

Appendix 1

Statement of Accounts

2009/10

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Explanatory Foreword

By Allan Phillips, Head of Property and Finance



1. Introduction To The Statement Of Accounts

The accounts for 2009/10 have been produced in line with a new Statement of Recommended Practice (SORP) for 2009. Specific changes include:

- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts moving to an International Financial Reporting Standards (IFRS) basis
- A review of accounting requirements for local taxes i.e. National Non-Domestic Rates (NDR)
- Changes to the Officers' Remuneration disclosure
- The removal of five disclosure notes

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.

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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 2009/10, the Authority showed a deficit on the Income and Expenditure Account of £53.575m, in the main due to the Revaluation of the Authority's Assets. 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 £1.009m. This is made up of a £1.005m increase in schools balances and a £0.004m increase 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 £9.531m primarily arising from the revaluation of the Authority's assets.

4. Balance Sheet

This shows the Council's financial position as at 31 March 2010, where the net worth was £32.461m. 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.

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5. Cash Flow Statement

This explains the financial position in cash terms and shows that the Council's cash position had increased by £3.816m.

e) **The notes to the Accounts**

These are disclosures relating to the financial statements and include pensions disclosures.

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.

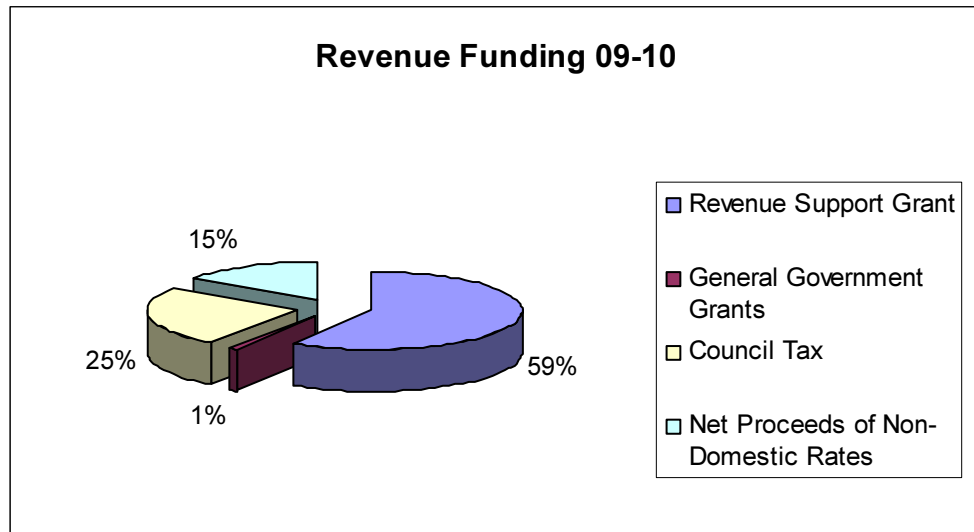
a) Revenue spending on council services

Where the money came from.....

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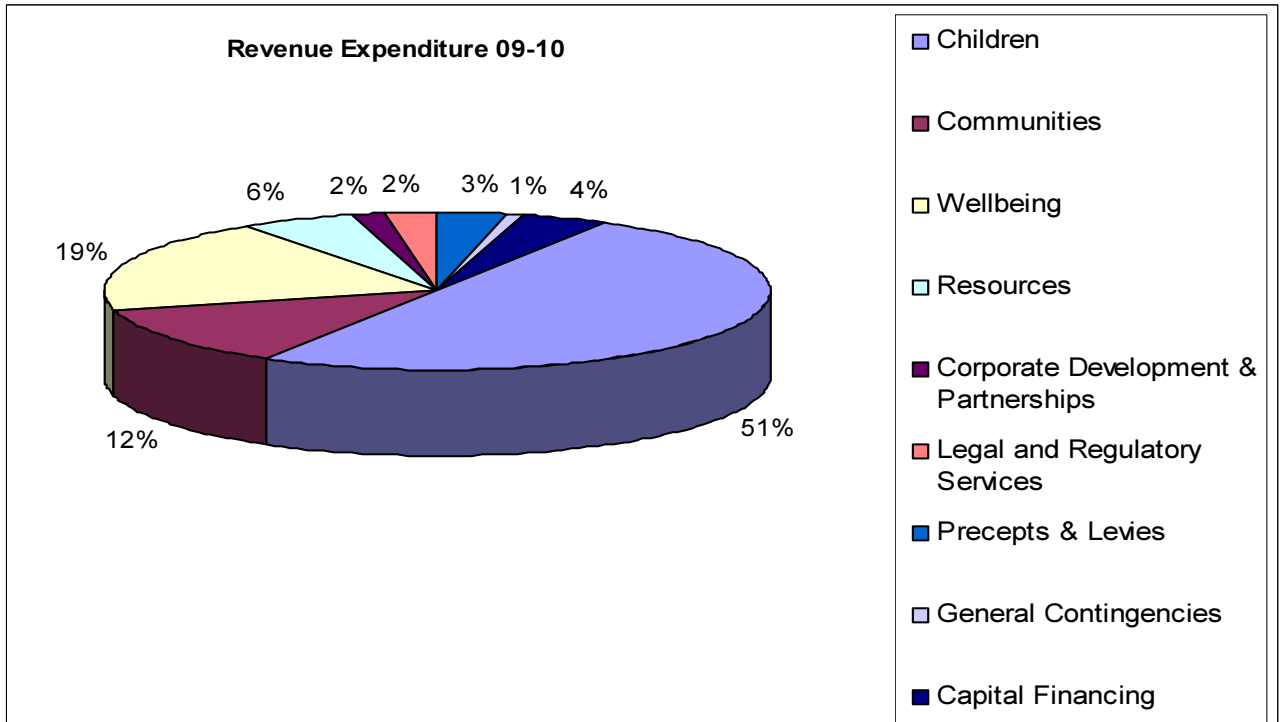


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Where the money was spent.....



In 2009/10 £204.5m was the net spend on revenue services. This compares to £202.6m anticipated when the budget was set resulting in a £1.9m overspend on Directorates. The overall position for the Authority was a slight underspend of £0.004m resulting from additional income from council tax and investment income.

The following table shows how the actual spend on services during 2009/10 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

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Comparison of actual spend with budget 2009/10

	Original Budget 09/10 £'000	Budget Transfers In Year £'000	Revised Budget 09/10 £'000	Actual 09/10 £'000	Variance 09/10 £'000
Directorates					
Children	110,088	1,161	111,249	112,178	929
Communities	25,627	1,601	27,228	27,804	576
Wellbeing	39,537	1,866	41,403	42,305	902
Resources	14,917	(2,247)	12,670	12,384	(286)
Corporate Development & Partnerships	1,536	2,891	4,427	4,287	(140)
Legal and Regulatory Services	5,713	(128)	5,585	5,549	(36)
Total Directorate Budgets	197,418	5,144	202,562	204,507	1,945
Precepts & Levies	7,093	7	7,100	7,100	-
General Contingencies	7,371	(1,980)	5,391	6,208	817
Capital Financing	10,215	-	10,215	9,355	(860)
Net Expenditure	222,097	3,171	225,268	227,170	1,902
General Government Grants	(2,149)	-	(2,149)	(2,149)	-
NNDR Discretionary Rate Relief	46	-	46	36	(10)
Appropriation to/(from) Reserves	3,345	(3,171)	174	(211)	(385)
Net Budget	223,339	-	223,339	224,846	1,507
Revenue Support Grant	(138,312)	-	(138,312)	(138,312)	-
Non Domestic Rates	(35,973)	-	(35,973)	(35,973)	-
Council Tax	(49,054)	-	(57,584)	(59,095)	(1,511)
Net (Under)/Overspend on Services	-	-	(8,530)	(8,534)	(4)

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.

Reasons for differences between budget and spend

The financial position as at 31 March 2010 showed an over-spend on service expenditure within the year of £1.945m. This is made up of:-

➤ Children's Directorate

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The overall directorate overspend of £929k in 2009/10 represents 0.84% of the budget for the year. This is a significant improvement on the £1.38 million projected overspend reported to Cabinet for the third quarter of the year. Explanations for the more significant variances from budget are given below:

The more significant variances are:-

- A net over-spend of £1,327k on Fostering Services due to the continued pressure of demand for Independent Fostering Placements (£1,467k over-spend) offset in part by lower than anticipated in-house total foster placements (£60k under-spend) and vacancies within the Fostering Team (£80k).
- Over-spend of £350k on Children's Homes as the budget saving of £200k for the re-provision of residential services was not achieved and there was also an overspend of £150k on out of county placements.
- Over-spend of £311k for Commissioning and Social Work due to continued difficulties in recruiting social workers necessitating the use of agency staff.
- Under-spend of £271k on Strategic Management due to tighter control of expenditure, vacancy management and general efficiencies.
- Under-spend of £245k on the Schools Meals and Milk Service resulting from savings in management staff costs because of absence and utilisation of grant income from the free breakfast initiative to offset other running costs.
- Under-spend of £129k on Other Child and Family Services as there were fewer adoptions paid for compared to the budget as a number of placements at nil cost were secured via the Local Authority consortium thereby generating a saving. This has been partly offset by a small over-spend in the Leaving Care budget.
- Under-spend of £107k on School Improvement mainly relating to staff savings due to the utilisation of grants to fund project management costs and also savings realised on the ESIS contract.
- Under-spend of £94k 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.

➤ **Communities Directorate**

The over-spend of £576k is less than that projected at quarter 3 mainly because of action taken to curb all non essential spend and to hold any staff vacancies that arose. In addition redundancy costs incurred by the Directorate have been met centrally. This overspend includes the £300k cost of the snow emergency in December and January 2010. This has been largely absorbed by the Highways service as a result of increased

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profits made by the DLO on works carried out for the South Wales Trunk Road Agency, including additional work on snow clearance on the M4 motorway and the A470.

The more significant variances are:-

- Over-spend of £646k on Transportation and Engineering mainly as a result of a reduction in car parking income (£394k) and an over-spend on amenity facilities at Bridgend Bus Station (£100k).
- Over-spend of £163k on the Development Service due to a reduction of fee income from planning applications and building control fees as a result of the downturn in the housing market.
- Over-spend on Highways Maintenance of £151k for a number of reasons including increased costs relating to snow and other inclement weather (£300k) and additional structural maintenance (£100k). This has been offset by a larger than anticipated profit on the Highways Services DLO resulting from significant amounts of extra work from the South Wales Trunk Road Agency.
- Under-spends of £289k on Housing and Community Regeneration and £147k on Regeneration mainly due to staff vacancies.

➤ **Resources Directorate**

Finance & Property and ICT & Customer Contact

The net under-spend of £286k comprises an under-spend on Finance and Property of £380k and an overspend on ICT and Customer Contact of £94k.

The more significant variances are:-

- Over-spend of £110k on Insurance due to an increase in insurance liability.
- Under-spend of £206k on Payments to Housing Benefit Claimants resulting from additional housing benefit subsidy being claimed as a result of improved claims management and fewer local authority errors.
- Under-spend of £150k on Taxation and Sundry Debtors due to additional income being recovered through court action.
- A net under-spend on internal audit, senior management and accountancy staff costs of £101k.
- Over-spend of £68k on the main public offices due to increased pressures on maintenance and utility budgets in the year.

➤ **Wellbeing Directorate**

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The overspend is less than projected at the third quarter which is partly due to corporate funding adjustments for energy and Voluntary Early Retirement costs but also the result of efforts made to reduce net costs either by restricting spending or by increasing income. There is a net overspend of £902k, which comprises an under spend on Healthy Living services of £130k but a £1,032k overspend in Adult Social Care. The main reasons for the over-spend can be summarised as a combination of unavoidable increases in service need, difficulties and delays in achieving some efficiency savings and the impact of the recession.

The more significant variances are:-

- An overspend of £443k on home care. Savings were built into the 2009/10 Budget to reflect reductions in overall service hours and costs as an outcome of the Bridgestart enabling service reduction or negating the need for home care support for many service users. The budget did not provide for any additional hours. Whilst Bridgestart was successful, the full year impact of a 5.6% increase in referrals in 2008/09 and increased needs of people already in the service meant that the Bridgestart reduction was offset by increases in hours elsewhere. For example, there were 264 people who were receiving home care in April 2007 and also in March 2010, but the average service for these people had increased by 445 hours per week, reflecting reduced levels of independence due to illness/frailty etc.
- Shortfalls in achieving budget strategy savings resulted in an over-spend of £418k. Of this £175k related to projected but unachieved savings from transferring funding responsibility to Health in respect of costs relating to people where there could be a possibility of continuing health care funding and £150k related to the closure of Troed y Ton Resource Centre, for redevelopment as Extra Care Housing, which took place in September 2009 whereas the budget assumed full year savings.
- A net overspend of £273k in relation to residential and nursing placements, in Learning Disability (4 additional specialist placements) and for Older People (an average of 19 additional placements per week across the year) which resulted from increased demographic needs and the closure of Troed y Ton Resource Centre.
- Reduction in income from charges for providing services to other local authorities due to the death or discharge of their service users, resulting in an over-spend of £146k.
- Under-spends of £248k on the Adult Social Care budgets of which £205k relates to staff turnover and posts being held vacant, the balance being additional grant income.
- Reduction in income of £62k in the Healthy Living budgets relating to a downturn in income from charges to customers of sports and recreational facilities. This was offset by a backdated refund of non domestic rates of £102k.

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- Under-spends of £90k on healthy living budgets because of staff vacancies.

➤ **Corporate Development & Partnerships**

The net under-spend for the year is £140k. The main variances are:-

- Under-spends of £45k on Policy and Performance Management and £25k on Human Resources because of staff vacancies.
- Under-spend of £43k on Senior Management and Business Support due to employee and running cost under-spends offset by a rephasing of grant budget income into 2010/11.

➤ **Legal & Regulatory Services**

The net under-spend for the year is £36k. The main variances are:-

- Over-spend of £88k on Legal resulting from increased litigation partly offset by staff savings.
- Under-spend of £68k on Democratic Services resulting from staff vacancies.
- Under-spend of £64k on Environmental Health Services and Trading Standards due to staff vacancies, savings on the Pest Control contract and successful grant applications.

➤ **Capital Financing and Other Central Costs**

- There was a reduction in capital financing costs of £860k, as delays in capital expenditure meant that there was less long term borrowing required than originally forecast and there was a fortuitous gain on one longer term investment in the first quarter of the year.
- The general contingency budget included the 2009/10 pay award, which was subsequently agreed at approximately 1% less than the estimate included in the original budget. This has partially been used together with the additional council tax income to mitigate the additional spending pressures on Directorate budgets.
- The appropriations to reserves relate to contributions to the major claims provision for Equal Pay/Job Evaluation and the pension fund.

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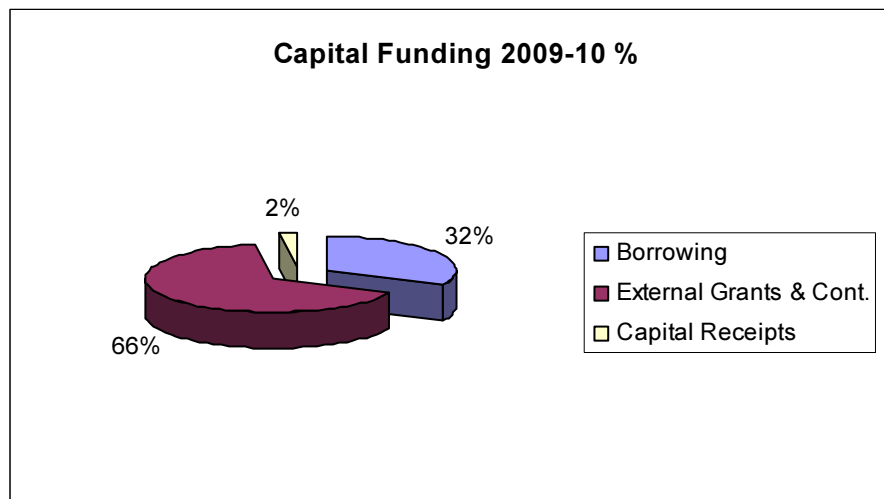
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b) Capital spending in 2009/10

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 2009/10 was £25.848m. Assets created, improved or work in progress as a result of this spend included:

- Caerau Primary School
- Brackla Schools Amalgamation
- Bridgend Day Centre
- Safe Routes to Schools

Where the money came from.....

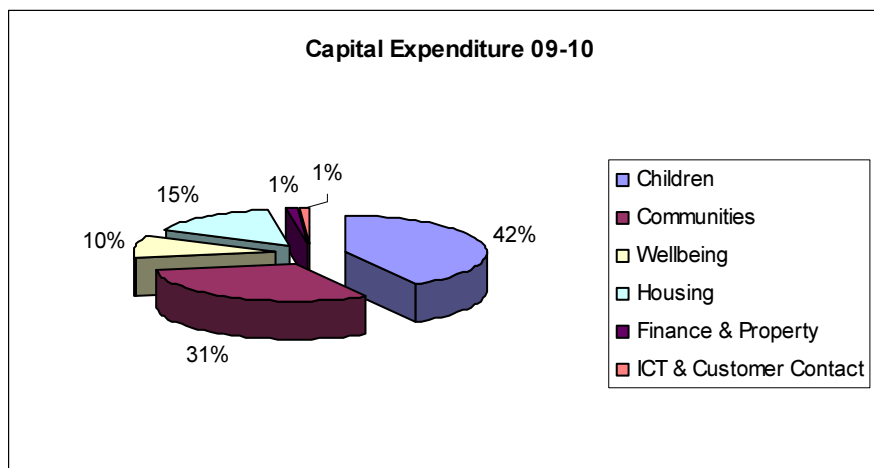


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What the money has been spent on.....



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 (Net Principal)	100
Limits on total % of borrowing at variable interest rates (Net Principal)	30

As can be seen from the Balance Sheet, long term borrowing totalled £96.5m as at 31 March 2010.

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 Section 151 Officer is authorised to take the most

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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 2010 can be summarised as follows:

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Council Fund	7,137	4	7,141
Delegated Schools	3,253	1,005	4,258
Earmarked Reserves	12,547	(1,087)	11,460
Total Reserves	22,937	(78)	22,859

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 of 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 actuarial assumptions that are made in terms of current pensioners, deferred pensions and current employees. The Pension Liability for 2009/10 is £291.3 million (£212.5 m restated 2008/09).

5. **Changes**

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

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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 Head of Property and Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Head of Property and Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, the Head of Property and Finance 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 Head of Property and Finance has also:

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

The Head of Property and Finance should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Head of Property and Finance's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend CBC at 31 March 2010.

Signed :

Head of Property and Finance

Date :

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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 framework and the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement of internal control.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values by which the Authority directs and controls its activities. 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 and can therefore provide only 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, the impact should they be realised and to manage them efficiently, effectively and economically.

3. The Governance Framework

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

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

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- 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.

Policies and Plans

An assurance gathering exercise was undertaken to review how the core principles were upheld by the Authority during 2009/10. A summary of the policies and plans 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 2009-2012 ('Bright Future')
- The Corporate Improvement Plan 2009-2012 (incorporating the Corporate Plan)
- Children and Young People's Single Plan 2008-11
- Health, Social Care and Wellbeing Strategy 2008-11
- Bridgend Local Development Plan 2006-2021
- The external audit of the Corporate Improvement Plan
- Core Values Revised
- Strategic Plans
- Directorate Business Plans
- Service Level Plans & Service Reviews
- Consultation Strategy
- Performance Management Framework
- Corporate Complaints Procedure
- 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

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- 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, with responsibility for financial and legal matters respectively
 - Staff Recruitment and Selection Policy
 - Consultation Strategy
 - Corporate Improvement Plan 2009-12
 - 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 – see page 19)
 - Constitution
 - Code of Conduct for Council Employees
 - Members' and Employees' Inductions
 - Declarations of Interests
 - Financial Procedure Rules
 - Contract Procedure Rules
 - 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
 - External Audit and Regulators - Inspection Reports and Action Plans
 - Schedule of Delegated Powers Decisions
 - Backing Documents for Committee Reports

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- 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
- Contract Procedure Rules

(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
- Project Management Toolkit

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

- Constitution
- The Community Strategy 2009-2012 ('Bright Future')
- Relationship Manager's 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
- Citizens' Panel
- Communication Strategy
- Forums & Focus Groups
- Statement of Accounts, Annual Governance Statement, Budget Book & Council Tax Leaflet
- BCBC newsletters and website

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- 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 2009–2012. The Authority's Core Values as set out in the Plan are to 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).

Local Service Board and the Community Strategy

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 the following set of priority themes: Strong Communities, Young Voices, Healthy Living, New Opportunities, Proud Past and Green Spaces. The achievement of the priorities and objectives that have been developed alongside these themes 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-centered governance principles. The governance of a partnership should promote good internal accountability between partners and better external accountability to service users. The Local Service Board has a partnership agreement in place that 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.

Council's Constitution, Monitoring Officer and Audit Committee

The Council's Constitution, as revised in March 2010, sets out how the Council operates, how decisions are made and the procedures which are followed to ensure

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that these are efficient, transparent and accountable to local people. It defines the roles and responsibilities of the Cabinet (the Executive), the 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, updated in February 2010, that ensures that policy and decision making within the Authority operates efficiently following documented procedures.

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 Section 151 Officer, the Monitoring Officer will report to the full Council or to the Cabinet in relation to an executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. He or she also receives and acts on reports made by the Ombudsman and decisions of the case tribunals.

The Council has an Audit Committee which is a key component of corporate governance. It provides a source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In addition, the Standards Committee has a duty to promote and maintain high standards of conduct for Members.

Financial Management

The 'Section 151' Officer (currently the Head of Property and Finance) 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 or she 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 or she 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 or she is also 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.

In line with CIPFA's 'Statement on the Role of the Chief Financial Officer in Public Service Organisations' (2009) and the 'Statement on the Role of the Chief Financial

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Officer in Local Government' (2010), it is considered that the Council's Chief Financial Officer:

1. is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
2. is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
3. leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

4. leads and directs a finance function that is resourced to be fit for purpose; and
5. is professionally qualified and suitably experienced.

It is considered that the authority's financial management arrangements conform to the governance requirements of CIPFA's 'Statement on the Role of the Chief Financial Officer in Local Government'.

Code of Conduct

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.

Risk Management and Business Continuity

The Council published its Policy for the Management of Risk in February 2006 which was updated in February 2010. 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

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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, which is being worked on in 2010, 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.

Performance Management

Sound performance management principles and practices are at the heart of modern and effective organisations and underpin the management of services and support the drive for continuous improvement. In December 2006, the Authority published its Performance Management Framework document. The framework document, which was revised in March 2009, supports the Authority to:

- be more business-like in the way we conduct our business;
- be clear about what we are trying to achieve;
- set out exactly what we are going to pursue and how we will do this;
- identify threats to the achievement of our objectives;
- develop a cyclical approach to business planning and reviewing;
- monitor whether we are achieving our objectives;
- report on how well we are doing; and
- provide a clear link between the work of individuals and the key objectives of the Council.

The document focuses on the following areas: core values; consultation; the planning framework; strategy and objectives; the Local Government Measure and Improvement Agreements; the Joint Risk Assessment; equalities and sustainable development; performance review and reporting; and, development and training. In

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managing performance, the Authority emphasises 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; and
- 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 Committee 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 ensures there is greater managerial accountability and has helped 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 where the Chairpersons are opposition councillors. 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

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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. 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.
- i. The Joint Risk Assessment for the Authority has been undertaken and agreed with regulators in September 2009 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 2009-2012. Risks have been ranked 1-5, according to relative importance.

The top ranked risks (1-3) are listed below:

- Impact of the Recession (rank 1) – The reduction in public spending will impact on the Council's ability to deliver services and on the wider economic activity and development of the County Borough.
- Modernising our Schools (rank 1) – There are specific risks relating to funding and capacity which could result in schools becoming, or continuing to be, 'unfit for purpose' leading to reduced attainment levels, health and safety issues, inefficient use of resources and poor inspection results.
- Remodelling Adult Social Care (rank 2) – Not progressing with the remodelling of adult social care will lead to existing service provision becoming unsustainable because of demographic and epidemiological

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trends. The needs of some groups/individuals will not be met and the required efficiency savings will not be delivered, impacting on vulnerable members of the community and the resources and reputation of the Council.

- Managing Staffing Costs (rank 2) – Threat to the budget from the pay and grading review, potential increases in employer's pension contributions, and unacceptably high sickness absence levels.
 - Supporting Vulnerable Children (rank 3) – Pressure on the budget caused by increased numbers of out of county residential placements and the use of independent foster care has resulted in fewer resources for preventative services.
 - Maintaining Infrastructure (rank 3) – The Highways Asset Management Plan (HAMP) predicts that £37 million is required to bring all highways and structures up to standard. Funding constraints and the subsequent reactive approach to maintenance leads to an increase in the number of roads classed as being in a poor condition, increasing the number of third party liability claims, reducing the quality of life for citizens and possibly adversely affecting economic activity and the Council's ability to meet its statutory obligations, and its reputation. A commitment has been given to highway maintenance by way of recurring annual budget growth; however, WAG highway maintenance grant has been reduced from £600k to £200k in 2010/11, thus restricting improvement.
 - Reconfiguring Leisure Services (rank 3) – Existing arrangements are considered to be unsustainable and change is essential. Outdated, unattractive and unsafe leisure facilities mean fewer visits from existing customers and an inability to attract new sections of the community.
 - Using Resources Effectively (rank 3) – It is highly likely that the Council is entering a period of budget constraint whilst demands on services increase. Difficult decisions will have to be made about competing priorities.
-
- To support the achievement of objectives and major developments that underpin the priority themes identified in the Corporate Improvement Plan 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, resources, 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:

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- i. Adult Social Care Remodelling
- ii. Supporting Vulnerable Children
- iii. Implementation of Inclusion Strategy
- iv. Schools Modernisation
- v. Porthcawl Regeneration
- vi. Promoting Active and Healthy Living
- vii. Bridgend Efficiencies & Innovation Programme
- viii. Job Evaluation

- The Council is responsible for Risk Management policy. It receives risk management reports from the Risk Management Programme Board. The Board also receives and scrutinises operational risk reports from the Directorate Management Teams, recommends the addition of key operational risks to the Council's Risk Register and monitors this Register and identifies 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 the revised document being published in September 2007. The Constitution has since been subject to regular review to ensure that it is accurate and reflects current best practice and legal requirements (latest version March 2010).
- The External Auditor's report for 2008/09 (usually known as the Relationship Manager's Annual Letter (RMAL)) was presented to Council on 10th February 2010. The report included a review of corporate governance which concluded that:

“The Council demonstrates some good examples of how good governance principles are embedded in the way the Council works, although there remains room for improvement”

The report stated that the Council compares well with other councils across Wales. Governance arrangements were evaluated in the context of the seven 'citizen-centred governance principles' that have been developed by the Welsh Assembly Government, viz: 'putting the citizen first'; 'knowing who does what and why'; 'living public service values'; 'fostering innovative delivery'; 'being a learning organisation'; 'engaging with others'; and 'achieving value for money'. It concluded that:

- the building blocks for *putting the citizen first* are in place;
- there is a good level of understanding in terms of *knowing who does what and why*;
- members and officers actively promote *living public service values*;
- there are examples of the Council *fostering innovative delivery*;

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- the Council embraces *being a learning organisation*;
- there is a track record of *engaging with others*; and
- the Council has a good approach to *achieving value for money*.

Other positive characteristics displayed by the Council are considered to be:

- the corporate 'culture' underpins governance arrangements;
- the Council's 'FACE' values are widely accepted and used;
- scrutiny arrangements support effective scrutiny of policy and performance; and
- other formal corporate and management arrangements also contribute to this.

However, the RMAL highlighted the following areas that require development and further consideration:

- making better use of citizens' views and ward councillors' knowledge and expertise to inform improvements in service delivery;
- ensuring performance management arrangements lead to better outcomes for citizens;
- replicating the new 'reception ethos' at other public interfaces including telephone contact; and
- cascading the collaborative culture at the top of the organisation down to front line services, through improved engagement with staff.

The RMAL also highlighted that the authority faces significant challenges from the need to:

- ensure more consistent information is available to understand fully whether all services provide quality and value for money ;
- clarify priorities (and non-priorities) from increasingly limited resources; and
- make and implement further difficult and politically sensitive decisions to reshape and target services.

The review of the effectiveness of the governance framework has highlighted issues that need to be addressed to ensure continuous improvement and has informed the process that resulted in the identification of the significant governance issues that are discussed in the following section.

5. Significant Governance Issues

For 2009/10, 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

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the 2008/09 exercise. The following are considered to be the significant governance issues that will be addressed during the coming year:

- Financial Pressures – increased demand for services caused by changes in social conditions as a result of the recession, combined with reduced funding from central government, will increase the need to use resources effectively and require difficult political decisions to be made in order to focus available resources.
- School Modernisation.
- Managing Staffing Costs – job evaluation, equal pay claims and increased employer contributions to the pension fund will increase pressure on resource allocation.
- Remodelling Adult Social Care.
- Children’s Services and Supporting Vulnerable Children.
- Maintaining Highways Infrastructure.
- Remodelling and provision of Healthy Living Services.
- Waste Management.
- Regeneration of the County Borough.

The issues identified in the Action Plan will be monitored during the year.

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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:

Section 151 Officer.....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 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009* (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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have 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.

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 or amount 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

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end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), 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 (eg from an insurance claim), 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.

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the Council Fund in the year that payments actually take place, not when the provision is established.

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

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The amount charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for employees' pensions is 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 allocated 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

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- 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.

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

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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 2009 (BVACOP)*. For 2009/10, 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 and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part of the Net Cost of Services.

9. Tangible fixed assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition - expenditure on the acquisition, creation or enhancement of tangible fixed assets is 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. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (eg Repairs and Maintenance) is charged to revenue as it is incurred.

Measurement – assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The current asset values used in the accounts for Other Land and Buildings are based upon independent external revaluations as at 1 April 2009.

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

Other Land & Buildings

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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

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

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. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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.

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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. Receipts from disposals are carried to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 received from disposals are categorised as capital receipts and 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 (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

The depreciation policy adopted for 2009/10 was:

<i>Operational Assets:</i>	Depreciated on a straight-line basis according to estimated asset lives (ranging from 1 to 79 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 (ranging from 5 to 20 years).
<i>Infrastructure Assets:</i>	Depreciation on a straight-line basis over 30 years on Bridges and 15 years on Roads.
<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).

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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

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service account in the year. 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

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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 2009/10 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

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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. Financial Assets

Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

15. Stocks and work in progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonable 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. As the Council is deemed to control the services that are provided under the PFI scheme and as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed as follows:-

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator

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PFI assets are subject to MRP. The Annual MRP Policy for the Authority has deemed this charge to be equivalent to the finance lease liability written down for the year.

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.

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.

18. Council Tax Income

All Council Tax income is shown in the Income and Expenditure Account of the Authority with the major preceptors' precepts (South Wales Police) being included as expenditure.

19. Prior Year Adjustments

Material adjustments relating to previous years, arising from changes in accounting policies or for the correction of fundamental errors, are accounted for by restating the comparative figures for the previous period in the statement of accounts and notes, and adjusting the balance of reserves for the cumulative effect. The accounting policies adopted by the Council as a result of the 2009 SORP requires significant change to the 2008/09 accounts relating to the treatment of NNDR income and the accounting treatment of the Authority's PFI scheme.

National Non-Domestic Rates (NNDR)

NNDR received from local tax payers is not the income of the Authority and from 2009/10 is not to be included in the accounts. This is a change in accounting policy. This requires a prior period adjustment to the adjusting 2008/09 corresponding amounts. The Authority recognises income from a contribution from the Welsh Assembly Government NNDR Pool and where applicable the Authority will recognise a creditor or debtor with the Welsh Assembly Government at year end.

PFI Accounting Treatment

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The requirement to account for PFI and similar contracts under International Financial Reporting Standards has meant that assets used to deliver PFI and similar contracts are recognised on the Council's Balance Sheet rather than being off balance sheet. These assets are recognised along with a deferred liability for the financing provided by the operator. As the assets are on the Council's balance sheet, they will attract a Minimum Revenue Provision (MRP) charge. Under statutory guidance and the Authority's Annual Minimum Revenue Provision policy, the MRP charge has been set equivalent to the lease liability and therefore there is no effect on the general reserves of this change in policy.

The changes to the Authority's Balance Sheet as a result of Prior Year Adjustments are detailed below:-

Balance Sheet	2008/09 Original £'000	PFI SORP 2009 £'000	NNDR SORP 2009 £'000	2008/09 Revised £'000
Other Land and Buildings	290,828	21,898	-	312,726
Long Term Debtors	502	(299)	-	203
Debtors	22,925	-	(1,817)	21,108
Creditors	(40,709)	-	1,817	(38,892)
PFI & Other Long Term Liabilities	-	(21,690)	-	(21,690)
Capital Adjustment Account	(219,963)	(208)	-	(220,171)
Maesteg PFI Acquisition Account	(299)	299	-	-



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Income and Expenditure Account for the Year Ended 31 March 2010

2008/09 £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000	Notes
	SERVICES				
108,894	Children's and Education Services	180,968	(44,455)	136,513	
34,349	Adult Social Care	56,413	(20,228)	36,185	
13,157	Highways, Roads and Transport Services	30,353	(11,462)	18,891	
2,641	Housing Services	50,340	(47,296)	3,044	
11,900	Central Services to the Public	42,154	(25,759)	16,395	
28,112	Cultural, Environmental and Planning Services	60,793	(27,010)	33,783	
5,262	Corporate and Democratic Core	6,582	(710)	5,872	
280	Non-Distributed Costs	530		530	
204,595	NET COST OF SERVICES	428,133	(176,920)	251,213	
8,019	Precepts Paid	8,530		8,530	1
6,912	Levies and Contributions Paid	7,100		7,100	1
7,273	Interest payable and similar charges	6,343		6,343	
(1,926)	Interest and Investment Income	(669)		(669)	
(132)	Trading Activities Net (surplus) / deficit	24,031	(24,496)	(465)	2
8,940	Pension Interest Cost & Expected Return on Assets	15,400		15,400	3 & 41
(35)	(Profit)/Loss on Sale of Fixed Assets	1,616		1,616	
233,646	NET OPERATING EXPENDITURE	490,484	(201,416)	289,068	
(132,817)	Revenue Support Grant		(138,312)	(138,312)	4
(2,135)	Other Government Grants		(2,149)	(2,149)	5
(55,718)	Council Tax		(59,095)	(59,095)	6
(34,715)	Net Proceeds of Non-Domestic Rates		(35,937)	(35,937)	7
8,261	DEFICIT FOR THE YEAR	490,484	(436,909)	53,575	

Statement of Movement on the General Fund Balance Year Ended 31 March 2010

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2008/09 £'000		2009/10 £'000	Notes
8,261	Deficit for the year on the Income & Expenditure Account	53,575	18
(8,352)	Net Additional amount required by statute and non-statutory proper practices to be debited/ or (credited) to the Council Fund Balance for the	(54,584)	
(91)	(Increase) in Council Fund Balance for the year	(1,009)	
(10,299)	Council Fund Balance brought forward	(10,390)	
(10,390)	COUNCIL FUND BALANCE CARRIED FORWARD	(11,399)	
3,253	Amount of Council Fund Balance held by schools under local management schemes	4,258	34
7,137	Amount of Council Fund Balance generally available for new expenditure	7,141	
10,390		11,399	

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Statement of Total Recognised Gains and Losses

2008/09 £'000		2009/10 £'000	Notes
8,170	Deficit / for the year on the Income and Expenditure Account	53,575	
91	Prior Year Adjustment (Change in Accounting Policy)	-	
8,261		53,575	
(3,000)	(Surplus) arising on revaluation of fixed assets	(113,091)	
	- Capital Receipt not linked to Asset Disposal	(1,000)	
	- Financial Liability Recognised in Year	917	
69,330	Actuarial losses on pension fund assets and liabilities	69,130	41
74,591	Total recognised (gains) / losses for the year	9,531	

The surplus arising from the Revaluation of Fixed Assets is made up of the £113.09 million gain on 1 April 2009 that was taken to the Revaluation Reserve. In 2009/10 the Authority received £1m from Newport County Borough Council as a capital receipt relating to £1m Welsh Assembly Government capital grant funding exchanged with Newport CBC in 2008/09. The Financial Liability recognised in the year relates to a loan in substance that has been brought onto the balance sheet.

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Balance Sheet as at 31 March 2010

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2008/09 Restated £'000		2009/10		Notes
		£'000	£'000	
	Tangible fixed assets			
	<i>Operational assets</i>			
312,726	Other land and buildings	388,405		
4,741	Vehicles, plant and equipment	4,262		
109,757	Infrastructure assets	102,270		
1,920	Community assets	3,244		
	<i>Non-operational assets</i>			
12,277	Investment properties	7,539		
9,325	Assets under construction	7,110		
6,228	Surplus assets held for disposal	12,866		
456,974	Total fixed assets		525,696	20
203	Long-term debtors	160		
203	Total long term assets		160	22
	Current assets			
289	Stocks and work in progress	304		
21,108	Debtors	24,573		23
23,841	Short term investments	10,078		42
226	Cash at bank	4,042		
502,641	Total assets		564,853	
	Current liabilities			
(817)	Short Term Borrowing	(1,853)		42
(38,892)	Creditors	(27,874)		24
462,932	Total assets less current liabilities		535,126	
	Long term liabilities			
(98,472)	Long Term Borrowing	(96,540)		42
(77,944)	Government Grants Deferred	(75,413)		27
(3,570)	Capital Contributions Deferred	(3,422)		27
(6,754)	Provisions	(12,393)		25
(21,690)	PFI & Other Long Term Liabilities	(23,607)		28
(212,510)	Pensions Liabilities	(291,290)		41
41,992	Total assets less liabilities		32,461	
	Financed by:			
3,000	Revaluation Reserve		113,804	31
220,171	Capital Adjustment Account		177,177	32
(6,344)	Financial Instruments Adjustments Account		(6,140)	30
14,307	Usable Capital Receipts Reserve		14,984	33
7,137	General Fund Balance		7,141	34
3,253	Delegated Schools Balance		4,258	34
431	Maesteg PFI Equalisation Reserve		1,067	35
12,547	Earmarked Balances		11,460	34
(212,510)	Pensions Reserve		(291,290)	41
41,992	Total net worth		32,461	

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Cash Flow Statement for the Year Ended 31 March 2010

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2008/09 Restated £'000		2009/10		Notes
		£'000	£'000	
	Revenue activities			
	Cash outflows			
166,676	Cash paid to and on behalf of employees	173,745		
141,388	Other operating costs	139,168		
43,425	Housing Benefit paid out	47,273		
5,701	Revenue Expenditure charged to Capital	5,919		
8,019	Precepts Paid	8,530		
	Cash inflows			
(2,902)	Rents (after rebates)	(2,372)		
(51,934)	Council Tax income	(58,948)		
(40,952)	NNDR Income	(26,526)		
(132,817)	Revenue Support Grant	(138,312)		
(33,047)	DWP grants for benefits	(37,625)		
(50,232)	Other government grants	(57,493)		45
(30,498)	Cash received for goods and services	(19,930)		
(4,426)	Revenue Expenditure charged to Capital Funding	(4,580)		
(28,110)	Other operating cash receipts eg cust/client receipts	(25,250)		
(9,709)			3,599	44
	Return on investments and servicing of finance			
	Cash outflows			
4,860	Interest paid	6,139		
	Cash inflows			
(2,063)	Interest received	(684)		
2,797			5,455	
	Capital activities			
	Cash outflows			
22,383	Purchase of Fixed Assets	19,928		
208	PFI School Lease Payments	328		
	Cash inflows			
(2,448)	Sale of fixed assets	(1,482)		
(55)	Mortgage receipts	(43)		
(19,599)	Capital grants received	(17,404)		
489			1,327	
(6,423)	Net cash (inflow)/outflow before financing		10,381	
	Management of Liquid Resources			
3,520	Repayment of short term investments	(13,763)		48
	Financing			
	Cash outflows			
34,310	Repayments of amounts borrowed	8,888		
	Cash inflows			
-	New long term loans raised			
(33,476)	New short term loans raised	(9,322)		
4,354			(14,197)	
(2,069)	Net (increase)/decrease in cash		(3,816)	46

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Certification of Accounts

Certification by Head of Property and Finance

I certify that the accounts set out on Pages 29 to 98 give a true and fair view of the financial position of the Council as at 31 March 2010.

Allan Phillips

Allan Phillips CPFA
Head of Property and Finance



Notes to the Core Financial Statements 2009/10

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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:

2008/09 £'000		2009/10 £'000
	Precepts	
6,685	South Wales Police Authority	7,117
1,334	Community Councils	1,413
8,019	Sub total	8,530
	Levies	
6,504	South Wales Fire and Rescue Authority	6,639
220	Coroners Service	259
53	South Wales Sea Fisheries	54
113	Archive Service	126
2	Margam Crematorium Joint Committee	2
20	Swansea Bay Port Health Authority	20
6,912	Sub total	7,100
14,931	Total	15,630

2. Trading activities

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

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2008/09 Deficit/ (Surplus) £'000	Activity	2009/10 Income £'000	2009/10 Exp. £'000	2009/10 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
329	Sports and Recreation (Indoor)	(5,860)	6,011	151	101	50
46	Grounds Maintenance	(2,104)	2,117	13	39	(26)
(7)	Outdoor Leisure	(273)	273	-	1	(1)
(21)	Building Maintenance	(3,573)	3,539	(34)	(34)	-
(55)	Other Cleaning	(2,062)	2,038	(24)	8	(32)
(59)	Building Cleaning	(1,165)	1,099	(66)	(59)	(7)
(61)	Fleet Services	(3,789)	3,753	(36)	(30)	(6)
(140)	Other Catering	(717)	559	(158)	(120)	(38)
(164)	Highway Maintenance	(4,953)	4,642	(311)	2	(313)
(132)	Transfer to I & E Account	(24,496)	24,031	(465)	(92)	(373)

The deficit against target on Sports and Recreation has resulted in the main from increases in building maintenance, energy and utility costs partly offset by savings on staff costs and an NNDR refund.

The deficit on Grounds Maintenance was slightly less than target due to lower than anticipated use of seasonal labour. From 2010/11 this will no longer be treated as a trading account to remove unnecessary internal charging.

The Outdoor Leisure contract broke even in the year. Again this will no longer be treated as a trading account from 2010/11.

The Other Cleaning contract slightly exceeded target surplus due to increased income in the year. This will no longer be treated as a trading account from 2010/11 to remove unnecessary internal charging.

Fleet Services slightly exceeded target surplus due to increased income as a result of new contracts.

Other Catering exceeded its target surplus with increased bar trade at the Grand Pavilion and better than anticipated trade at Bryngarw House despite the current economic climate.

Highways Maintenance Services significantly improved upon its target surplus due to increased work from the South East Wales Trunk Road Agency (SEWTRA).

3. Pension costs

The disclosures required for 2009/10 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Hewitt Associates Limited as the

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pensions actuary. There are additional disclosures supporting the Balance Sheet pension fund transactions and these can be found as note 41.

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a) Teachers

In 2009/10, the Authority paid £6.8million (£6.6 million for 2008/09) 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 2009/10, these amounted to £0.05 million (£0.05 million for 2008/09).

b) Other employees

In 2009/10 the Council paid an employer's contribution of £15.43 million (£14.76 million for 2008/09) 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.

http://www.rctpensions.org.uk/Home_Page.htm

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 2009/10 was £138.31m (£132.82m for 2008/09).

5. Government grants

In addition to the Revenue Support Grant, the Authority received specific government grants which amounted to £91.290m (£80.448m for 2008/09) and non-specific grants of £2.149m (£2.135m for 2008/09). 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:-

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2008/09 £'000	Specific Grants	2009/10 £'000
31,453	Mandatory Rent Allowances	37,625
9,416	Council Tax Benefit	10,892
7,172	DCELLS Grant	7,742
2,464	Foundation Phase Grants	2,684
1,139	PFI Grant	1,681
3,330	Other Education	3,427
2,708	Other Social Services	2,647
4,954	Others	5,070
3,781	Supporting People	3,885
1,741	Resettlement Grant	1,757
845	SMAP	1,013
2,825	Concessionary Fares Grant	2,908
1,111	Flying Start	1,197
2,130	Sustainable Waste Grant	2,514
	Housing/Council Tax Benefit	
1,335	Administration	1,278
468	Local Transport Services	468
1,332	Communities First	1,382
2,244	Cymorth	3,120
80,448	Total	91,290

2008/09 £'000	Other Government Grants	2009/10 £'000
758	Deprivation Grant	758
1,377	Improvement Agreement Grant	1,391
2,135	Total	2,149
82,583	TOTAL	93,439

6. Council tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten 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 – 48,630.09 dwellings for 2009/10 (47,962.84 in 2008/09). The basic amount for a Band D property is £1,184.12 in 2009/10 (£1,128.33 in 2008/09 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:

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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	9,890	14,626	13,431	9,004	6,539	3,612	1,272	271	85

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

2008/09 £'000		2009/10 £'000
55,718	Council Tax Collectable	59,095
	Less:	
(1,334)	Payable to Community Councils	(1,413)
(6,685)	Payable to South Wales Police	(7,117)
(143)	Provision for non payment of Council Tax	(121)
47,556	Net Proceeds from Council Tax	50,444

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 48.9p in 2009/10 (46.6p in 2008/09) and, subject to the effects of transition 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 Authority receives a contribution from the NNDR pool direct. The income from this should be reflected separately in the Income and Expenditure Account. This amount was £35.937m in 2009/10 (£34.715m in 2008/09).

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 2008/09	784	1,530	2,314
Rentals Payable 2009/10	940	1,619	2,559

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The authority was committed as at 31 March 2010 to making payments of £2.2m under operating leases in 2010/11 as detailed in the table below:-

Committed Expenditure in 2010/11 for Leases Expiring:-	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Leases expiring in 2010/11	117	101	218
Leases expiring between 2011/12 and 2014/15	165	1,201	1,366
Leases expiring after 2014/15	546	23	569
Total	828	1,325	2,153

Where the Authority is a lessor, the aggregate rentals receivable in the year is £2.37 million (£2.9 million 2008/09).

9. 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	Trust Expenditure £'000	BCBC Expenditure £'000	Total Expenditure £'000	Total WAG Grant £'000
Children with Disabilities inter agency Service	130	342	472	152
Transition to Adults Services	41	42	83	83
Community Reablement Project	302	232	534	139
Dementia Register / Referral & Assessment Pathway	11	-	11	11
Preventing Admission & Facilitating Discharge	4	7	11	11
Intermediate Care Development Manager	-	54	54	54
Community Disability Rehabilitation Team	138	111	249	0
Health, Social Care & Well Being Strategy	-	100	100	100
Total	626	888	1,514	550

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 :-

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Partner	Purpose of Partnership	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Authority's Contribution £'000
Abertawe Bro-Morgannwg University Health Board	Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.	558	558	275
Abertawe Bro-Morgannwg University Health Board	Lead Commissioning from a Pooled Fund for procuring specified community equipment for eligible people within the Council's administrative area.	523	523	502

10. Long term contracts

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

Details of Contract	2010/11 £'000	2011/12 £'000	2012/13 £'000
Waste Management & Disposal	5,417	5,417	5,417
Waste Disposal (MREC)	4,999	4,999	4,999
Pest Control Contract	61	61	61
Citizens Panel	30	30	-
Contracts /Service Agreements for care and support services	30,187	30,187	30,187
Total	40,694	40,694	40,664

The Authority has entered into a new long term contract for waste management from 1 April 2010 for 7 years, with an option to extend for a further 7 years. This contract will provide the authority with a full waste collection and kerbside recycling service along with the operation and management of the Authority's household waste amenity sites. The Authority has a 25 year contract with Neath Port Talbot CBC to dispose of its residual waste using the MREC facility.

The Wellbeing Directorate 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 2010, 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

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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.

11. Private Finance Initiative (PFI)

During the 2008/09 financial year, the Council commenced payment under the Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg that was entered into in 2007/08. 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.

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 2010, the balance on the PFI equalisation earmarked reserve is £1.067m (£0.431m as at 31 March 2009).

The treatment of the PFI changed during 2009/10 in accordance with the SORP 2009. The total unitary payment is divided into the service charge element, the repayment of the liability element and the interest element. The charges are shown below:-

2008/09 Restated £'000	Unitary Charge	2009/10 £'000
332	Service Charge Element	502
1,111	Interest Element	1,619
208	Finance Lease Liability	328
1,651	Total	2,449

These payments will be made over the life of the PFI contract and estimates for subsequent years are as detailed below at current prices:-

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Unitary Charge	2010/11 £'000	2011/12 to 2015/16 £'000	2016/17 to 2020/21 £'000	2021/22 to 2025/26 £'000	2026/27 to 2030/31 £'000	2031/32 to 2033/34 £'000
Service Charge Element	502	2,511	2,511	2,511	2,511	1,499
Interest Element	1,593	7,513	6,513	5,063	2,959	408
Finance Lease Liability	353	2,221	3,221	4,672	6,775	4,118
Total	2,448	12,245	12,245	12,246	12,245	6,025

12. 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 2009/10 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 01/04/09	152,491
PFI School	(21,690)
Factor A Adjustment	(82)
CFR Adj Para 19 2008	(3,334)
Adjusted CFR	127,385
MRP - 4%	5,095
PFI School - MRP Charge	328
Unsupported Borrowing MRP	286
Total MRP	5,709

13. Officers' Remuneration

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

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Table 1 : Officers Remuneration over £60k

2008/09 Number of Employees inc Redundancy Costs	Remuneration Band	Number of Employees			
		Movement in Bandings	2009/10 inc Redundancy Costs	2009/10 exc Redundancy Costs	Number of Teachers inc in Figures
16	£60,000 - £64,999	2	18	17	17
5	£65,000 - £69,999	1	6	6	6
6	£70,000 - £74,999	1	7	7	5
8	£75,000 - £79,999	0	8	8	0
4	£80,000 - £84,999	(3)	1	1	1
2	£85,000 - £89,999	(1)	1	1	1
0	£90,000 - £94,999	3	3	2	0
5	£95,000 - £99,999	(3)	2	2	1
2	£100,000 - £104,999	0	2	2	2
0	£105,000 - £109,999	3	3	3	0
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	0	0	0	0
0	£120,000 - £124,999	0	0	0	0
0	£130,000- £134,999	0	0	0	0
0	£135,000 - £139,999	0	0	0	0
1	£140,000 - £144,999	0	1	1	0
1	£145,000 - £149,999	(1)	0	0	0
1	£235,000 - £239,999	(1)	0	0	0
51		1	52	50	33

The amended Regulations have changed to bandings of £5k.

Within the Remuneration Bands are a number of senior employees of the Authority who have also been included in the following Table 2 : Senior Officers' Disclosure. This is a new disclosure requirement to disclose individual remuneration details for all senior employees under the Accounts and Audit (Wales) (amendment) Regulations 2010. Where redundancy costs are subject to confidentiality agreements, they have been excluded from the costs. There are no Returning Officer payments included in the below. The new disclosure is shown in Table 2 below.

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Table 2 : Senior Officers' Disclosure

Job Title	Salary		Expenses		Benefits in Kind		Pension Contributions		Total Remuneration including Pension Contributions	
	08/09	09/10	08/09	09/10	08/09	09/10	08/09	09/10	08/09	09/10
	£	£	£	£	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service	131,358	131,251	692	429	11,225	11,101	27,529	27,529	170,804	170,310
Corporate Director - Resources (Note 1)	103,498	86,004	1,134	588	9,328	7,843	21,735	18,061	135,695	112,495
Corporate Director - Children	104,068	104,068	371	365	3,703	3,740	21,854	21,854	129,996	130,027
Corporate Director - Communities	97,435	99,646	576	266	6,397	7,037	20,461	20,926	124,869	127,875
Corporate Director - Wellbeing (Note 2)	73,347	99,646	26	19	3,024	6,182	15,403	20,926	91,800	126,773
Assistant Chief Exec - Legal & Regulatory Services	88,458	88,458	201	252	7,616	8,853	18,576	18,576	114,851	116,139
Assistant Chief Exec - Corporate Development	84,705	86,582	282	301	7,639	7,861	17,788	18,182	110,414	112,926
Section 151 Officer (Note 3)	78,049	79,350	265	265	162	165	16,390	16,663	94,866	96,443

Note 1 : The post of the Corporate Director - Resources was deleted as from 01/02/10

Note 2 : The Corporate Director - Wellbeing post was part year in 2008/09

Note 3 : An existing post was designated as the Section 151 Officer from 01/02/10 and the above disclosure relates to the full year cost of that post

Note 4 : Pension Contributions relate to what has been physically paid

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14. Members' allowances

The expenditure on Members' allowances for 2009/10 was £1,033k (£998k in 2008/09). This is made up of basic allowances (£781k) and special responsibility allowances (£252k). 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.

15. External audit costs

In 2009/10 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2008/09 £'000		2009/10 £'000
306	External audit services	220
91	Statutory Inspection & Performance Audit	160
91	Grant Claims and Returns	90
488	Total	470

16. 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.

17. 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.

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Related Party Transaction	Reference
Central Government:	
Revenue Grants	Notes 4&5 to accounts
Capital Grants	Note 20h 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

Chief Officers and Members

Authority Members had various roles in a number of organisations during 2009/10 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

18. 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

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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:

2008/09 £'000		2009/10 £'000
	Amounts included in I&E Account but required by statute to be excluded from movement in Council Fund Balance	
(20,326)	Depreciation, impairment and loss on revaluation of fixed assets	(62,198)
5,910	Government Grants and Contributions Deferred amortisation	14,022
(1,275)	Revenue Expenditure Funded from Capital under Statute	(1,339)
35	Net profit/(loss) on sale of fixed assets	(1,616)
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
(10,010)	Net charges made for retirement benefits in accordance with FRS 17	(10,330)
(25,462)		(61,257)
	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	
5,021	Minimum revenue provision for capital financing	5,095
467	Capital Expenditure charged in year to Council Fund	735
15,910	Employer's Contributions to Pensions Fund & Direct Retirement Benefits	16,610
21,398		22,440
	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	
314	Unsupported Borrowing MRP	286
(9,220)	Pensions Costs Adj Net	(15,930)
208	PFI Lease Payments	328
431	Maesteg Schools PFI Equalisation Reserve	636
3,979	Net transfer to or (from) earmarked reserves	(1,087)
(4,288)		(15,767)
(8,352)	Net Additional amount required to be debited/(credited) to the Council Fund Balance for the Year	(54,584)

19. Transfers to/(from) earmarked reserves

This represents the net movement on the earmarked reserves of the Authority within 2009/10 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 2009/10 to be utilised in future years to finance expenditure.

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Move- ment 2008/09 £'000	Reserve	Opening Bal 2009/10 £'000	Move- ment 2009/10 £'000	Closing Bal 2009/10 £'000
(37)	Chief Executive Directorate	-	-	-
(201)	Resources Directorate	-	-	-
(245)	Education, Leisure & Community Services	-	-	-
31	Environmental & Planning	-	-	-
(62)	Personal Services	-	-	-
(14)	Community Regeneration & Strategic Division	-	-	-
(65)	Legal and Democratic Services	-	-	-
(6)	Asset Management Plan	350	(69)	281
(80)	Customer services strategy	70	(70)	-
(10)	Election costs	200	-	200
(3)	Insurance reserve	1,706	65	1,771
(49)	Legionella assessment	-	-	-
5,850	Major Claims Reserve	5,850	(328)	5,522
(350)	Maesteg school PFI	250	21	271
-	Mid Glam CC post balance sheet events	881	(228)	653
87	Other Minor Reserves	117	(87)	30
(27)	Porthcawl regeneration	250	(34)	216
(91)	Unitary Development Plan reserve	74	(14)	60
(600)	Waste management reserve	-	-	-
(135)	Financial & HR systems	400	126	526
(78)	Change management	430	12	442
(71)	E-coli court costs	55	(55)	-
-	Treasury Management Reserve	644	-	644
-	Night Time Economy	50	(50)	-
191	Capital feasibility fund	250	(150)	100
250	Building Maintenance Reserve	250	35	285
(136)	Pump Priming Reserve	470	(411)	59
(100)	Suicide Prevention Strategy	-	-	-
(70)	Invest to save	250	150	400
3,979	Total	12,547	(1,087)	11,460

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Notes To Balance Sheet

20. Tangible fixed assets

a) Summary of tangible fixed assets

2008/09 £'000	Tangible Fixed Assets	2009/10 £'000
312,726	Other land & buildings	388,405
4,741	Vehicles, plant & equipment	4,262
109,757	Infrastructure	102,270
1,920	Community assets	3,244
27,830	Non-operational assets	27,515
456,974	Total	525,696

b) Capital commitments

As at 31 March 2010 commitments of approximately £11.58m existed on capital works contracts started before that date, details of which are shown in the table below.

2008/09 £'000	Description	2009/10 £'000
-	Bridgend Day Centre	4,268
3,242	Caerau Primary School	393
390	Brackla Primary Amalgamation School	428
-	Bryntirion Amalgamation	894
1,112	Oldcastle Primary School	-
267	Bridgend Recreation Centre	-
591	Glamorgan Records Office - BCBC Contribution	-
	Archbishop McGrath New Comprehensive	5,600
5,602	Total	11,583

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c) Numbers of fixed assets by type

Category	Number as at 31 March 2009	Number as at 31 March 2010
Schools	68	66
Other educational establishments	7	7
Libraries	7	8
Car parks	14	14
Cemeteries and buildings	20	20
Crematoria	1	1
Reclaimed land	18	18
Markets	2	2
Shops	9	9
Public conveniences	16	16
Nature reserves	1	1
Social Services establishments	28	27
Bus stations	2	2
Sports pavilions	41	42
Recreation grounds & parks	17	17
Recreation & entertainment centres	12	12
Community centres	15	16
Swimming pools	6	6
Industrial estates	23	23
Civic offices	2	2
Other offices	4	4
Depots	9	8
Vehicles	92	88
Miscellaneous assets	26	26
Total	440	435

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d) 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 2009	353,054	17,907	163,506	1,932	536,399
Additions	11,160	642	4,342	122	16,266
Disposals	(1,979)	(53)	-	(26)	(2,058)
Reclassifications	6,341	-	(244)	1,253	7,350
Revaluation Adjustment to Gross Expenditure	31,716	-	-	-	31,716
At 31 March 2010	400,292	18,496	167,604	3,281	589,673
Depreciation and Impairments					
At 1 April 2009	(40,328)	(13,166)	(53,749)	(12)	(107,255)
Charge for 2009/10	(12,075)	(1,121)	(11,517)	(13)	(24,726)
Disposals	56	53	-	-	109
Reclassifications	94	-	(68)	(12)	14
Revaluation Loss	(32,814)	-	-	-	(32,814)
Removal of Accumulated Balances on Revaluation	73,180	-	-	-	73,180
At 31 March 2010	(11,887)	(14,234)	(65,334)	(37)	(91,492)
Balance Sheet as at 1 April 2009	312,726	4,741	109,757	1,920	429,144
Balance Sheet as at 31 March 2010	388,405	4,262	102,270	3,244	498,181
Nature of Asset Holding					
Owned	365,669	4,262	102,270	3,244	475,445
PFI	22,736	72	-	-	22,736
Balance Sheet as at 31 March 2010	388,405	4,262	102,270	3,244	498,181

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	Investment Properties £'000	Assets Under Construct. £'000	Surplus Assets £'000	Total £'000
2. Non-Operational Assets				
Cost or Valuation				
At 1 April 2009	12,843	9,325	6,284	28,452
Additions	-	3,663	-	3,663
Disposals	-	-	(215)	(215)
Reclassifications	(3,271)	(5,878)	1,799	(7,350)
Revaluations Adjustment to Gross Expenditure	(1,965)	-	5,152	3,187
At 31 March 2010	7,607	7,110	13,020	27,737
Depreciation and Impairments				
At 1 April 2009	(566)	-	(56)	(622)
Charge for 2009/10	(68)	-	(65)	(133)
Disposals	-	-	65	65
Reclassifications	220	-	(235)	(15)
Revaluation Loss	(4,064)	-	(461)	(4,525)
Removal of Accumulated Balances on Revaluation	4,410	-	598	5,008
At 31 March 2010	(68)	-	(154)	(222)
Balance Sheet as at 1 April 2009	12,277	9,325	6,228	27,830
Balance Sheet as at 31 March 2010	7,539	7,110	12,866	27,515

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e) Fixed asset valuation

The freehold and leasehold properties of Bridgend County Borough Council were valued as at 1 April 2009 by Alder King 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.

f) Assets held under finance leases

Any remaining assets held under finance leases have a zero net book value as at 31 March 2010. This was also the case as at 31 March 2009.

g) Analysis of capital expenditure

2008/09 £'000	Description	2009/10 £'000
8,394	Operational fixed asset expenditure	10,489
6,989	Non operational fixed asset expenditure	3,663
6,837	Operational non enhancement expenditure written out to impairment	5,777
5,701	Revenue Expenditure Funded from Capital under Statute	5,919
27,921	Total	25,848

h) Sources of finance for Capital Expenditure

2008/09 £'000	Description	2009/10 £'000
8,622	Loans	8,343
15,441	Government grants	15,711
3,052	Capital receipts	586
467	Revenue contribution	735
339	Other contribution	473
27,921	Total	25,848

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.

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	Bal b/fwd £'000	Expenditure in Year £'000	Written to Revenue £'000	Bal c/fwd £'000
Improvement grants written out to Revenue				
Expenditure Funded from Capital under Statute	-	4,002	(4,002)	-
Other Write Out to Revenue Expenditure Funded from Capital under Statute	-	1,917	(1,917)	-
	-	5,919	(5,919)	-

21. Capital financing requirement and the financing of capital expenditure

Total 2008/09 £'000	Capital Financing Requirement	Total 2009/10 £'000
127,514	Opening Capital Financing Requirement	152,491
	Capital Investment	
15,231	Operational Assets	16,266
6,989	Non-operational Assets	3,663
5,701	Revenue Expenditure Funded from Capital under Statute	5,919
21,898	PFI School	-
	- Recognition of Financial Liability	917
	Sources of Finance	
(15,780)	Grants & Contributions	(16,184)
(3,052)	Capital receipts applied	(586)
(467)	Revenue Contributions	(735)
(5,021)	Minimum Revenue Provision	(5,095)
(314)	Unsupported Borrowing MRP	(286)
(208)	PFI School MRP	(328)
152,491	Closing Capital Financing Requirement	156,042
	Explanation for Movements in Year	
21,690	Increase in PFI Lease Liability	-
1,855	Increase in Underlying Need to Borrow (supported by government financial assistance)	2,109
1,432	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	1,442
24,977	Inc./ (Dec) in Capital Financing Requirement	3,551

22. Long term debtors

The Long Term Debtors figure is the value of long term loans made by the Council to former tenants and private households for mortgages analysed as follows:

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2008/09 £'000		2009/10 £'000
203	Mortgages	160
203	Balance carried forward	160

23. 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:

2008/09				2009/10		
Gross Debtors £'000	Bad Debt Provision £'000	Net Debtors £'000		Gross Debtors £'000	Bad Debt Provision £'000	Net Debtors £'000
5,414	(2,211)	3,203	Taxpayers: Council Tax	5,600	(2,333)	3,267
						-
1,769	-	1,769	Others: Customs and Excise VAT	1,692	-	1,692
			NNDR	4,534	-	4,534
3,293	-	3,293	Government Grants	3,744	-	3,744
11	-	11	Capital Debtors	-	-	-
4,940	(655)	4,285	Sundry Debtors	4,374	(713)	3,661
850	(831)	19	Housing Benefits	858	(836)	22
5,037	-	5,037	Reserve Debtors	6,588	-	6,588
2,653	-	2,653	Capital Grants	788	-	788
838	-	838	Other	277	-	277
24,805	(3,697)	21,108	TOTAL	28,455	(3,882)	24,573

Where the Authority collects cash from NNDR taxpayers this belongs to the Welsh Assembly Government. As at the 31 March 2010, the Authority had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £4.534m. The equivalent for 2008/09 was a creditor of £5.668m which represented monies not yet paid over to Welsh Assembly Government.

24. Creditors

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

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2008/09 £'000		2009/10 £'000
(15,797)	Revenue Creditors	(9,422)
(1,282)	Capital Creditors	(2,034)
(4,125)	Payroll Creditors	(3,613)
(6,120)	Other Reserve Creditors	(7,492)
(893)	Government Grants	(544)
(6,806)	Local Tax Payers	(1,176)
(2,525)	Superannuation Fund	(2,478)
(154)	Private Street Works	(138)
(200)	Miscellaneous Deposits	(290)
(990)	Other	(687)
(38,892)	Total	(27,874)

25. 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 Employer's 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.

Major Claims

Balance b/f £'000		Expenditure £'000	Increase £'000	Balance c/f £'000
2,748	Insurance (BCBC)	(424)	819	3,143
2,550	Equal Pay	(111)	5,355	7,794
1,456	Waste Disposal			1,456
6,754	Total	(535)	6,174	12,393

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 and amount of any payments is uncertain. It must be stressed that the Council does not accept any liability for individual equal pay claims.

26. Long and short term loans

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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.

27. 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.

2008/09 £'000		2009/10 £'000
76,146	Balance brought forward	81,514
8,433	Grants Credited in year	6,965
(3,065)	Grants applied in Income and Exp Account	(9,644)
81,514	Balance as carried forward	78,835

28. PFI and Other Long Term Liabilities

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Authority's Balance Sheet being £21.898m (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2008/09, the amount written down was £208k so as at the 1 April 2009 the balance of PFI lease liability was £21.690m.

The Invest to Save Loan received from the Welsh Assembly Government is interest free. This has been accounted for in accordance with the SORP.

The Innovation Centre Financial Liability of £0.917m has been recognised in the year as a loan in substance.

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2008/09 £'000		Movement £'000	2009/10 £'000
21,690	Maesteg School PFI Lease Liability	(328)	21,362
-	- Invest to Save Loan	1,328	1,328
-	- Innovation Centre Financial Liability	917	917
21,690	Total	1,917	23,607

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29. Summary of Movement on Reserves

The Council keeps a number of reserves in its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Opening Bal 2009/10 £'000	Move- ment 2009/10 £'000	Closing Bal 2009/10 £'000	Purpose of Reserve	Further Detail of Movements
Financial Instruments Adjustment Account	(6,344)	204	(6,140)	Balancing account to allow differences in statutory requirements and proper accounting practices for borrowings and investments	See note 30 below
Revaluation Reserve	3,000	110,804	113,804	Store of gains on revaluation of fixed assets not yet realised through sales	See note 31 below.
Capital Adjustment Account	220,171	(42,994)	177,177	Store of capital resources set aside to meet past expenditure	See note 32 below.
Usable Capital Receipts Reserve	14,307	677	14,984	Proceeds of fixed asset sales available to meet future capital investment.	See note 33 below.
Pensions Reserve	(212,510)	(78,780)	(291,290)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 41 below.
Revenue Reserves	23,368	557	23,926	Other reserves including the General Fund, Earmarked Reserves and Delegated School Balances	See note 34 below.
TOTAL	41,992	(9,532)	32,461		

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30. 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.

2008/09 £'000		Movement in Year	2009/10 £'000
(5,559)	Premiums / Discounts Adjustments	198	(5,361)
(785)	Loans / Investments Adjustments	6	(779)
(6,344)	Total	204	(6,140)

31. Revaluation Reserve (RR)

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

2008/09 £'000		2009/10 £'000
-	Opening Balance	3,000
3,000	Gain on Revaluation	113,090
-	Depreciation	(1,527)
-	Disposal	(759)
3,000	Total	113,804

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32. Capital Adjustment Account (CAA)

The 2008/09 figures have been restated due to the change in Accounting Policy on PFI to include the revenue provision relating to the write down of the lease liability of £0.208m.

2008/09 Restated		2009/10	
		£'000	£'000
229,136	Balance brought forward		220,171
(13,489)	Depreciation	(18,379)	
(6,837)	Impairment	(43,819)	
(55)	Mortgage repayments (Council Fund)	(43)	
(2,358)	Net Book Value of Fixed Asset Disposal	(1,339)	
(1,275)	Net Revenue Expenditure Funded from Capital under Statute	(1,339)	
	- Financial Liability Adjustment to Capital Receipts	(917)	
	- Depreciation charged to Revaluation Reserve	1,528	(65,836)
5,021	Minimum Revenue Provision (Note 12)	5,095	
467	Direct Revenue Financing	735	
3,052	Capital Receipts	586	
5,910	Government grants and contributions amortised	14,022	
208	PFI Scheme Revenue Provision	328	
314	Unsupported Borrowing MRP	286	
77	Capital Receipts for Previous Year's Funding	262	
			22,842
220,171	Balance Carried Forward		177,177

33. Useable capital receipts reserve

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

2008/09 £'000		2009/10 £'000
14,988	Balance Brought Forward	14,307
2,393	Capital Receipts Received	1,482
55	Mortgage repayments (Council Fund)	43
(77)	Receipts adjustment previous year's financing	(262)
(3,052)	Receipts Used to Finance Capital Expenditure	(586)
14,307	Balance Carried forward	14,984

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34. Revenue reserves

The total of revenue reserves in the Balance Sheet as at 31 March 2010 is detailed below with descriptions of what they represent:-

2008/09 Restated £'000		2009/10 £'000
7,137	Council Fund Balance	7,141
3,253	Delegated Schools Balance	4,258
431	Maesteg School PFI Equalisation Fund	1,067
	Earmarked Balances :-	
	<u>Potential major Claims</u>	
881	Reserve for former Mid Glamorgan CC liabilities	653
55	E-coli	-
5,850	Major Claims Earmarked Reserve	5,522
	<u>Business Re-Engineering & Specific Provisions</u>	
400	Financial & HR systems	526
430	Change management	442
1,706	Insurance reserve	1,771
250	Maesteg school PFI	271
644	Treasury Management	644
	<u>Other Reserves</u>	
350	Asset Management Plan	281
250	Invest to Save	400
470	Pump Priming	59
250	Porthcawl Regeneration	216
70	Customer Services Strategy	-
941	Other minor reserves	675
12,547	Earmarked Balances	11,460
23,368	Total	23,926

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Analysis of Delegated Schools Balance

2008/09 Closing Balance £'000		2009/10 Over spends £'000	2009/10 Under spends £'000	2009/10 Closing Balance £'000
94	Nursery Schools	(62)	15	47
854	Primary Schools	(172)	703	1,385
1,892	Secondary Schools	(335)	993	2,550
413	Special Schools	(137)	-	276
3,253	Total	(706)	1,711	4,258

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 Rhondda Cynon Taff County Borough Council in 2010 has confirmed that the balance on this reserve can be reduced to £0.652 m.

ii. Major Claims Earmarked Reserve

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

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

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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.
- e) Invest to save
This fund has been established to meet the costs of approved 'invest to save' initiatives and energy 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. 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.

35. Maesteg School PFI Account

As outlined in note 11 above, there is a need for an Equalisation Fund for the Unitary Charges received from the Welsh Assembly Government as detailed below:-

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2008/09 £'000	Maesteg School PFI Accounts	2009/10 £'000
(431)	Maesteg PFI Equalisation Fund	(1,067)
(431)	Balance carried forward	(1,067)

36. 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 2010 are:

2008/09 £'000		2009/10 £'000
176	Social Services Home For The Elderly	175
55	Education	54
46	Nantymoel Workmans Hall	46
1	Swimming Development Fund	-
1	Other	1
279	Total	276

37. 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, payments have been made and together with accrued interest during the year the value of the funds as at 31 March 2010 is as follows:

2008/09 £'000	Accounts	2009/10 £'000
1,435	Replacement facilities account	882
236	Replacement site account	237
1,671	Total	1,119

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

38. Developers' Contributions

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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:

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	31st March 2009 £'000	Income £'000	Expenditure £'000	31st March 2010 £'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		(7)	142
Redrow – Lock's Lane, Porthcawl – ongoing maintenance of playing field and pavilion	130			130
Redrow & Belway - Marlas Farm – Meadow St Improvement of playing field facilities	244		(17)	227
Redrow – Lock's Common , Porthcawl – Locks Court (use to be determined 2010/11)	100			100
Redrow - Brackla Park & Ride – upgrade B4181	329	1	(58)	272
Rockwool - Pencoed	223	1	(8)	216
Cae Gleison - Laleston		328		328
HMP - Parc		147	(52)	95
Other	1,177	180	(388)	969
Total	2,710	657	(530)	2,837

39. 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

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

40. Analysis of net assets employed

2008/09 £'000		2009/10 £'000
29,913	General Fund	21,247
6,290	Trading Accounts	11,214
36,203	Total	32,461

41. 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	2009/10 % pa
Inflation Rate	3.4	3.9
Discount rate for scheme liabilities	6.6	5.5
Discount rate for pension costs over year	6.6	5.5
Rate of pension increases	3.4	3.9
Rate of salary increases	4.9	5.4
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	21.1	21.2
Women	23.5	23.6
Longevity at 65 for future pensioners :-		
Men	23.4	23.5
Women	25.7	25.8

The proportions of total assets held in each asset type by the Fund as a whole as at 31 March 2009 and 31 March 2010 are set out in the following table.

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	Asset Split 2008/09 %	Asset Split 2009/10 %	Long Term Returns 2008/09 %	Long Term Returns 2009/10 %
Equities	61.7	66.8	7.0	8.0
Bonds - Government	17.9	14.1	4.0	4.5
Bonds - Corporate	8.4	10.1	5.8	5.5
Property	4.3	5.9	6.0	8.5
Cash	4.2	3.1	1.6	0.7
Other	3.5	0.0	1.6	8.0
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 2010.

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 2009/10	£m 2008/09	£m 2009/10	£m 2008/09	£m 2009/10
Net Cost of Services :-						
Current Service Costs	10.01	10.33	0.00	0.00	0.00	0.00
Past Service Costs	0.16	0.47	0.04	0.01	0.08	0.05
Net Operating Expenditure :-						
Interest Cost	24.46	25.49	0.59	0.58	0.37	0.36
Expected Return on Scheme Assets	(16.48)	(11.03)	0.00	0.00	0.00	0.00
Net Charge to the I&E Account	18.15	25.26	0.63	0.59	0.45	0.41

Statement of Movement on the General Fund Balance :-						
Reversal of net charges made for retirement benefits in accordance with FRS 17	(18.15)	(25.26)	(0.63)	(0.59)	(0.45)	(0.41)
Actual amount charged against the General Fund Balance for pensions in the year :-						
Employers' Contributions	14.76	15.43				
Retirement Benefits Paid Out			0.66	0.68	0.49	0.50

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In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £69.13m (actuarial loss £69.33 2008/09) 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 2009/10	£m 2008/09	£m 2009/10	£m 2008/09	£m 2009/10
Total actuarial gains / (losses)	(69.02)	(67.16)	(0.19)	(1.22)	(0.12)	(0.75)
Total gain / (loss) in STRGL	(69.02)	(67.16)	(0.19)	(1.22)	(0.12)	(0.75)

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

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded	
	£m 2008/09	£m 2009/10	£m 2008/09	£m 2009/10	£m 2008/09	£m 2009/10
1st April	359.63	386.26	8.93	9.09	5.66	5.74
Current Service Costs	10.01	10.33	0.00	0.00	0.00	0.00
Interest Cost	24.46	25.49	0.59	0.58	0.37	0.36
Contributions by Participants	4.02	4.53	0.00	0.00	0.00	0.00
Actuarial (gains) / losses on liabilities	2.02	126.83	0.19	1.22	0.12	0.75
Net Benefits Paid Out	(14.04)	(15.47)	(0.66)	(0.68)	(0.49)	(0.50)
Past Service Cost	0.16	0.47	0.04	0.01	0.08	0.05
31st March	386.26	538.44	9.09	10.22	5.74	6.40

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

	Local Govt Pension	
	£m 2008/09	£m 2009/10
1st April	234.36	188.58
Expected Return on Assets	16.48	11.03
Actuarial gains / (losses) on assets	(67.00)	59.67
Contributions by Employer	14.76	15.43
Contributions by Participants	4.02	4.53
Net Benefits Paid Out	(14.04)	(15.47)
31st March	188.58	263.77

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

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financial years ending 2006 are shown at mid-market value and have not been re-measured as permitted by FRS 17 (as revised).

	£m	£m	£m	£m	£m
	2009/10	2008/09	2007/08	2006/07	2005/06
Local Govt Pension Scheme					
Fair Value of Assets	263.77	188.58	234.36	224.67	209.35
Present Value of Liabilities	(538.44)	(386.26)	(359.63)	(397.68)	(374.76)
Surplus / (Deficit) in the Scheme	(274.67)	(197.68)	(125.27)	(173.01)	(165.41)
LGPS Unfunded					
Present Value of Liabilities	(10.22)	(9.09)	(8.93)	(10.27)	(9.88)
Surplus / (Deficit) in the Scheme	(10.22)	(9.09)	(8.93)	(10.27)	(9.88)
Teachers' Unfunded					
Present Value of Liabilities	(6.40)	(5.74)	(5.66)	(5.85)	(5.68)
Surplus / (Deficit) in the Scheme	(6.40)	(5.74)	(5.66)	(5.85)	(5.68)
Total	(291.29)	(212.51)	(139.86)	(189.13)	(180.97)

The total net liability of £291.29m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Bridgend CBC has usable reserves of £33.585m (Council Fund £7.141m, Usable Capital Receipts 14.984m and Earmarked Reserves £11.460m), representing a shortfall of £257.705m on the notional loss on the Pension Fund 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 2011 are :-

	2010/11 £m
Local Govt Pension Scheme	15.86
LGPS Unfunded	0.68
Teachers' Unfunded	0.50

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserves in 2009/10 can be analysed into the following categories at 31 March :-

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History of Experience Gains and Losses	£m	£m	£m	£m	£m
	2009/10	2008/09	restated 2007/08	2006/07	2005/06
LGPS Funded Benefits					
Experience of gains (losses) on assets	59.67	(67.00)	(15.27)	(4.60)	30.42
Experience of gains (losses) on liabilities	4.31	(1.52)	(0.94)	(0.97)	0.17
LGPS Unfunded					
Experience of gains (losses) on liabilities	0.3	(0.11)	0.60		
Teachers' Unfunded					
Experience of gains (losses) on liabilities	0.19	(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.

42. 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 2009			31st March 2010		
	Actual Value of Loan Outstanding	Carrying Amount	Fair Value	Actual Value of Loan Outstanding	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Short Term Loans exc PWLB	-	-	-	-	283	-
Public Works Loan Board (Long Term)	72,855	72,961	-	72,680	72,680	-
Public Works Loan Board (<1 year)	335	337	-	175	175	-
Total PWLB Debt	73,190	73,298	82,243	72,855	72,855	78,121
Fixed Market Long Term Loans	4,000	4,006	4,734	4,000	4,000	4,561
Lender Option Borrower Option Loans	19,250	20,035	18,058	19,250	19,860	23,759
Total Fixed Market Long Term Loans	23,250	24,041	22,792	23,250	23,860	28,320
TOTAL	96,440	97,339	105,035	96,105	96,998	106,441

The Actual and Carrying Amount of the short term loans (excluding PWLB) of £283k (£114k in 2008-09 which was not separately shown) relates to accrued interest on long term loans. This is interest which is due to be paid in 2010/11, but has been accrued during 2009-10. It is made up of £108k for PWLB interest and £175k for market long term loans.

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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 was taken out when interest rates were higher than those available for similar loans at the Balance Sheet date. This value was provided by the Public Works Loan Board and Depfa Bank Plc for the Lender Option Borrower Option Loans. However, for the Fixed Market Long Term Loans, a calculation was undertaken to assess the fair value based upon a rate available for a new loan.

The Long Term Borrowing and Other Long Term Liabilities in the Balance Sheet are detailed below:-

Long Term Borrowing & Other Long Term Liabilities (excluding < 1 year)	31st March 2009 £'000	31st March 2010 £'000
PWLB (long term)	72,961	72,680
Total PWLB debt	72,961	72,680
Fixed Market Long Term Loans	4,006	4,000
LOBO's	20,035	19,860
Total Market Loans	24,041	23,860
Sub total	97,002	96,540
Long Term Escrow (Football Club)	1,470	-
Total Long Term Borrowing	98,472	96,540
Maesteg PFI Lease Liability	21,690	21,362
Invest to Save Loan	-	1,328
Innovation Centre Financial Liability	-	917
Total Long Term Liabilities	21,690	23,607

The full amount for the Long Term Escrow £1.119 m was moved to short term borrowing within the Balance Sheet in 2009/10 (see table below).

The Invest to Save Loan was for £1.408 million. However, as this was an interest free loan it has been accounted for as a loan at a concessionary rate. The difference is held within creditors on the Balance Sheet in accordance with proper accounting practice. The Innovation Centre Financial Liability has been recognised during the year as a loan in substance.

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

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Short Term Borrowing	31st March 2009 £'000	31st March 2010 £'000
Public Works Loan Board (<1 year)	337	175
Short Term Loans exc PWLB	-	283
Escrow (Football Club) Short Term	201	1,119
Other Trust Funds	279	276
Total Long Term Liabilities	817	1,853

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

Financial Assets	31st March 2009			31st March 2010		
	Actual Value of Outstanding £'000	Carrying Amount £'000	Fair Value £'000	Actual Value of Outstanding £'000	Carrying Amount £'000	Fair Value £'000
Investments (< 1 year)	23,400	23,841	23,933	10,000	10,078	10,113
Total Investments	23,400	23,841	23,933	10,000	10,078	10,113

The carrying amount is the actual value that is shown in the Authority's Balance Sheet. In 2009/10, instant access cash accounts have been classified as Cash and Cash Equivalents and are no longer included in the Investments on the Balance Sheet.

Assessment of Treasury Management Risk

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

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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 Code of Practice Treasury Management in the Public Services 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 18 February 2009 accepted the Treasury Policy Statement 2009/10 and Prudential Indicators 2009/10 to 2011/12. 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 2009/10.

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.

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During 2009/10, 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 were 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 terms 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 2010, all investments were less than a year thus limiting the Council's exposure to credit risk.

The following analysis summarises the Authority's calculated exposure to credit risk:-

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	Actual Amount Outstanding 31/03/10 £'000	Carrying Amount Bal Sheet 31/03/10 £'000	Historical Experience of Default %	Adjusted for Market Conditions At 31/03/10 %	Estimated Exposure to Default £'000
Investments rated AA- Maturing within 1 Year	10,000	10,078	0.03	0.07	7

The historical experience of default for deposits is based on credit rating agencies records since 1981 with unrated building society deposits assumed to be equivalent to BBB credit rating.

The Council has an 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 2009/10, where a total of £325m was invested. All of these deposits were of a short term nature, all being less than one month, for cash flow purposes. 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. It arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year.

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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, which excludes the £283k of accrued interest on long term loans, is as follows:

Maturity Analysis Of Debt	£'000
Less than one year	175
Between one and two years	3,016
Between two and seven years	2,455
Between seven and 15 years	5,580
More than fifteen years	86,287
	97,513

The maturity analysis of financial assets is as follows:

Maturity Analysis Of Investments	£'000
Less than one year	10,000
Between one and two years	-
Between two and three years	-
More than three years	-
	10,000

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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 2010, all investments are of a very short term nature with £10 million on fixed rates. The remaining £3.8 million are on an instant access basis (shown under cash and cash equivalents on the Balance Sheet) at a rate higher than the base rate as at 31 March of 0.50%.

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The financial effect in 2010/11 of a 1% change in interest rates on 31 March 2010 is estimated to be:-

	2010/11 Estimated £'000 +1%	2010/11 Estimated £'000 -1%
Interest on Borrowing	133	(0)
Investment Income	(100)	100
Net Costs	33	100

Price risk - The Council, excluding the pension fund, does not invest in equity shares so is not exposed to changes in share prices. Changes in the prices of fixed interest investments are managed as part of the Authority's interest rate risk management strategy.

Foreign exchange rate 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.

43. Post Balance Sheet Events

In its budget on 22 June 2010, the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure / profit and loss account over the next accounting period.

The Authority's Actuary Hewitt have calculated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by:

- Approximately £45.51M for LGPS funded benefits.
- Approximately £0.77M for LGPS unfunded benefits.
- Approximately £0.47M for Teachers' unfunded benefits.

They have based this figure on the FRS 17 assumptions applicable at the

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accounting year end, and allowing for CPI increases being lower than RPI increases by around 0.7% p.a. in the long term (Hewitt's best estimate of the differential at the accounting date). The actual figure will also reflect the date of measurement and assumptions used when producing next year's figures.

It is anticipated that the reduction in liabilities will be accounted for as a (negative) past service cost i.e. this change constitutes a change to benefits since pension scheme members will expect a lower benefit following the change.

It is also anticipated that the move to CPI will reduce the interest cost and current service cost calculated for the next accounting period compared to the position if pension increases remained linked to the RPI.

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Notes To Cash Flow Statement

The figures for the 2008/09 Cash Flow Statement have been restated as a result of changes in accounting practice in the SORP 2009.

44. Reconciliation to income and expenditure account

2008/09 Restated £'000		2009/10	
		£'000	£'000
(8,170)	Surplus/(Deficit) on: Income & Expenditure Account		(53,575)
	Add Back:		
9,556	Depreciation and Impairment and other Capital Adjustments	44,687	
3,320	Net Charges made for retirement benefits	9,650	54,337
	Movements in Relevant Balance Sheet Items:		
43	Movement in Stock	(15)	
(601)	Movement in Provisions	5,639	
811	Movement in Creditors	(14,903)	
1,953	Movement in Debtors	(537)	
			(9,816)
6,912			(9,054)
2,797	Net Interest		5,455
9,709	Cash Flow on Revenue Activities		(3,599)

45. Government grants received

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2008/09 £'000		2009/10 £'000
9,416	Council Tax Benefit	10,896
7,330	Others	7,975
7,172	DCELLS Grant	7,742
5,794	Other Education	8,950
3,781	Supporting People	4,898
3,553	Other Social Services	2,752
2,825	Concessionary Fares Grant	2,956
2,130	Waste Disposal	2,584
1,741	Resettlement Grant	1,757
1,335	Housing/Council Tax Benefit Administration	1,278
1,332	Communities First	1,349
2,244	Cymorth	2,691
1,111	Flying Start	1,197
468	Local Transport Services	468
50,232	Total	57,493

46. Analysis of cash balances and Overdraft

	Bal B/F 01/04/09 £'000	Bal C/F 31/03/10 £'000	Change During Year £'000
Cash at Bank / (Overdraft)	226	4,042	3,816
	226	4,042	3,816

47. Financing and management of liquid resources

	Bal B/F 01/04/09 £'000	Bal C/F 31/03/10 £'000	Change During Year £'000
Short Term Investments	23,841	10,078	(13,763)
	23,841	10,078	(13,763)

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

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	Bal B/F 01/04/09 £'000	Bal C/F 31/03/10 £'000	Change During Year £'000
Borrowing			
Short Term	817	1,853	1,036
Long Term	98,472	96,540	(1,932)
Cash			
Short Term Investment	(23,841)	(10,078)	13,763
Cash at Bank	(226)	(4,042)	(3,816)
Net Debt	75,222	84,273	9,051
Increase in Cash During the Period			(3,816)
Decrease in Short Term Investments			13,763
Decrease in Short Term Borrowing			1,036
Decrease in Long Term Borrowing			(1,932)
Change in Net Debt			9,051
Net Debt 01/04/09			75,222
Net Debt 31/03/10			84,273
Change in Net Debt			9,051

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.

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Cash flow 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.

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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)

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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

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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.

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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.