1	0	0
46		5	51	49	30

20. Members' allowances

The expenditure on Members' allowances for 2008/09 was £998k (£1,013k in 2007/08). This is made up of basic allowances (£765k) and special responsibility allowances (£233k). The reduction in costs in 2008/09 reflects the decision made in the year to restructure a Sub-Committee and Panel. Allowances paid are based in accordance with the statutory 'Guidance on the Local Authorities (Allowances for Members of County and County Borough Councils and National Park Authorities) (Wales) Regulations 2002', which is produced by the Welsh Assembly Government.

21. External audit costs

In 2008/09 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2007/08 £'000		2008/09 £'000
305	External audit services	306
90	Statutory Inspection	91
92	Grant Claims and Returns	91
487	Total	488

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. 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 For Children, Schools & Families (Teachers' Pension Scheme)	Note 3 to accounts

The Wellbeing Directorate has various related party transactions as detailed below:-

Organisation	Nature of Payment	£'000
Independent Care Providers	Provision of Care Services	14,677
Voluntary Organisations	Provision of Funding to support services	1,587
Total		16,264

The Children Directorate has various related party transactions as detailed below:-

Organisation	Nature of Payment	£'000
Voluntary Organisations	Provision of Funding to provide services	288
Total		288

Chief Officers and Members

Authority Members had various roles in a number of organisations during 2008/09 including:-

- Town and Community Councils
- Coychurch Crematorium
- County Borough Supplies
- Local Health Board
- Bridgend Local Service 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:

Statement of Accounts

2008/09

2007/08 £'000		2008/09 £'000
	Amounts included in I&E Account but required by statute to be excluded from movement in Council Fund Balance	
(17,576)	Depreciation & impairment of fixed assets	(20,326)
4,321	Government Grants and Contributions Deferred amortisation	2,792
1,703	Capital Contributions deferred amortisation	3,118
(1,486)	Revenue Expenditure Funded from Capital under Statute	(1,275)
(112)	Net profit/(loss) on sale of fixed assets	35
204	Differences between amounts debited/credited to the I&E Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	204
(13,710)	Net charges made for retirement benefits in accordance with FRS 17	(10,010)
(26,656)		(25,462)
	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	
4,821	Minimum revenue provision for capital financing	5,021
320	Capital Expenditure charged in year to Council Fund	467
17,170	Employer's Contributions to Pensions Fund & Direct Retirement Benefits	15,910
22,311		21,398
	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	
271	Unsupported Borrowing MRP	314
(9,910)	Pensions Costs Adj Net	(9,220)
-	- Maesteg Schools PFI Equalisation Reserve	431
-	- Capitalisation of PFI Long Term Debtor	299
2,020	Net transfer to or (from) earmarked reserves	3,979
(7,619)		(4,197)
(11,964)	Net Additional amount required to be debited/(credited) to the Council Fund Balance for the Year	(8,261)

25. Transfers to/(from) earmarked reserves

This represents the net movement on the earmarked reserves of the Authority within 2008/09 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 2008/09 to be utilised in future years to finance expenditure.

Statement of Accounts

2008/09

Move- ment 2007/08 £'000	Reserve	Opening Bal 2008/09 £'000	Move- ment 2008/09 £'000	Closing Bal 2008/09 £'000
37	Chief Executive Directorate	37	(37)	-
201	Resources Directorate	201	(201)	-
245	Education, Leisure & Community Services	245	(245)	-
(31)	Environmental & Planning	(31)	31	-
28	Personal Services	62	(62)	-
48	Community Regeneration & Strategic Division	14	(14)	-
65	Legal and Democratic Services	65	(65)	-
356	Asset Management Plan	356	(6)	350
-	- Customer services strategy	150	(80)	70
185	Election costs	210	(10)	200
500	Insurance reserve	1,709	(3)	1,706
(2)	Legionella assessment	49	(49)	-
-	- Major Claims Reserve	-	5,850	5,850
-	- Maesteg school PFI	600	(350)	250
-	- Mid Glam CC post balance sheet events	881	-	881
8	Other Minor Reserves	30	87	117
77	Porthcawl regeneration	277	(27)	250
60	Unitary Development Plan reserve	165	(91)	74
(650)	Waste management reserve	600	(600)	-
(450)	Business restructuring	-	-	-
35	Financial & HR systems	535	(135)	400
158	Change management	508	(78)	430
(174)	E-coli court costs	126	(71)	55
644	Treasury Management Reserve	644	-	644
50	Night Time Economy	50	-	50
7	Capital feasibility fund	59	191	250
-	- Building Maintenance Reserve	-	250	250
606	Pump Priming Reserve	606	(136)	470
100	Suicide Prevention Strategy	100	(100)	-
(83)	Invest to save	320	(70)	250
2,020	Total	8,568	3,979	12,547

Notes To Balance Sheet

26. Tangible fixed assets

a) Summary of tangible fixed assets

2007/08 £'000	Tangible Fixed Assets	2008/09 £'000
291,501	Other land & buildings	290,828
4,288	Vehicles, plant & equipment	4,741
101,870	Infrastructure	109,757
1,920	Community assets	1,920
32,959	Non-operational assets	27,830
432,538	Total	435,076

b) Numbers of fixed assets by type

Category	Number as at 31 March 2008	Number as at 31 March 2009
Schools	68	68
Other educational establishments	7	7
Libraries	7	7
Car parks	16	14
Cemeteries and buildings	20	20
Crematoria	1	1
Reclaimed land	18	18
Markets	2	2
Shops	9	9
Public conveniences	19	16
Nature reserves	1	1
Social Services establishments	29	28
Bus stations	2	2
Sports pavilions	43	41
Recreation grounds & parks	17	17
Recreation & entertainment centres	12	12
Community centres	17	15
Swimming pools	5	6
Industrial estates	23	23
Civic offices	2	2
Other offices	5	4
Depots	9	9
Vehicles	97	92
Miscellaneous assets	27	26
Total	456	440

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					
Cost or Valuation					
At 1 April 2008	320,575	16,262	148,908	1,932	487,677
Additions	8,061	1,401	5,770	-	15,232
Disposals	(2,442)	(162)	-	-	(2,604)
Reclassifications	4,962	406	8,828	-	14,196
Revaluations	-	-	-	-	-
At 31 March 2009	331,156	17,907	163,506	1,932	514,501
Depreciation and Impairments					
At 1 April 2008	(29,074)	(11,974)	(47,038)	(12)	(88,098)
Charge for 2008/09	(12,568)	(1,315)	(6,334)	-	(20,217)
Disposals	1,047	162	-	-	1,209
Reclassifications	267	(39)	(377)	-	(149)
Revaluations	-	-	-	-	-
At 31 March 2009	(40,328)	(13,166)	(53,749)	(12)	(107,255)
Balance Sheet as at 1 April 2008	291,501	4,288	101,870	1,920	399,579
Balance Sheet as at 31 March 2009	290,828	4,741	109,757	1,920	407,246

Statement of Accounts

2008/09

	Investment Properties £'000	Assets Under Construct. £'000	Surplus Assets £'000	Total £'000
2. Non-Operational Assets				
Cost or Valuation				
At 1 April 2008	13,697	16,717	3,245	33,659
Additions	213	6,776	-	6,989
Disposals	(1,000)	-	-	(1,000)
Reclassifications	(67)	(14,168)	39	(14,196)
Revaluations	-	-	3,000	3,000
At 31 March 2009	12,843	9,325	6,284	28,452
Depreciation and Impairments				
At 1 April 2008	(519)	(145)	(36)	(700)
Charge for 2008/09	(88)	-	(20)	(108)
Disposals	37	-	-	37
Reclassifications	4	145	-	149
Revaluations	-	-	-	-
At 31 March 2009	(566)	-	(56)	(622)
Balance Sheet as at 1 April 2008	13,178	16,572	3,209	32,959
Balance Sheet as at 31 March 2009	12,277	9,325	6,228	27,830

d) Capital commitments

As at 31 March 2009 commitments of approximately £5.6m existed on capital works contracts started before that date, details of which are shown in the table below.

2007/08 £'000	Description	2008/09 £'000
-	Caerau Primary School	3,242
-	Oldcastle Primary School	1,112
-	Brackla Infrants School	390
1,784	Ynysawdre swimming pool	-
-	Bridgend Recreation Centre	267
1,090	Glamorgan Records Office - BCBC Contribution	591
193	Bridgend town centre regeneration	-
340	Civic Offices New Foyer	-
170	Llynfi Library Extension	-
139	Pontycymmer Square	-
3,716	Total	5,602

e) Fixed asset valuation

The freehold and leasehold properties of Bridgend County Borough Council were valued as at 1 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. Fixed Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies. The next revaluation of the Authority's assets will be as at 1 April 2009.

f) Assets held under finance leases

Any remaining assets held under finance leases have a zero net book value as at 31 March 2009. This was also the case as at 31 March 2008.

g) Analysis of capital expenditure

2007/08 £'000	Description	2008/09 £'000
7,264	Operational fixed asset net expenditure	8,394
11,060	Non operational fixed asset net additions	6,989
-	Operational non enhancement expd written out to rev exp charged to capital	-
4,388	Operational non enhancement exp written out to impairment	6,837
-	Non operational non enhancement expd written out to rev exp charged to capital	-
187	Non operational non enhancement exp written out to impairment	-
7,672	Revenue Expenditure Funded from Capital under Statute	5,701
30,571	Total	27,921

h) Sources of finance for Capital Expenditure

2007/08 £'000	Description	2008/09 £'000
7,395	Loans	8,622
18,293	Government grants	15,441
3,569	Capital receipts	3,052
320	Revenue contribution	467
994	Other contribution	339
30,571	Total	27,921

i) Revenue Expenditure Funded from Capital under Statute

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.

Statement of Accounts

2008/09

	Bal b/fwd £'000	Expd in Year £'000	Written to Revenue £'000	Bal c/fwd £'000
Improvement grants written out to Revenue Expenditure Funded from Capital under Statute	-	4,239	(4,239)	-
Other Write Out to Revenue Expenditure Funded from Capital under Statute	-	1,462	(1,462)	-
	-	5,701	(5,701)	-

27. Capital financing requirement and the financing of capital expenditure

Total 2007/08 £'000	Capital Financing Requirement	Total 2008/09 £'000
125,211	Opening Capital Financing Requirement	127,514
	Capital Investment	
11,653	Operational Assets	15,231
11,245	Non-operational Assets	6,989
7,672	Revenue Expen. Funded from Capital under Statute	5,701
	Sources of Finance	
(19,286)	Grants & Contributions	(15,780)
(3,569)	Capital receipts applied	(3,052)
(320)	Revenue Contributions	(467)
(4,821)	Minimum Revenue Provision	(5,021)
(271)	Unsupported Borrowing MRP	(314)
127,514	Closing Capital Financing Requirement	130,801
	Explanation for Movements in Year	
2,119	Increase in Underlying Need to Borrow (supported by government financial assistance)	1,855
184	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	1,432
2,303	Inc./ (Dec.) in Capital Financing Requirement	3,287

28. Long term debtors

During the life of the Maesteg School PFI contract, a long term debtor will need to be built up to reflect the value of the school at the end of the contract. At the point of transfer of the new school into the Council's ownership, the long term debtor will be transferred to fixed assets. The long term debtor is £0.299 million as at 31 March 2009.

Statement of Accounts

2008/09

Also included in Long Term Debtors is the value of long term loans made by the Council to former tenants and private households for mortgages.

Both the above are analysed as follows:

2007/08 £'000		2008/09 £'000
-	Maesteg PFI School	299
258	Mortgages	203
258	Balance carried forward	502

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:

2007/08				2008/09		
Gross Debtors £'000	Bad Debt Provision £'000	Net Debtors £'000		Gross Debtors £'000	Bad Debt Provision £'000	Net Debtors £'000
			Taxpayers:			
5,067	(2,069)	2,998	Council Tax	5,414	(2,211)	3,203
2,208	(720)	1,488	Business Rate Payers	2,572	(755)	1,817
			Others:			
3,622	-	3,622	Customs and Excise VAT	1,769	-	1,769
1,704	-	1,704	Government Grants	3,293	-	3,293
5	-	5	Capital Debtors	11	-	11
102	-	102	National Assembly for Wales NDR Pool	-	-	-
4,653	(588)	4,065	Sundry Debtors	4,940	(655)	4,285
918	(899)	19	Housing Benefits	850	(831)	19
3,735	-	3,735	Reserve Debtors	5,037	-	5,037
6,977	-	6,977	Capital Grants	2,653	-	2,653
699	-	699	Other	838	-	838
29,690	(4,276)	25,414	TOTAL	27,377	(4,452)	22,925

30. Creditors

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

2007/08 £'000		2008/09 £'000
(14,715)	Other Reserve Creditors	(15,797)
(1,483)	Capital Creditors	(1,282)
(3,560)	Payroll Creditors	(4,125)
(9,490)	Revenue Creditors	(6,120)
(1,396)	Government Grants	(893)
(2,154)	Local Tax Payers	(8,623)
(2,590)	Superannuation Fund	(2,525)
(159)	Private Street Works	(154)
(221)	Miscellaneous Deposits	(200)
(969)	Other	(990)
(36,737)	Total	(40,709)

31. Provisions

Insurance Provision

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liability for policy years 2000-01 to 2008-09 for Employers Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional buffer amount to the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost (see Note 38 Revenue Reserves for further details).

Major Claims

A further Major Claims provision has been created to meet the anticipated costs of any valid equal pay claims which may be received and any liability for the waste disposal contract. The timing of any payments is uncertain.

Balance b/f £'000		Expenditure £'000	Income £'000	Balance c/f £'000
2,190	Insurance (BCBC)	(516)	1,074	2,748
5,165	Major Claims	(1,509)	350	4,006
7,355	Total	(2,025)	1,424	6,754

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 (Note 46).

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.

2007/08 £'000		2008/09 £'000
69,224	Balance brought forward	76,146
11,243	Grants Credited in year	8,433
(4,321)	Grants applied in Income and Expenditure account	(3,065)
76,146	Balance as carried forward	81,514

34. Financial Instruments Adjustment Account (FIAA)

This 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.

2007/08 £'000		Movement in Year	2008/09 £'000
(5,757)	Premiums / Discounts Adjustments	198	(5,559)
(791)	Loans / Investments Adjustments	6	(785)
(6,548)	Total	204	(6,344)

35. Revaluation Reserve (RR)

This records the accumulated gains on fixed assets held by the authority arising from increases in value as a result of inflation or other factors.

2007/08 £'000		2008/09 £'000
2,608	Revaluations Made in Year	3,000
(2,608)	Market Value of Assets Disposed	-
-	Total	3,000

36. Capital Adjustment Account (CAA)

2007/08		2008/09	
		£'000	£'000
233,254	Balance brought forward		229,136
(11,895)	Depreciation	(13,489)	
(5,681)	Impairment	(6,837)	
(103)	Mortgage repayments (Council Fund)	(55)	
(112)	Net Book Value of Fixed Asset Disposal	(2,358)	
(1,486)	Net Rev Exp Funded from Capital under Statute	(1,275)	
			(24,014)
4,821	Minimum Revenue Provision (Note 18)	5,021	
320	Direct Revenue Financing	467	
3,569	Capital Receipts	3,052	
6,024	Government grants and contributions amortised	5,910	
271	Unsupported Borrowing MRP	314	
154	Capital Receipts Amended for Previous Year's Funding	77	
			14,841
229,136	Balance Carried Forward		219,963

37. Useable capital receipts reserve

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

2007/08 £'000		2008/09 £'000
16,000	Balance Brought Forward	14,988
2,608	Capital Receipts Received	2,393
103	Mortgage repayments (Council Fund)	55
(154)	Receipts adjustment previous year's financing	(77)
(3,569)	Receipts Used to Finance Capital Expenditure	(3,052)
14,988	Balance Carried forward	14,307

The reserve includes a balance set aside of £5.0m for outstanding liabilities in respect of stock transfer including outstanding employee benefits 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 31 March 2009 is detailed below with descriptions of what they represent:-

2007/08 £'000		2008/09 £'000
7,279	Council Fund Balance	7,137
3,020	Delegated Schools Balance	3,253
-	Maesteg School PFI Equalisation Fund	431
-	Maesteg School PFI Acquisition Account	299
	Earmarked Balances :-	
	<u>Potential major Claims</u>	
881	Reserve for former Mid Glamorgan CC liabilities	881
600	Waste management reserve	-
126	E-coli	55
-	Major Claims Provision	5,850
	<u>Directorate Balances</u>	
245	Education, Leisure & Community Services	-
62	Personal Services	-
(31)	Environmental & Planning Services	-
201	Resources	-
37	Office of the Chief Executive	-
65	Legal and Democratic Services	-
14	Community Regeneration & Strategic Development	-
	<u>Business Re-Engineering & Specific Provs</u>	
535	Financial & HR systems	400
508	Change management	430
1,709	Insurance reserve	1,706
600	Maesteg school PFI	250
644	Treasury Management	644
	<u>Other Reserves</u>	
356	Asset Management Plan	350
320	Invest to Save	250
606	Pump Priming	470
277	Porthcawl Regeneration	250
150	Customer Services Strategy	70
100	Suicide Prevention Strategy	-
563	Other minor reserves	941
8,568	Earmarked Balances	12,547
18,867	Total	23,667

Analysis of Delegated Schools Balance

2007/08 Closing Balance £'000		2008/09 Over spends £'000	2008/09 Under spends £'000	2008/09 Closing Balance £'000
21	Nursery Schools	-	73	94
1,004	Primary Schools	(444)	294	854
1,687	Secondary Schools	(291)	496	1,892
308	Special Schools	-	105	413
3,020	Total	(735)	968	3,253

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 2009 has confirmed that the balance on this reserve needs to be maintained at £0.881m.

ii. Waste management reserve

This earmarked reserve was fully utilised in 2008/09.

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, Procurement & HR Systems

This reserve will fund the costs of planned system developments in 2009/10 onwards. This fund also has monies set aside for computer trolleys in schools' kitchens and a Website Development Post in 2009/10.

ii. Change management

This reserve will meet potential 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.

iii. Treasury Management

This reserve has been set up to cover unforeseen treasury management liabilities.

iv. Major Claims

This reserve has been created to cover the potential costs of job evaluation, equal pay claims and the deficit on the pension fund.

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.

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 in the main de-minimis capital receipts 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. Special Regeneration Fund

This fund is to support the on-going regeneration work throughout the Authority that had been anticipated to be achieved in 2008/09.

h) Directorate Balances

The carry forward balances have been fully utilised in 2008/09. Any under spends that occurred in 2008/09 were not ring fenced but were placed in the Council Fund.

39. Maesteg School PFI Accounts

As outlined in note 16 above, there is a need for an Equalisation Fund for the Unitary Charges received from the Welsh Assembly Government. Also, there is a need to create a PFI Acquisition Account which represents the accrual of the Council's residual interest in the asset which reverts back to the Council after the end of the contract. The balances on these funds are detailed below:-

2007/08 £'000	Maesteg School PFI Accounts	2008/09 £'000
-	Maesteg PFI Equalisation Fund	(431)
-	Maesteg PFI Acquisition Account	(299)
-	Balance carried forward	(730)

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 as at 31 March 2009 are:

2007/08 £'000		2008/09 £'000
175	Social Services Home For The Elderly	176
56	Education	55
44	Nantymoel Workmans Hall	46
37	Swimming Development Fund	1
1	Other	1
313	Total	279

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 held £2 million in escrow accounts at the start of the financial year. During the year, a payment was made of £0.5

million to purchase the Brewery Field. With interest accrued in 2008/09, the value of the funds as at 31 March 2009 was as follows:

2007/08 £'000	Accounts	2008/09 £'000
1,908	Replacement facilities account	1,435
223	Replacement site account	236
2,131	Total	1,671

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 2008 £'000	Income £'000	Expenditure £'000	31st March 2009 £'000
Redrow - Marlas Farm - Enlargement of Afon y Felin Primary School	177			177
Llanmoor Homes - Maesteg Rd Tondu – additional education facilities	181			181
Broadlands Consortium – Newbridge fields - provision of playing fields facilities	149			149
Redrow – Lock's Lane, Porthcawl – ongoing maintenance of playing field and pavilion	138		(8)	130
Redrow & Belway - Marlas Farm – Meadow St Improvement of playing field facilities	244			244
Redrow – Lock's Common , Porthcawl – Locks Court (use to be determined 2008/09)	100			100
Redrow - Brackla Park & Ride – upgrade B4181	338	14	(23)	329
Rockwool - Pencoed	216	10	(3)	223
Other	850	478	(151)	1,177
Total	2,393	502	(185)	2,710

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

2007/08 £'000		2008/09 £'000
109,924	General Fund	29,913
6,521	Trading Accounts	6,290
116,445	Total	36,203

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 principal assumptions used were:

	2008/09 % pa	2007/08 % pa
Inflation Rate	3.4	3.7
Discount rate for scheme liabilities	6.6	6.8
Discount rate for pension costs over year	6.6	6.8
Rate of pension increases	3.4	3.7
Rate of salary increases	4.9	5.2
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	21.1	20.3
Women	23.5	22.7
Longevity at 65 for future pensioners :-		
Men	23.4	22.2
Women	25.7	23.9

The proportions of total assets held in each asset type by the Fund as a whole as at 31 March 2008 and 31 March 2009 are set out in the following table.

	Asset Split 2008/09 %	Asset Split 2007/08 %	Long Term Returns 2008/09 %	Long Term Returns 2007/08 %
Equities	61.7	73.3	7.0	7.6
Bonds - Government	17.9	11.6	4.0	4.6
Bonds - Corporate	8.4	2.4	5.8	6.8
Property	4.3	3.8	6.0	6.6
Other	7.7	8.9	1.6	6.0
Total	100	100	5.9	7.1

Bridgend County Borough Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 March 2009.

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The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year. The real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made during the year :-

Income & Expenditure Account	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits	
	£m 2008/09	£m 2007/08	£m 2008/09	£m 2007/08	£m 2008/09	£m 2007/08
Net Cost of Services :-		As Restated		As Restated		As Restated
Current Services Costs	10.01	13.71	0.00	0.00	0.00	0.00
Past Service Costs	0.16	3.99	0.04	0.08	0.08	0.03
Net Operating Expenditure :-						
Interest Cost	24.46	21.26	0.59	0.53	0.37	0.30
Expected Return on Scheme Assets	(16.48)	(16.27)	0.00	0.00	0.00	0.00
Pension Interest Cost & Expected Return on Assets	7.98	4.99	0.59	0.53	0.37	0.30
Net Charge to the I&E Account	18.15	22.69	0.63	0.61	0.45	0.33

The Pension Interest Cost and Expected Return on Assets for 2007/08 has been restated due to FRS17 revisions as detailed in the Statement of Accounting Policies to £5.82 million (£5.81 million originally). The restated figure was deemed immaterial to move through the Income and Expenditure Account.

Statement of Movement on the General Fund Balance :-						
Reversal of net charges made for retirement benefits in accordance with FRS 17	(18.15)	(22.69)	(0.63)	(0.61)	(0.45)	(0.33)
Actual amount charged against the General Fund Balance for pensions in the year :-						
Employers' Contributions	14.76	16.04				
Retirement Benefits Paid Out			0.66	0.64	0.49	0.48

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £69.33m (actuarial gain £55.74 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses (STRGL) as detailed below:-

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded	
	£m 2008/09	£m 2007/08	£m 2008/09	£m 2007/08	£m 2008/09	£m 2007/08
Total actuarial gains / (losses)	(69.02)	54.39	(0.19)	1.31	(0.12)	0.04
Total gain / (loss) in STRGL	(69.02)	54.39	(0.19)	1.31	(0.12)	0.04

The STRGL was not restated due to the changes in FRS17. The cumulative amount of actual gains and losses recognised in the STRGL is £17.96 million.

The table below is a reconciliation of present value of the scheme liabilities:-

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded	
	£m 2008/09	£m 2007/08	£m 2008/09	£m 2007/08	£m 2008/09	£m 2007/08
1st April	359.63	397.68	8.93	10.27	5.66	5.85
Current Service Costs	10.01	13.71	0.00	0.00	0.00	0.00
Interest Cost	24.46	21.26	0.59	0.53	0.37	0.30
Contributions by Participants	4.02	4.02	0.00	0.00	0.00	0.00
Actuarial (gains) / losses on assets	2.02	(69.66)	0.19	(1.31)	0.12	(0.04)
Net Benefits Paid Out	(14.04)	(11.37)	(0.66)	(0.64)	(0.49)	(0.48)
Past Service Cost	0.16	3.99	0.04	0.08	0.08	0.03
31st March	386.26	359.63	9.09	8.93	5.74	5.66

The table below is a reconciliation of fair value of the scheme assets:-

	Local Govt Pension	
	£m 2008/09	£m 2007/08
1st April	234.36	224.67
Expected Return on Assets	16.48	16.27
Actuarial (gains) / losses on liabilities	(67.00)	(15.27)
Contributions by Employer	14.76	16.04
Contributions by Participants	4.02	4.02
Net Benefits Paid Out	(14.04)	(11.37)
31st March	188.58	234.36

Scheme History

In accordance with Paragraph 77 (o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for the financial years ending 2008 and 2007 have been re-measured for this purpose. Asset values for the financial years ending 2006 and 2005 are shown at mid-market value and have not been re-measured as permitted by FRS 17 (as revised).

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	£m 2008/09	£m restated 2007/08	£m restated 2006/07	£m 2005/06	£m 2004/05
Local Govt Pension Scheme					
Fair Value of Assets	188.58	234.36	224.67	209.35	162.04
Present Value of Liabilities	(386.26)	(359.63)	(397.68)	(374.76)	(325.79)
Surplus / (Deficit) in the Scheme	(197.68)	(125.27)	(173.01)	(165.41)	(163.75)
LGPS Unfunded					
Present Value of Liabilities	(9.09)	(8.93)	(10.27)	(9.88)	(9.00)
Surplus / (Deficit) in the Scheme	(9.09)	(8.93)	(10.27)	(9.88)	(9.00)
Teachers' Unfunded					
Present Value of Liabilities	(5.74)	(5.66)	(5.85)	(5.68)	(5.63)
Surplus / (Deficit) in the Scheme	(5.74)	(5.66)	(5.85)	(5.68)	(5.63)
Total	(212.51)	(139.86)	(189.13)	(180.97)	(178.38)

The total liability of £212.51m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet resulting. Bridgend CBC has usable reserves of £28.13m, representing a shortfall of £184.38m 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 Employer's regular contributions to the Local Government Pension Scheme and payments directly to beneficiaries for the LGPS Unfunded and Teachers' Unfunded Schemes for the accounting period ending 31 March 2010 are :-

	2009/10 £m
Local Govt Pension Scheme	14.98
LGPS Unfunded	0.69
Teachers' Unfunded	0.52

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserves in 2008/09 can be analysed into the following categories at 31 March :-

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History of Experience Gains and Losses	£m 2008/09	£m restated 2007/08	£m 2006/07	£m 2005/06	£m 2004/05
LGPS Funded Benefits					
Experience of gains (losses) on assets	(67.00)	(15.27)	(4.60)	30.42	2.41
Experience of gains (losses) on liabilities	(1.52)	(0.94)	(0.97)	0.17	17.55
LGPS Unfunded					
Experience of gains (losses) on liabilities	(0.11)	0.60			
Teachers' Unfunded					
Experience of gains (losses) on liabilities	(0.07)	(0.39)			

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain / (loss) on liabilities has not been re-stated for financial years ending 2007, 2006 and 2005 and includes the experience relating to unfunded liabilities.

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 2009		
	Actual Value of Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000	Actual Value of Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000
Public Works Loan Board (Long Term)	73,189	73,296		72,855	72,961	
Public Works Loan Board (<1 year)	335	338		335	337	
Total PWLB Debt	73,524	73,634	80,953	73,190	73,298	82,243
Fixed Market Long Term Loans	4,000	4,005	4,428	4,000	4,006	4,734
Lender Option Borrower Option Loans	19,250	20,041	21,779	19,250	20,035	18,058
Total Fixed Market Long Term Loans	23,250	24,046	26,207	23,250	24,041	22,792
TOTAL	96,774	97,680	107,160	96,440	97,339	105,035

The Carrying Amount of the Loans includes accrued interest so for PWLB loans 2008-09 accrued interest was £108k (£110k 2007/08) and for the fixed market long term loans accrued interest was £791k (£796k 2007/08).

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

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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.

The Long Term Borrowing in the Balance Sheet is detailed below:-

Long term Borrowing (excluding < 1 year)	31st March 2008 £'000	31st March 2009 £'000
PWLB (long term)	73,296	72,961
Total PWLB debt	73,296	72,961
Fixed Market Long Term Loans	4,005	4,006
LOBO's	20,041	20,035
Total Market Loans	24,046	24,041
Escrow (Football Club)	0	1,470
Total Escrow	0	1,470
TOTAL	97,342	98,472

Short Term Investments in the Balance Sheet are detailed below:-

Financial Assets	31st March 2008			31st March 2009		
	Actual Value of Investment Outstanding £'000	Carrying Amount £'000	Fair Value £'000	Actual Value of Investment Outstanding £'000	Carrying Amount £'000	Fair Value £'000
Investments (< 1 year)	19,600	20,321	20,043	23,400	23,841	23,933
Total Investments	19,600	20,321	20,043	23,400	23,841	23,933

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 13th February 2008 accepted the Treasury Policy Statement 2008/09 and Prudential Indicators 2008/09 to 2010/11 (<http://artsis/Contribution/groups/public/documents/report/045781.doc>). 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 2008/09.

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.

During 2008/09, in light of particular events with the Global Credit Crunch and the resultant effect on independently assessed 'Credit Ratings', the basis underlying which financial institutions are selected for investment by the Council was reviewed. The use of overseas banks for investments was minimised.

Investments were spread over a number of counterparties and kept short mainly with UK banks and building societies. This was deemed a much safer option even though it may be at the expense of extra basis points in interest. The counterparty limit of £5m was constantly reviewed and where market conditions dictated, the limit was dropped to between £2m and £3m. As at 31 March 2009, all investments were less than a year thus limiting the Council's exposure to credit risk.

The Council has re-activated its investment account with the UK Debt Management Office – Executive Agency of UK Government. The interest rates offered by this facility will be below other counterparties but this is commensurate with the high level of security and reduced risk offered. The facility was used during March 2009, where a total of £7.5m was invested, but the balance was nil at year end.

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 as 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	175
Between two and seven years	4,063
Between seven and 15 years	0
More than fifteen years	91,867
	96,440

The maturity analysis of financial assets is as follows:

Maturity Analysis Of Investments	£'000
Less than one year	23,400
Between one and two years	-
Between two and three years	-
More than three years	-
	23,400

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 affect 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 monitors 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.

The Council tries to minimise its exposure to interest rate risk. As at 31 March 2009, all investments are of a very short term nature with £22 million on fixed rates. The remaining £1.3 million are on an instant access basis at a rate higher than the base rate as at 31 March of 0.50%. As a result of this, it was deemed unnecessary to do any sensitivity analysis.

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 2008/09 Cash Flow Statement have been restated to reflect the methodology followed during the production of the Cash Flow 2008/09.

48. Reconciliation to income and expenditure account

2007/08 Restated £'000		2008/09	
		£'000	£'000
	Surplus/(Deficit) on:		
(12,032)	Income & Expenditure Account	(8,170)	
	Add Back:		(8,170)
10,517	Depreciation and Impairment and other Capital Adjustments	9,556	
6,450	Net Charges made for retirement benefits	3,320	
			12,876
	Plus/(Less) Movements in Relevant Balance Sheet Items:		
(42)	(Increase) / Decrease in Stock	43	
2,070	Increase / (Decrease) in Provisions	(601)	
6,724	Increase / (Decrease) in Creditors	811	
(1,722)	(Increase) / Decrease in Debtors	1,953	
12	(Increase) / Decrease in Other Funds	-	
			2,206
11,977			6,912
5,811	Net Interest		2,797
17,788	Cash Flow on Revenue Activities		9,709

49. Government grants received

2007/08 £'000		2008/09 £'000
8,528	Council Tax Benefit	9,416
3,946	Others	7,330
6,588	DCELLS Grant	7,172
7,509	Other Education	5,794
3,823	Supporting People	3,781
2,867	Other Social Services	3,553
2,236	Concessionary Fares Grant	2,825
1,564	Waste Disposal	2,130
1,726	Resettlement Grant	1,741
1,368	Housing/Council Tax Benefit Administration	1,335
895	Communities First	1,332
2,386	Cymorth	2,244
585	Flying Start	1,111
427	Local Transport Services	468
44,448	Total	50,232

50. Analysis of cash balances and Overdraft

	Bal B/F 01/04/08 £'000	Bal C/F 31/03/09 £'000	Change During Year £'000
Cash at Bank / (Overdraft)	(2,051)	226	2,277
	(2,051)	226	2,277

51. Financing and management of liquid resources

	Bal B/F 01/04/08 £'000	Bal C/F 31/03/09 £'000	Change During Year £'000
Short Term Investments	20,321	23,841	3,520
	20,321	23,841	3,520

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

	Bal B/F 01/04/08 £'000	Bal C/F 31/03/09 £'000	Change During Year £'000
<u>Borrowing</u>			
Short Term	2,780	817	(1,963)
Long Term	97,342	98,472	1,130
<u>Cash</u>			
Short Term Investment	(20,321)	(23,841)	(3,520)
Cash at Bank	2,051	(226)	(2,277)
Net Debt	81,852	75,222	(6,630)
Increase in Cash During the Period			(2,277)
Increase in Short Term Investments			(3,520)
Decrease in Short Term Borrowing			(1,963)
Decrease in Long Term Borrowing			1,130
Change in Net Debt			(6,630)
Net Debt 01/04/08			81,852
Net Debt 31/03/09			75,222
Change in Net Debt			(6,630)

Bridgend County Borough Council
Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

www.bridgend.gov.uk



Bridgend County Borough Council

Lead Commissioning From A Pooled Fund For Procuring Specified Community Equipment For Eligible People Within The Council's Administrative Area

Pooled Budget memorandum account for the period 1 April 2008 – 31 March 2009

Gross Funding	Cash £
Bridgend County Borough Council	520,101
Bridgend Local Health Board	21,000
Total Funding	541,101
Expenditure	
Provision of Community Equipment for eligible people within the Council's area	541,101
Net under / Over spend	Nil

Certificate of Chief Financial Officer

I certify that the above pooled fund memorandum account accurately discloses the income received and expenditure incurred in accordance with the partnership agreement, as amended by any subsequent agreed variations, entered into under Section 33 of the National Health Services (Wales) Act 2006

Signed: Janet Smith

Date: 5/6/09

Name: JANET SMITH

Chief Financial Officer



**Bridgend County Borough Council
Assisted Recovery in the Community (ARC) Service
Integrated Provision from a Pooled Fund**

Pooled budget memorandum account for the period 1 April 2008 – 31 March 2009

Gross Funding	Cash £
Bridgend County Borough Council	234,180
Abertawe Bro-Morgannwg University NHS Trust	235,782
Total Funding	469,962
Expenditure	
Provision of Day Opportunities to individuals recovering from mental health problems	469,962
Net under / Over spend	Nil

Certificate of Chief Financial Officer

I certify that the above pooled fund memorandum account accurately discloses the income received and expenditure incurred in accordance with the partnership agreement, as amended by any subsequent agreed variations, entered into under Section 33 of the National Health Services (Wales) Act 2006

Signed Janet Smith

Date: 14/8/09

Name Janet Smith

Chief Financial Officer

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.

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 1 April and finishes on 31 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. This should be a prudent amount.

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.

Private finance initiative (PFI) – a central government initiative which aims to increase the levels of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation.

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.

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.