APPENDIX A

Statement of Accounts 2012-13

(Unaudited Version)

Electronic Version - unsigned

Contents

Explanatory Foreword

1. The Statement Of Accounts

The accounts for 2012-13 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2012. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include guidance on the new disclosures required for transfers of financial assets

The 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 address identified weaknesses.

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

d) The 'core' financial statements

1. Movement in Reserves Statement

This statement shows the movement in the year on different reserves held by the Authority. These are analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, details of which can be found in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance when the Council sets the annual revenue budget. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. This shows that the total Council fund balance has increased by £0.12m.

2. The Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in cash terms when the budget is set. Therefore, some caution is required in interpreting this statement as the cost of services shown includes items such as depreciation on the fixed assets owned by the Authority and the estimated cost of the shortfall on the pension scheme, which are not directly funded by the Council Tax payer.

For 2012-13, the Authority showed a surplus on the Comprehensive Income and Expenditure Statement of £9.198m. This does not however reflect the budgeted financial position of the Council, as it includes charges for pension costs and capital charges.

3. Balance Sheet

This shows the Council's financial position as at 31 March 2013, where the net worth was £91.138m. The statement summarises the Council's assets and liabilities and the balances and reserves at the Council's disposal, used in the Council's operations.

4. Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the financial year. It illustrates how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council. The cash and cash equivalent position of the Council has decreased by £7.804m.

e) The Notes to the Accounts

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

2. Funding Council Services

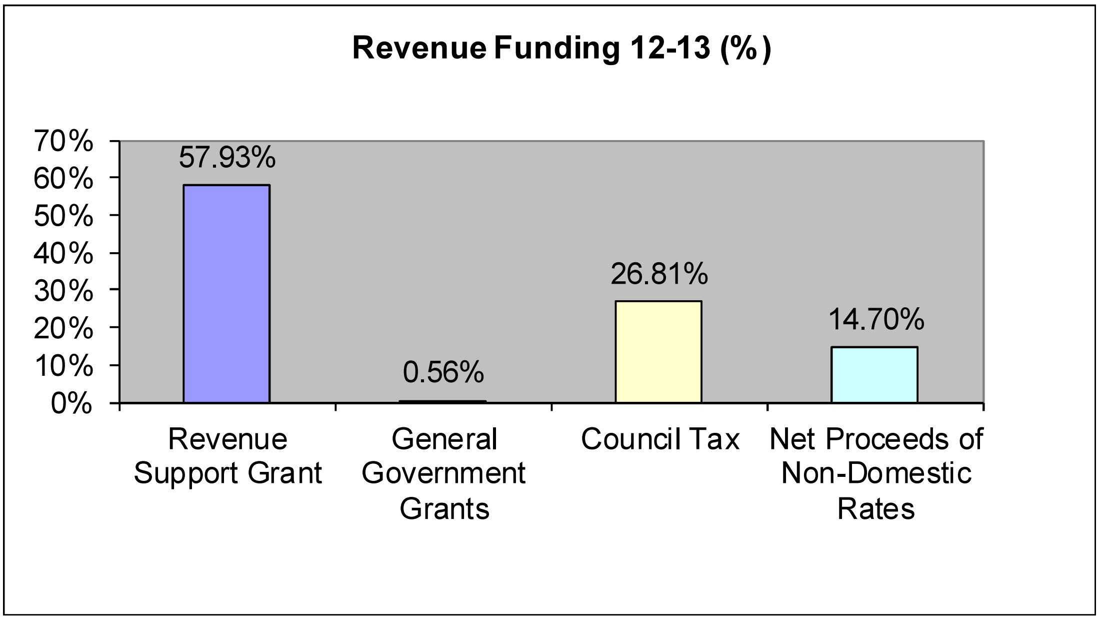
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

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.

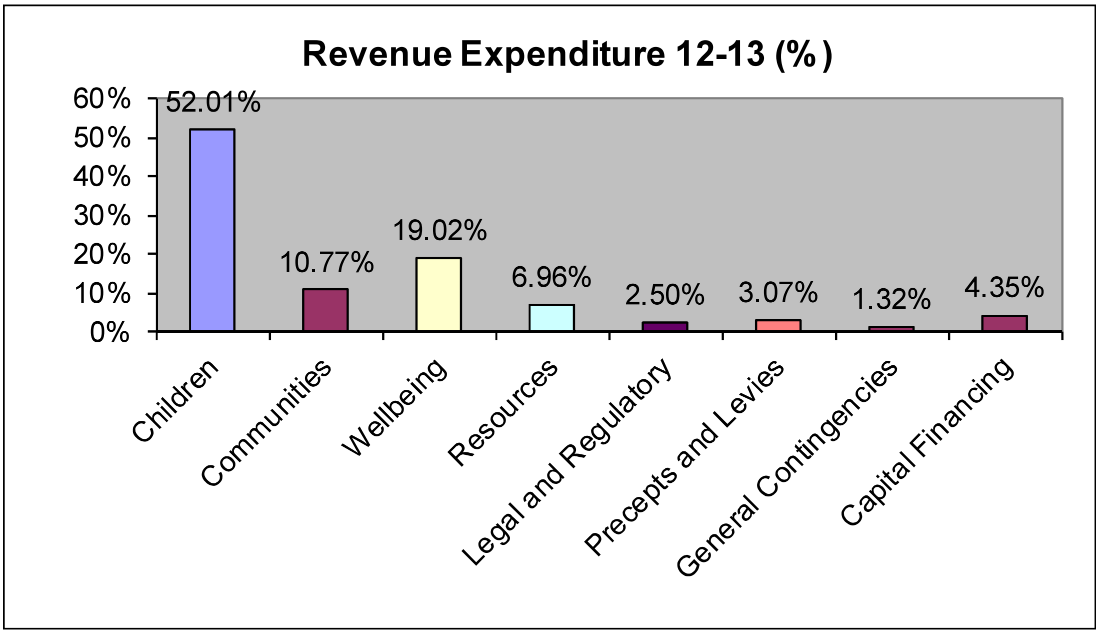
Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

a) **Revenue spending on council services**

Where the money came from…..



Where the money was spent……..



In 2012-13, the net spend on revenue services was £209.73m. This compares to £209.90m anticipated when the budget was revised, resulting in a £0.17m under-spend on Directorate Budgets. The overall position for the Authority was a slight under-spend of £121k after allowing for appropriation to Earmarked Reserves, additional income from council tax and investment income.

The following table shows how the actual expenditure on services during 2012-13 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2012-13

	Original Budget 12-13 £'000	Budget Transfers In Year £'000	Revised Budget 12-13 £'000	Actual 12-13 £'000	Variance 12-13 £'000
Directorates					
Children	119,253	293	119,546	119,508	(38)
Communities	23,997	613	24,610	24,760	150
Wellbeing	43,331	49	43,380	43,709	329
Resources	16,482	126	16,608	15,999	(609)
Legal & Regulatory Services	5,621	131	5,752	5,750	(2)
Total Directorate Budgets	**208,684**	**1,212**	**209,896**	**209,726**	**(170)**
Precepts & Levies	7,010		7,010	7,044	34
General Contingencies	5,038	(1,212)	3,826	3,506	(320)
Capital Financing	10,715		10,715	9,985	(730)
Net Expenditure	**231,447**	**-**	**231,447**	**230,261**	**(1,186)**
General Government Grants	(1,383)		(1,383)	(1,385)	(2)
NNDR Discretionary Rate Relief	111		111	117	6
Appropriation to/(from) Reserves	4,000		4,000	6,918	2,918
Net Budget	**234,175**	**-**	**234,175**	**235,911**	**1,736**
Revenue Support Grant	(143,198)		(143,198)	(143,198)	-
Non Domestic Rates	(36,467)		(36,467)	(36,467)	-
Council Tax	(64,408)		(64,408)	(66,265)	(1,857)
Net (Under)/Overspend on Services	**(9,898)**	**-**	**(9,898)**	**(10,019)**	**(121)**

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 2013 showed an under-spend on service expenditure within the year of £0.17m. This is explained in the following way:-

➢ Children's Directorate

The net budget for the directorate for 2012-13 was £119.546m and the actual outturn was £119.508m, resulting in an underspend of £38k. An overspend of over £1.24m on Looked After Children has been offset by underspends across other services in the directorate.

The most significant variances are detailed below:

Learning

Additional Learning Needs (ALN)
The total underspend of £161k comprises a number of factors:

- An overspend of £34k on additional one-to-one support for children with special educational needs.
- An underspend of £96k on central ALN support arising through the use of grant funding to meet staffing costs.
- Small underspends on a number of resource bases.

Out of County Placements

- An overspend of £277k arose on the education budget for Out of County Placements, which is used to fund placements for Bridgend children in independent or mainstream schools in other local authorities. For some places the cost of the place is part-funded by health, but for some placements the local authority meets the full cost, which increases the element funded for education services. The overspend arose due to extra placements in-year.

Pupil Referral Unit

- An overspend of £82k has arisen due to staffing issues arising during the year, in particular maternity cover for a teacher and member of the support staff.

Strategic Partnerships and Commissioning

Prudential Code Repayments

- Savings from school amalgamations are to be used to fund prudential borrowing to support the School Modernisation Programme, in particular the new Coleg Cymunedol y Dderwen. Due to adjustments to funding requirements for 2012-13, and slippage into 2013-14 there was an underspend of £258k, which is being used to offset overspends in other parts of the budget.

Repairs and Maintenance

- The Welsh Government provided the authority with a capital grant of £599k on 21 March 2013, to be used by the end of March 2013. This funding was used to offset expenditure already incurred in both capital and revenue budgets, thus freeing up revenue base budget of £257k. The Welsh Government required authorities to commit to making this funding available in 2013-14 for education works, so the authority has reserved this amount of funding for this purpose.

Business Strategy / Strategic Management

- There is an underspend of £254k due to the delay in filling some posts in the Business Strategy and Support structure, and short term vacancies in relation to strategic management.

Catering Service

- The total underspend on the catering service was £500k, but it is planned that £300k of the underspend will be earmarked to introduce a cashless catering system in schools over a 3 year period from 2013-14.
- 2012-13 was the first year in which funding for school meals was delegated to nursery, primary and special schools. Income levels for the service exceeded budget and labour costs were lower than anticipated due to a time lag in appointments because of Criminal Record Bureau checks and a tighter rein on sickness levels.

School Delegated Budgets

- School balances reduced from £4,013k at the end of 2011-12 to £3,737k at the end of March 2013, representing 4.2% of the funding available. There are 9 schools with deficit budgets and 18 schools (26 in 2011-12) with balances in excess of the statutory limits (£50,000 primary, £100,000 secondary and special schools) in line with the School Funding (Wales) Regulations 2010. Those schools whose balances exceed the statutory limits have to substantiate the position which is subject to the agreement of the Corporate Director.

Safeguarding and Family Support

Looked After Children (LAC)

- An overspend of £1,242k has arisen on the costs of provision for Looked After Children (LAC). This has been a continuous budget pressure over recent years and although additional funding was allocated in the Medium Term Financial Plan, the increase in the placement numbers continues to exceed the budget in the current financial year. As at the end of March the authority had 387 looked after children. Additional funding has been provided in the Council's Medium Term Financial Strategy 2013-14 to 2016-17.

Direct Payments

- An underspend of £78k has arisen on direct payments as a result of a high number of reimbursements of underspends on packages.

Commissioning and Social Work

- The overspend of £91k is mainly due to the additional support for increasing numbers of LAC across the safeguarding teams, along with additional staff cover costs due to maternity and training requirements.

➢ Wellbeing Directorate

The Directorate's net budget for 2012-13 was £43.380m and the actual outturn, after the application of earmarked reserves, was £43.709m resulting in an overspend of £329k. This is made up of an £238k overspend on Adult Social Care and a £90k overspend on Healthy Living services. The Adult Social Care overspend has reduced by approximately £588k compared to the projection at quarter 3 reflecting a use of earmarked reserves as well as further measures taken to offset the budget pressures. There were specific earmarked reserves set aside to offset some of the costs associated with integrating health and social care, remodelling adult Social Care and to offset the loss of income from the introduction of the Fairer Charging cap. The overspend before transfers from the earmarked reserves was £844k.

The main variances are detailed below:

Adult Social Care

Older People Residential Care

- The overspend of £426k on Older People Residential Care reflects a lower than expected number of residential placements within the independent sector. There was also loss of income at Glanyrafon Home for the Elderly as a result of the reconfiguration work at the home in respect of the Residential Reablement scheme.

Older People Home Care

- The overspend of £531k on home care services for Older People reflects the increase in the average number of home care hours delivered and commissioned particularly against independent sector packages. The home care project within the Adult Social Care remodelling programme is reviewing all aspects of the service and is seeking to identify the options available for managing current and future demands within available resources.

Physical Disability Direct Payments

- Direct Payments for those with a Physical Disability is showing an underspend which is due to a service user passing away during the year.

Physical Disability – Other Services

- The underspend against Other Services has occurred as a result of the need to review and reshape service provision. A number of vacancies have been held to facilitate this and the expectation is that a remodelled service will be achieved during 2013-14.

Physical Disability – Assessment Care Management

- The underspend has arisen through strict vacancy management within the service.

Learning Disabilities Supported Living Service

- The budget for Supported Living Schemes is underspent by £132k. This is as a result of the service receiving a higher proportion of Supporting People grant than anticipated and staff vacancies.

Learning Disabilities Day Opportunities

- The budget for Day Opportunities included target savings of £150k, which have proved challenging to achieve and the actual achievement during the year was £46k which has resulted in the current year overspend.

Administration / Central Services / Training

- There is an underspend of £506k on central support services as a result of vacancies and interim management arrangements (£172k), a change to the way Health & Safety training costs have been accounted for (£93k), a reconfiguration and reduction of the Social Care Workforce Development Programme (SCDWP) (£108k) and general efficiencies. The SCDWP budget will need to be reviewed on the submission of the 2013-14 SCDWP programme as it is anticipated that the grant allocation will be reduced, but the level of reduction is not currently known.

Bryngarw House

- The budget reduction savings of £25k were not achieved this year. In addition the House faced a difficult financial climate with income significantly reduced and although some expenditure was also reduced as a direct consequence, the net position has resulted in a shortfall of £57k which is in addition to the inability to achieve the savings target.

➢ Communities Directorate

The net budget for the Directorate for 2012-13 was £24.610m and the actual outturn was £24.760m resulting in an overspend of £150k. The outturn highlights underlying budget pressures resulting predominantly from delays in implementing budget reductions and shortfalls in income targets. Action will need to be taken in 2013-14 to address these issues.

The main variances are detailed below:

Development Control and Planning

- There is a shortfall of £170k on planning fees, arising from a downturn in the economy. This has been offset by savings on staff and other budget heads. It has been agreed that this budget will be considered on a three year basis to manage peaks and troughs of income received, in line with the legislation relating to building control fees, outlined below.
- There is also an overspend of £86k on development planning, primarily due to the LDP inspection, the majority of which has taken place in one financial year, rather than equally, across two years, as was originally envisaged.

Building Control

- Linked to the shortfall on planning fees, there is also a shortfall on building control fee income. The reduction is partly attributable to the downturn in the economy. There is a legislative requirement for the Building Control service to break even over a rolling 3 year period and fees will be set with this in mind.
- For the future, the department is awaiting guidance from WG in relation to the potential of increasing planning fees, which are set nationally and which have not increased for several years. They are now significantly out of line with fees in England.

Housing and Community Regeneration

- There is an underspend of £358k on the Housing & Community Regeneration service. This comprises an underspend of £180k relating to the improved management of demand for temporary accommodation with the balance from staff vacancy management. The Housing and Community Regeneration budget for 2013-14 includes £50K savings which relate to Bed and Breakfast (B&B) accommodation. However there is a risk that demand for B&B accommodation will increase once the full impact of the Welfare Reform Bill is evident.

Waste Collection and Disposal

- The underspend on waste collection and disposal has occurred because of staff vacancies and savings achieved on variable cost waste contracts.

Car Parking

- There is an overspend of £392k on the car park service. This is mainly due to delays in proposals to amend staff car parking charges and the implementation of charging for parking in Porthcawl, along with the withdrawal of the budget reduction proposal to charge for disabled parking. Consultation is currently being undertaken on the proposal to charge for car parking in Porthcawl. Following consultation this proposal could be implemented during 2013-14. A revised implementation timetable is being developed and other initiatives will be developed in 2013-14 to address this overspend.

Public Transport Co-ordination

- There is an underspend of £107k attributable to a vacant post and savings from re-tendering contracts.

Engineering Services

- There is an overspend in Engineering Services of £257k. This is attributable to an overspend on staffing costs and an under-recovery of engineers fees due to restrictions on grant funded projects.

Parks and Pavilions

- The budget reduction proposal (£70k) to harmonise grass cuts across the County Borough has not yet been implemented, but an alternative proposal is being developed. In addition, there is a shortfall on income received for tree maintenance. There is also an overspend of £75k relating to parks and pavilions because of the delay in implementing the 2011-12 budget reduction proposal in respect of pavilion cleaning arrangements. The CRE Scrutiny Committee received a report in October 2012 regarding the progress on this budget reduction. A further report will be presented to the CRE Committee early this year presenting a range of options available for the future management and maintenance of the sports pavilions.

➢ Resources

The net budget for the Directorate for 2012-13 was £16.608m and the actual outturn was £15.999m resulting in an underspend of £609k. There are a number of reasons for the underspend:

- The majority of this is due to a deliberate decision to hold vacant posts pending staff restructures of the finance and property sections, and in anticipation of budget reductions for 2013-14.
- Unanticipated housing benefit grant income received before year end towards the cost of implementing welfare benefit reform changes.
- Savings have also resulted from the delay in implementing a revised staffing structure for the Internal Audit Shared Service with the Vale of Glamorgan.
- Additional income has been generated from non-operational assets and from grants and service level agreements.

➢ Legal & Regulatory Services

The net budget for the service was £5.752m and the actual outturn was £5.750m resulting in a small underspend on this service. An overspend on childcare legal costs has been offset by underspends on allowances and staffing, in preparation for 2013-14 budget reductions.

- **Council wide budgets**

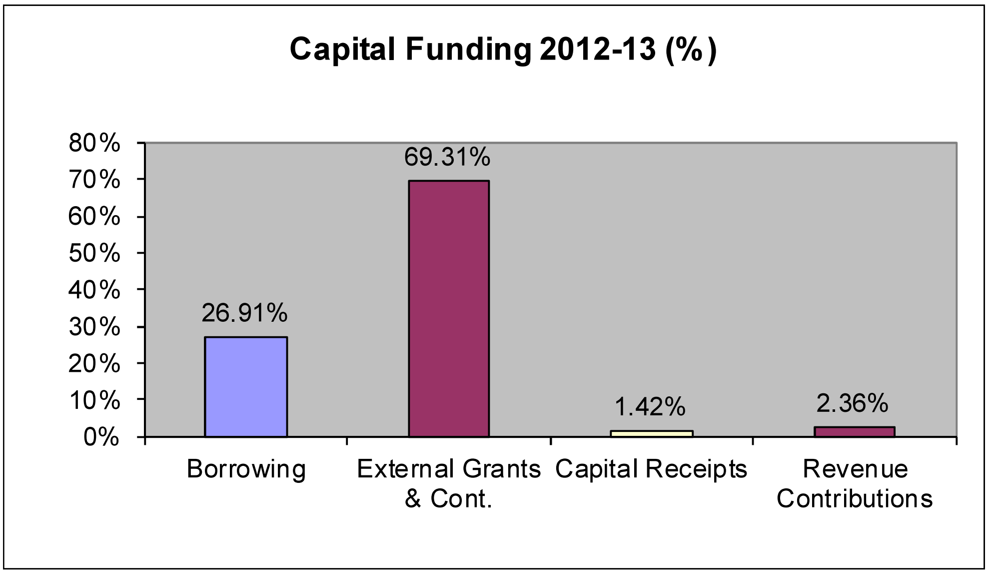
Council Wide budgets include an underspend of £0.730m on the capital financing budgets which was due to a combination of reduced financing costs because of timing differences between borrowing and repayments, capital expenditure being incurred towards the end of the financial year which reduced the in-year borrowing requirement and enhanced investment income. In addition, accrued council tax income received in the year amounted to £1.857m.

b) Capital spending in 2012-13

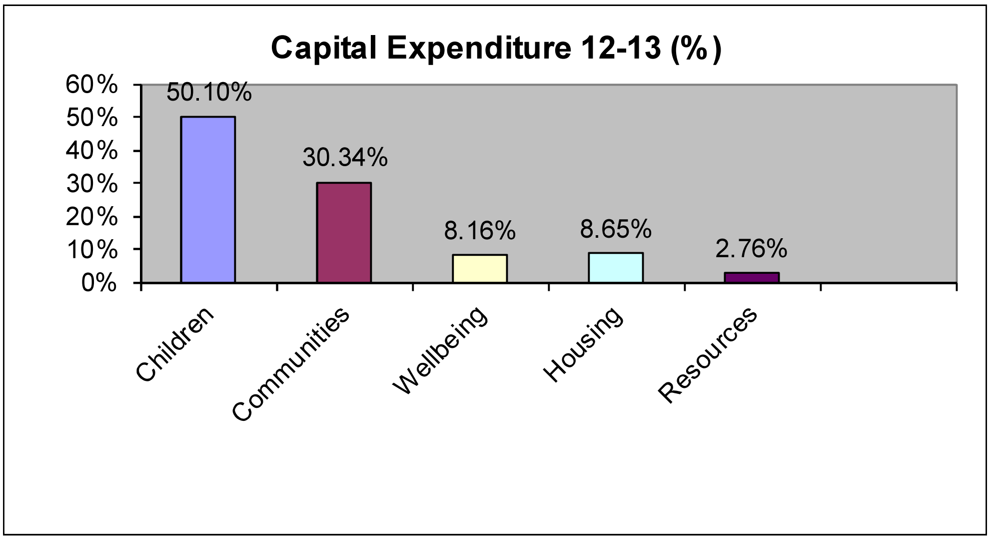
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2012-13 was £39.692m. Assets created, improved or work in progress as a result of this spend included:

- Coleg Cymunedol y Dderwen (Gateways to Valleys College)
- Bridgend Town Centre Regeneration
- Pen y Fai Primary School
- Disabled Facility Grants
- Maesteg Market Regeneration
- Porthcawl Harbour Infrastructure

Where the money came from………..



What the money has been spent on…….



c) Borrowing arrangements and sources of funds

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

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

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

Authorised limit for External Debt	£170m
Operational Boundary for External Debt	£134m

As can be seen from the Balance Sheet, long term borrowing totalled £97.47m as at 31 March 2013 (£97.5m 2011-12).

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. The Section 151 Officer is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

3. **The Council's reserves**

The financial reserves held by the Authority as at 31 March 2013 can be summarised as follows:

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Council Fund	7,199	121	7,320
Delegated Schools	4,013	(276)	3,737
Earmarked Reserves	22,220	7,192	29,412
Total Reserves	**33,432**	**7,038**	**40,469**

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 the notes to the main financial statements.

4. **Pension Fund Liability**

Disclosure information about retirement benefits in the Statement of Accounts is based on International Accounting Standard (IAS) 19. 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 2012-13 is £318m (£287m in 2011-12). It is matched on the Balance Sheet with a pension reserve.

5. **The Main Changes to the Accounts for 2012-13 Compared to 2011-12**

The Council's accounts for the financial year 2012-13 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2012 ('the Code'). This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a Local Authority. There have been no significant changes in requirements since the 2011-12 accounts were prepared.

6. **The Impact of the Current Economic Climate on the Authority**

The Council's Medium Term Financial Strategy indicates that there will need to be budget reductions that are challenging and a number of proposals are dependent on re-engineering and remodelling services. It is important that proposals are progressed as quickly as possible and timescales adhered to.

The level of balances held is sufficient to enable the Council to respond to unforeseen eventualities but the council fund balance must be retained at around the current level. Service spending must be controlled within budgets to ensure that the financial position of the Council is not compromised. Whilst projections of future funding have been made available these are only indicative estimates and the position could change for future years.

The Statement of Responsibilities for The Statement of Accounts

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Corporate Director – Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Corporate Director – Resources & Section 151 Officer's Responsibilities

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

In preparing this Statement of Accounts, the Corporate Director - Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Corporate Director - Resource has also:

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

Corporate Director – Resources' Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council at 31 March 2013 and of its income and expenditure for the year ended 31 March 2013.

Signed :
Corporate Director - Resources
Date :

Annual Governance Statement 2012-13

1. Scope of Responsibility

1.1 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, properly accounted for and used economically, efficiently and effectively.

1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation. This builds upon the principles set out by the Welsh Government (WG) under the Wales Programme for Improvement (WPI) and the vision for public service delivery as set out in the 'Programme for Government".

1.3 In discharging its overall responsibilities, the Council is also responsible for ensuring that it has proper arrangements for the governance of its affairs and a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

1.4 The Council has approved and adopted a Code of Corporate Governance which is consistent with the framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the "Making the Connections" governance principles and values set out by the Welsh Government (WG).

2. The Purpose of the Governance Framework

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

2.2 The system of internal control is a significant part of that framework and is designed to avoid inappropriate use or loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and to manage their impact.

2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31 March 2013. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

3. The Governance Framework

3.1 The six principles of corporate governance that underpin the effective governance of all local authority bodies as defined by CIPFA and SOLACE, incorporating the WG governance principles (shown in italics) are as follows:

- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; *(Putting the Citizen First)*; *(Achieving Value for Money).*
- Members and officers working together to achieve a common purpose with clearly defined functions and roles; *(Knowing Who Does What and Why);*
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; *(Living Public Service Values);*
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; *(Fostering Innovation Delivery);*
- Developing the capacity and capability of Members and officers to be effective; *(Being a Learning Organisation);*
- Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);

3.2 The Council has followed these principles and has identified the following points whilst gathering evidence to gain assurance that governance within the Authority is robust.

4. Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area (*Putting the Citizen First; Achieving Value for Money).*

4.1 The Council's published Corporate Plan 2010-2013 included Improvement Objectives which are aligned to the needs of the local community. In accordance with requirements, the Council worked with its partners to develop and implement the Community Strategy to promote the economic, social and environmental wellbeing of its area. This work was led by the Local Services Board and provides an inter-agency approach to improve the quality of life of residents of the County Borough over ten years to 2020.

4.2 Whilst the Community Strategy provides the over-arching framework, the Council has a central role to play. The agenda is a complicated one as differing and often conflicting priorities have to be dealt with when decisions are being made. In setting its improvement objectives, the Council must take into account a number of factors including service demands, legislative requirements, community wishes, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies. The Corporate Plan adopted in 2010 was aligned with the Community Strategy and provided focus and direction for all the Council's services, elected Members, employees, partner organisations, service users and other stakeholders

4.3 The Community Strategy was replaced with a Single Integrated Partnership Plan (SIPP) from April 2013 and the Council also published its Corporate Plan for 2013-2017 - "Working together to improve lives" with the following six improvement priorities:

- Working together to improve the local economy;
- Working together to raise ambitions and drive up educational improvement;
- Working with children and families to tackle problems early;
- Working together to help vulnerable people to stay independent;
- Working together to tackle health issues and encourage healthy lifestyles;
- Working together to make the best use of our resources.

4.4 The Council's Improvement Objectives must be reviewed on an annual basis and this work gives direction for Directorate Business Plans. Arrangements are in place for progress against the improvement objectives to be reviewed on a quarterly basis.

4.5 The Council approved a Medium Term Financial Plan for the period 2012-13 to 2014-15, which has now been developed into the Medium Term Financial Strategy 2014-15 to 2016-17. This provides an integrated planning and financial framework for the next 4 years and includes the detailed budget strategy for the next financial year. The annual revenue budget, forward financial planning together with the capital programme enables the Council to align its financial resources with its priorities. Quarterly budget monitoring reports are submitted to Cabinet and to Scrutiny Committees, with the Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.

4.6 Improvement Priorities are identified in the Corporate Plan and Directorate Business Plans. There are a range of projects, linked to programmes, in progress to ensure these are achieved. The corporate Programme Management Board (PMB) is overseeing a number of major initiatives under its Strategic Change Management Programme (SCMPP) including:

- School modernisation programme;
- Integrating Health and Social Care;
- Town centre regeneration projects;
- Accommodation Strategy;
- Implementing the Inclusion Strategy;
- Residential Care remodelling;
- Domiciliary Care services remodelling;
- Schools ICT strategy;
- Strategic Collaboration projects;
- Key budget reduction proposals linked to strategic change.

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4.7 The Auditor General's Annual Improvement Report on the Council is still being awaited. However, in December 2012, the Auditor General issued a letter detailing his main conclusions arising from his work in respect of the Local Government (Wales) Measure 2009. He arrived at his views by:-

- reviewing the Annual Report produced and published by the Council by October 2012 in which the Council reviewed its performance for 2011-12;
- undertaking interviews with manager and supporting documents in a sample of the service areas included in the report; and
- testing the reliability of a sample of performance indicators.

The letter recognises the positive steps that the Council has taken to publicise its Annual Report. It states that there is a good level of self-awareness compared to 2011-12 which provides a balanced account of its performance, accounting for its failures to perform, as well as promoting its success. It did report that the Council could more explicitly state whether each Improvement Objective has or has not been fully achieved and the descriptors used to evaluate success could be more outcome-focused. It recognises that this issue is being addressed to assess performance against the 2012-13 priorities.

4.8 Activity that demonstrates commitment to Principle 1 - **"Putting the Citizen First**", included:

- Ongoing use made of the Citizens' Panel and extensive public engagement activity undertaken within areas such as Regeneration, HSCWB strategy, CYP Plan, Community Safety;
- Citizen Engagement Strategy endorsed by Cabinet;
- Customer contact centre as focal point for customer engagement;
- Consultation activity with customers – e.g. consultation on corporate improvement objectives, development of "Ask Bridgend"
- Work of the Research Evaluation Panel (REP) on homelessness which involved engagement with users, registered social landlords, providers and other stakeholders.

5. Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles (*Knowing Who does What and Why).*

5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system within which:-

- The Council sets the overall budget and appoints the Leader of Council;
- The Council appoints the Cabinet and allocates portfolios;
- Scrutiny Committees advise on policy formulation and hold the Cabinet to account in relation to specific matters. They may also review areas of activity which are not the responsibility of the Cabinet or matters of wider local concern;
- Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;
- The Cabinet makes decisions within this framework but some decisions are delegated to individuals in the Cabinet, committees of the Cabinet or officers;
- Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers;

5.2 There is a Standards Committee to promote high standards of conduct and support members' observation of the Model Code of Conduct.

5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Authority. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.

5.4 The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer. It provides a point of reference for individuals and organisations both inside and outside the Council. Its Rules of Procedure govern the overall framework within which the Council operates. Procedural rules and codes of conduct outline how the Constitution will be put into effect. Whilst the Constitution is required by statute its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance. To ensure continued compliance, the Assistant Chief Executive – Legal and Regulatory Services is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989. During 2012-13, the Contract Procedure Rules were reviewed and updated within the Constitution.

5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes to undertake. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

5.6 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board.

5.7 All staff, including senior management, have clear terms and conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are monitored by Human Resources.

5.8 The Corporate Director - Resources is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.

5.9 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.

5.10 The Corporate Governance diagnostic published by WAO in 2010 identified that the Council was able to demonstrate a number of positive indicators under Principle 2 and these included:

- Mature relationship – senior officers and cabinet members understand each other's roles
- Strong leadership from leader, cabinet and Chief Executive
- Corporate Management Board (CMB) has a clear sense of direction
- Improved quarterly business review and planning processes, aligned with Improvement Plan
- Role of scrutiny in policy development is beginning to evolve.

5.11 However, the review also identified that the collaborative culture at senior management level in the organisation needs to be cascaded down to become evident in all service areas.

6. Principle 3 - Promoting Values for the Council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour (*Living Public Service Values).*

6.1 The Council's core values encapsulated in the acronym FACE demonstrate the Council's commitment to the Public Service values. The good governance diagnostic found that 90% of staff and Members surveyed believe the Council core values are clearly set out and that openness and transparency runs through the organisation.

6.2 The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be made.

6.3 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences;

- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

6.4 Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee, which also hears allegations of misconduct by members.

6.5 A corporate complaints policy is in place for the Council to receive and investigate complaints made against it and this is overseen by the Monitoring Officer.

6.6 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council. The Terms of Reference in place for the Committee were revised in 2010 and are consistent with the core responsibilities as recommended by CIPFA.

7. Principle 4 - Taking Informed and Transparent Decisions which are subject to effective scrutiny and Managing Risk (*Fostering Innovative Delivery)*.

7.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Within this framework, key decisions are made by the Cabinet. All Cabinet meetings are open to the public (except on the limited occasions where items are exempt or confidential).

7.2 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.

7.3 The decision-making process is monitored by five Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's Constitution provides for the Chairs of these committees to be held by individuals that are not of the same political party as the Administration. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.

7.4 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.

7.5 Policies and procedures that assist the governance of Council's operations include Financial Procedure Rules (FPRs), Contract Procedure Rules (CPRs) and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.

7.6 The Council's performance management framework links the Community Strategy to the Corporate Plan which cascades through Directorate Business Plans and service plans to staff appraisals. In July 2012, the Council changed its performance management arrangements and established the Corporate Performance

Assessment (CPA) forum, which is held quarterly, to assess the Council's in-year performance and monitor how well services are performing against improvement objectives.

7.7 The CPA panel has the following standing members the Chief Executive (Chair), Cabinet Members, Members of the Corporate Management Board and Heads of Service. The purpose of the CPA is as follows:

- To use performance and financial data to measure the extent to which the Council achieves its improvement objectives and outcomes for citizens;
- To afford Members and officers the opportunity to identify service improvement opportunities, risks to service delivery, and resource implications;
- To use the performance and financial data to determine areas for improvement and specific actions to be taken.

7.8 Specifically, the CPA monitors:

- The Council's improvement objectives as defined by the Corporate Plan;
- Agreed key indicators/measures and service actions that are linked to directorate priorities as defined by the Corporate Plan;
- The budget allocated to delivering improvement objectives; and
- Corporate risks.

When necessary, the CPA may also, by way of exception, monitor progress against relevant Outcome Agreements and other national and collaborative initiatives.

7.9 The diagnostic work undertaken by the Wales Audit Office revealed that the Council has shown an appetite for challenging and improving services. The findings also reflected the fact that a high percentage of Members and senior officers believe the Council strives to achieve more innovative ways of delivering services.

7.10 The Council has developed a robust approach to the management of risk and the risk management policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.

7.11 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled into a Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. CMB regularly reviews the risk register and actions being taken to mitigate the risks.

The main risks facing the Council that were identified during 2012-13 included:

- Impact of the Welfare Reform Bill on the Community
- Implementing a new pay and grading system (Job Evaluation)
- School Modernisation
- Remodelling of Adult Social Care
- Impact of the recession and using resources effectively
- Improving educational attainment
- Supporting vulnerable children and young people
- Disposing of Waste
- Effective collaboration with partners

- Maintaining the infrastructure
- Additional Equal Pay Claims

7.12 The Council's approach to Risk Management ensures that key risks are considered when determining Council priorities, targets and objectives. All of this serves to inform the development of the Regulatory Plan and the Council's own Improvement Plan.

7.13 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the Financial Procedure Rules and Contract Procedure Rules and the scheme of delegation provide the framework for financial control. The Corporate Director Resources has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. Chief Officers are responsible for financial management within their respective services. Monthly financial monitoring is undertaken by CMB and quarterly reports are produced for Cabinet and Scrutiny Committees. This work informs the production of the statutory Annual Statement of Accounts.

7.14 The Council is committed to demonstrating due regard to the Equality Act 2010. It published its Strategic Equality Plan 2012-16 in April 2012. This is not just a council plan but has been developed with partners. It seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what is known about our services and on the views and needs of Bridgend citizens and the people who use services.

8. Principle 5 - Developing the Capacity and Capability of Members and Officers to be Effective (*Being a Learning Organisation).*

8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council. The Council has introduced a three-year workforce plan to organise staff resources to support the achievement of its Improvement Objectives.

8.2 There is an Elected Member Learning & Development Strategy 2012-17, which provides a framework for supporting elected members in the roles that they are required to undertake both within, and outside, the Council. The Strategy assists members to develop and strengthen their ability to be confident and effective political and community leaders.

8.3 The Council's Staff Appraisal System enables individuals to understand how they contribute to achieving the aims of the Council. The process recognises that most actions are delivered by individuals working in teams to achieve set priorities. During 2012-13, a decision was made by Corporate Management Board that all staff appraisals had to be completed during the first quarter of the financial year to ensure that targets can be linked to service priorities reflected in annual business plans. A new Six Month Review form was also introduced. The Appraisal system is an important part of the Council's Performance Management Framework. The percentages of completed appraisals are reported quarterly to the Corporate Performance Assessment (CPA) forum.

8.4 During 2010, the Council was awarded ‘Charter status’ for its Member development and the arrangements in place to support members in their roles. In 2012, a number of initiatives have been taken forward including Personal Development plans for Members, annual reports and a mentoring scheme. A Member training programme has also been developed aimed in particular at newly elected Members.

8.5 The Council maintains a set of management standards that seek to promote High Performing Behaviours. These are built around the ‘FACE’ core values and underpin the Leadership and Management Development training that is provided.

9. Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability (*Engaging with Others);*

9.1 The Council is committed to understanding and learning from the views of the public. Consultation processes enable views of stakeholders to inform policies and service delivery. The Council’s planning and decision-making processes are designed to include consultation with stakeholders. The Council’s Citizen Engagement Strategy will provide a framework for engagement activities, which are undertaken by the Council and will support work being done in this area by the Local Service Board.

9.2 Arrangements for consultation and for gauging local views are extensive; significant activity is undertaken by the Local Services Board. Elected members offer surgeries, or equivalent means of providing assistance, for their constituents. The Community Strategy, which has now been replaced by the Single Integrated Partnership Plan (SIPP) was drawn up in consultation with stakeholders across the area.

9.3 The Council has a Citizens' Panel made up of people aged 16 and upwards from across the county borough. Its panel members agree to take part in three or four surveys a year about a range of issues relating to council services and policies. Previously, members of the Citizens' Panel have given their views on a range of topics including street cleanliness, customer service and the local housing strategy. This has helped the Council to understand residents' opinions about the services the Council provides and to help improve things in the future.

9.4 During 2012-13, the Council has consulted on a wide range of issues including the following (this list is not exhaustive):

- Council Tax Reduction Scheme;
- Corporate Plan 2013-17;
- Local Development Plan;
- Local Flood Risk Management Strategy;
- Library services.

It was the first year where the Council widened its evidence base for its Annual Report with the inclusion of feedback from its Citizen Panel. The Council is also using social media to promote the Annual Report and enable feedback from the public.

9.5 The National Principles for Public Engagement in Wales provide guidance for best practice when engaging with citizens. The principles were endorsed by the Welsh Government in March 2011. The Council has subsequently signed up to the National Principles for Public Engagement in Wales.

9.6 The Council operates a corporate complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve. Complaints can be made electronically or in writing and the Council has set target times for responding to all complaints received to ensure accountability.

9.7 All Council meetings are open to the public except where personal or confidential matters are discussed. All public agendas, reports and minutes are displayed on the Council's website under Council and Democracy.

9.8 In April 2012, following a review of the partnership structure, revised partnership arrangements were introduced under the over-arching umbrella of the Local Services Board (LSB) which resulted in the creation of People and Communities Boards. The People's Board is an amalgamation of the former Children and Young People's Partnership Board and the Health, Social Care and Wellbeing Partnership Board. The Communities Board brings together the former Regeneration and Environment Partnership Board with a specific focus in overseeing the economic partnership priorities within the County. During 2012-13, the Council put in place new partnership support arrangements with one central team of support staff under a newly appointed Partnerships Manager. In December 2012, the LSB commissioned a further review of the partnership structure to ensure that it is fit for purpose to deliver the priorities within the SIPP 2013 – 2018, which was agreed and adopted by the LSB on 30 April 2013.

9.9 In the development of the Medium Term Financial Strategy 2013-14 to 2016-17, Council agreed that future collaborative efforts should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit.

10. Review of Effectiveness

10.1 The Council has responsibility for annually reviewing the effectiveness of its governance framework including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Authority who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators.

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10.2 The following elements are key to the Council in monitoring and reviewing its governance:

- The Constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also includes the Codes of Conduct for both members and employees.

- The Cabinet (as Executive) who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

- The Scrutiny function which holds the Cabinet to account. The Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Community Safety and Governance Scrutiny Committee maintain an overview of cross-cutting matters. In the Committee's Terms of Reference it has a responsibility "to consider the Council's policies and strategies in relation to collaborative and partnership working arrangements". The Committee will liaise with other Scrutiny Committees who will be responsible for scruntinising collaboration projects within their remit to ensure work programmes are co-ordinated.

- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors. The Committee met regularly throughout the year and provided independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

10.3 Additional requirements of the Local Government (Wales) Measure 2011 have included:

- the election of the Chairperson of the Audit Committee by the Audit Committee itself rather than by an appointment by Council;

- the requirement that Audit Committee must have at least one lay-member, a professional representative with no connections to the Authority that is able to assist in the role of the Audit Committee. This post was recruited and appointed to in September 2012. The number of lay-members required to support the committee is being kept under review;

- the appointment of a Head of Democratic Services. This post was recruited and appointed to in October 2012.

10.4 Specific Member Development activities which have been provided to members of the Committee in respect of the "Role of the Audit Committee" (September 2012) and their "Treasury Management" responsibilities (March 2013). Training has been provided to ensure that all members (including the Lay-Member) have the opportunity to gain a comprehensive understanding of their role.

10.5 This is being further enhanced with the proposed introduction and adoption of role descriptions for an Audit Committee Member and Chairperson. These are based on the WLGA model role descriptions and have been adapted to reflect the specific roles undertaken in the Council. The role descriptions will also form part of Personal Development Review Process that will enable members to better understand their role, reflect on how they have undertaken their duties in the previous year and identify any further support or training that they require to effectively carry out their duties. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Authority.

10.6 The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees establish Research and Evaluation panels (such as that set up to review budget options); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.

10.7 Internal Audit undertakes a continuous audit of Council services, which are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. During 2012-13, in carrying out its duties, Internal Audit complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom. However, from the 1 April 2013 this Code was superseded by the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework. The new "standards" bring in new mandatory requirements. The key areas are summarised as follows:-

- The internal audit activity must be formally defined in an internal audit charter, which must be periodically reviewed and approved by the "Board";
- There is also a requirement to define the term "Board" and as such this is the relevant Audit Committee;
- There is a requirement to define Internal Auditing, ensuring there is compliance with the Code of Ethics, together with a clear process for reporting non-compliance;

10.8 Internal Audit also provides independent and objective assurance. A programme of reviews is completed in accordance with the Annual Audit Plan which enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. In addition, Internal Audit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and Cabinet as appropriate.

10.9 As part of the normal audit reporting process, recommendations are made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. Furthermore, the s151 Officer provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues.

10.10 The Internal Audit section conducted a self-assessment on its effectiveness which was reported to Audit Committee in March 2013. The section is reviewed to assess its compliance with the standards contained within the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The review showed that the Internal Audit section has achieved 100% compliance with the Code. Such compliance will be subject to a separate annual review by the Council's external auditors.

10.11 The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. The Wales Audit Office's Annual Audit Letter summarises the key issues arising from the work that the Council's external auditors, KPMG, carried out. The Annual Audit Letter for 2011-12 was reported to Audit Committee in March 2013. It confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2011-12 and was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

10.12 The Wales Audit Office issued two reports to Audit Committee in September 2012 one on the Audit of the Financial Statements Report 2011-12 and one on the Certification of Grants and Returns 2010-11. The first report did not identify any material weaknesses in the Council's internal controls. The second report concluded that the Council had good arrangements in place for the production and submission of its 2010-11 grant claims but did highlight some areas for improvement which are being followed up by management.

10.13 The Auditor General's letters on the Improvement Assessment of the Council have stated that the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during the financial year and concluded that there were no new proposals for improvement, but he will monitor and report on the progress being made by the Council in implementing on-going recommendations for improvement.

10.14 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2012, the Council received its Annual Letter for 2011-12. The letter noted a slight increase in the number of complaints received, 30 in 2011-12 compared to 28 in 2010-11. The comparative figure for the local authority average was 37 for 2011-12 (38 for 2010-11). Only 2 complaints were investigated by the Ombudsman compared to 5 for the previous year. The Ombudsman did not issue any Upheld Reports against the Council during 2011-12.

10.15 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2011-12 identified two particular risks. One related to the increases in number of looked after children which has been identified on the Council's risk register. The other was the potential impact of significant changes in senior leadership in terms of managing emerging threats.

10.16 In October 2012, Estyn Inspection carried out a major inspection of the quality of education services for children and young people in Bridgend. The Report was published in February 2013 and even though it identified that the Council had more strengths than areas for improvement, it still concluded that the Council fell into the category of follow-up activity and will require an Estyn monitoring visit.

11. Significant Governance Issues

11.1 During 2012-13, Internal Audit carried out a review to identify processes and policies within the Council that demonstrate consistency with the Code of Corporate Governance and therefore with the CIPFA/SOLACE framework on good governance. The audit findings were that substantial assurance could be given as the Code of Corporate Governance created a framework which enabled the Council to demonstrate its achievements and maintain a high standard of good corporate governance. It also commented that the Council has a framework of corporate strategic and operational documents, many of which are interconnected, which helps to ensure that the fundamental principles of good governance are achievable.

11.2 The Annual Internal Audit Opinion which was reported to the Audit Committee in May 2013, for the period April 2012 to March 2013, stated that based on the work undertaken “a satisfactory assurance level can be applied to standards of internal control at Bridgend CBC for the period stated.” The Audit Opinion highlights the need for the Council to have strong leadership and effective management especially at a time where there are reduced resources, increased demands on services and new and innovative forms of service delivery. Key to this will be a timely process for restructuring senior management including the selection and appointment of key officers with appropriate qualifications, experience and skills.

11.3 One of the significant governance issues in 2011-12 related to a fraud in the building maintenance unit where internal audit had identified weaknesses in the internal control framework in that unit. The internal controls have been strengthened and progress on the related action plan is being monitored by management and the Audit Committee. In October 2012, the Chief Internal Auditor reported to the Audit Committee that an opinion of “limited assurance” applied as the newly developed internal controls had not had sufficient time to bed in. This will be reviewed in 2013-14 to ensure that significant progress is being made.

11.4 The Annual Governance Statement 2011-12 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £14m savings identified in the Medium Term Financial Plan 2012-13 to 2014-15. In February 2013, the Medium Term Financial Strategy (MTFS) 2013-14 to 2016-17 was reported to Council. It identified the pressures that the Council faces in the context of the anticipated resource allocation. This indicates that the Council has to identify estimated budget reductions of £24m over the period 2013-14 to 2016-17.

11.5 The development of the MTFS has been led by Cabinet and the Corporate Management Board taking account of previous Medium Term Financial Plans and auditors’ views together with a desire to embed a culture of medium term financial planning aligned more closely with corporate planning than previously. Implementation of the strategy will be led by Cabinet and Corporate Management Board. A Strategic Change Management Programme has been established which is overseen by PMB , and includes a number of the budget savings proposals which are strategic in nature, aligned to the corporate priorities and will lead to improved outcomes, budget reductions or result in collaborative opportunities. There will also be a role for the Budget Research and Evaluation Panel (BREP) which will work on an on-going basis, in an advisory capacity, with Cabinet and officers.

11.6 Another significant governance issue will be to ensure the effective delivery of improvements as identified through the Council’s own reviews and those of external regulators. The development of an Action Plan following the Estyn Inspection and the subsequent monitoring arrangements of the plan will be crucial to improve education services within the Council.

11.7 An Action Plan has been devised for all these issues together with a timescale for completion and a responsible officer. The issued identified in the Action Plan will be monitored during the year.

12. Certification of Annual Governance Statement

Steps to address and mitigate the matters referred to in section 11 above will be taken as identified in the attached Action Plan, to further enhance our governance arrangements.

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 Authority's transactions for the 2012-13 financial year and its position at the year end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005 in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2012-13 and the *Service Reporting Code of Practice* 2012-13 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Authority 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

4. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

5. Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grant / contribution will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

6. Employee benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlement earned by employees but not taken before the financial year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in the Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority 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 Authority.

- The *Teachers' Pension Scheme*, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The arrangements for this scheme mean that liabilities for benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement 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 as a defined benefit scheme:-
  - The liabilities of the pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. 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 Authority 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 Comprehensive Income and Expenditure Statement to the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    iii. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement
    iv. Expected Return on Assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement
    v. Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 Pensions Reserve
    vii. Contributions to the pension fund – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

- In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

- The Authority 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 Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

8. Overheads and support services

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012-13 (SeRCOP).* For 2012-13, 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 *SeRCOP*.

- ➢ Corporate and Democratic Core are costs relating to the Authority's status as a multi-functional, democratic organisation.
- ➢ Non distributed costs are the costs of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two categories are defined in *SeRCOP* and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of the Net Expenditure on Continuing Services.

9. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – 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.
- vehicles, plant, furniture and equipment – Depreciated on a straight-line basis according to estimated asset lives (ranging from 3 to 10 years).
- infrastructure – Depreciated on a straight-line basis over 30 years on Bridges and 15 years on Roads.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately according to the residual life.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

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 Council Fund Balance in the Movement in Reserves Statement.

10. Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. If the Authority disposes of a heritage asset, the proceeds are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

11. Charges to revenue for non-current assets

Services, 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
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. 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, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision* (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

12. 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 non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples of such expenditure include home improvement grants, town improvement grants, demolitions and land feasibility studies. Where the Authority has determined to meet the cost of these from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

13. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

14. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement 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 Authority 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 Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

The Authority has three Lender's Option Borrower's Option loans (LOBOs) with stepped interest rates. An effective interest rate has been used for these so that these are remeasured amounts for the LOBOs on the Balance Sheet.

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

15. 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.

16. Inventories and Long Term Contracts

Inventories 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 reasonably attributable to the works.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

17. Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under the PFI scheme and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

Non-current Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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 Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement
- payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator

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.

18. 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.

19. Council Tax Income

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

20. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

21. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

22. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

23. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

24. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

25. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are in relation to the Authority's financial performance.

26. Accounting Standards that have been Issued but not yet Adopted

The IASB has issued an amended IAS 19 – Accounting for Pensions Costs, which will come into force for financial periods beginning on or after 1 January 2013. The principal changes are:-

- The expected return on assets is calculated at the discount rate, instead of an expected return rate; and
- The interest on the service cost is included in the service cost itself, and

For this Authority, as will be the case for most organisations, this will result in a higher Profit and Loss charge going forwards.

This disclosure will be fully incorporated into the 2013-14 Statement of Accounts, However, IAS 8 requires the disclosure of the expected impact of the future changes going forward. This disclosure has been included in Note 33.

27. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Authority is deemed to control the services provided under the outsourcing agreement for the provision of a Comprehensive School in Maesteg and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the School (valued at £22.9m) has been recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

The Authority has examined all its existing leases under IAS 17 and as a result some have been classified as finance leases. This was as a result of evaluating that the present value of the minimum lease payments amounted to substantially all of the fair value of the leased assets. The value of these finance leases as at 31 March 2013 is £88k.

28. Assumptions made about the future and other major sources of estimated uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Plant, Property and Equipment

The Council's portfolio of Land and Buildings is re-valued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value.

Depreciation of Property, Plant and Equipment
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may result in spending on repairs and maintenance having to be reduced thus, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets will fall.

Pensions Liability
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

29. Carbon Reduction Commitments Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the services and is apportioned to services on the basis of energy consumption.

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

BRIDGEND County Borough Council

Core Financial Statements 2012-13

Movement in Reserves Statement For Years Ended 31 March 2012 & 2013

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011 carried forward	**7,158**	**22,474**	**11,607**	**389**	**41,628**	**121,918**	**163,546**
Movement in Reserves during 2011/12							
Surplus or (deficit) on provision of services	121	-	-	-	121	-	121
Other Comprehensive Expenditure and Income	-	-	36	-	36	(56,617)	(56,581)
Total Comprehensive Expenditure and Income	**121**	**-**	**36**	**-**	**157**	**(56,617)**	**(56,460)**
Adjustments between accounting basis & funding basis under regulations	5,850	-	670	(281)	6,239	(6,239)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**5,971**	**-**	**706**	**(281)**	**6,396**	**(62,856)**	**(56,460)**
Transfers to/from Earmarked Reserves	(5,930)	5,930	-	-	-	-	-
Increase/Decrease in 2011/12	**41**	**5,930**	**706**	**(281)**	**6,396**	**(62,856)**	**(56,460)**
Balance at 31 March 2012 carried forward	**7,199**	**28,404**	**12,313**	**108**	**48,024**	**59,062**	**107,086**
Movement in Reserves during 2012/13							
Surplus or (deficit) on provision of services	9,198	-	-	-	9,198	-	9,198
Other Comprehensive Expenditure and Income	-	-	25	-	25	(25,171)	(25,146)
Total Comprehensive Expenditure and Income	**9,198**	**-**	**25**	**-**	**9,223**	**(25,171)**	**(15,948)**
Adjustments between accounting basis & funding basis under regulations	(1,691)		167	68	(1,457)	1,457	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**7,507**	**-**	**192**	**68**	**7,767**	**(23,714)**	**(15,947)**
Transfers to/from Earmarked Reserves	(7,386)	7,386	-	-	-	-	-
Increase/Decrease in 2012/13	**121**	**7,386**	**192**	**68**	**7,767**	**(23,714)**	**(15,947)**
Balance at 31 March 2013 carried forward	**7,320**	**35,790**	**12,505**	**176**	**55,791**	**35,348**	**91,139**

Comprehensive Income and Expenditure Statement 2012-13

2011-12				2012-13			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes
158,535	(32,998)	**125,537**	Children's and Education Services	161,915	(36,987)	124,928	
56,599	(16,915)	**39,684**	Adult Social Care	56,184	(16,246)	39,938	
25,248	(6,037)	**19,211**	Highways, Roads and Transport Services	28,170	(10,521)	17,649	
51,945	(49,630)	**2,315**	Housing Services	55,892	(53,704)	2,188	
35,843	(22,513)	**13,330**	Central Services to the Public	30,993	(22,252)	8,741	
15,413	(3,754)	**11,659**	Cultural and Related Services	16,603	(3,807)	12,796	
19,577	(7,551)	**12,026**	Environmental and Regulatory Services	18,704	(6,825)	11,879	
13,196	(8,070)	**5,126**	Planning Services	12,705	(8,295)	4,410	
5,532	(323)	**5,209**	Corporate and Democratic Core	5,543	(74)	5,469	
310		**310**	Non-Distributed Costs	1,340		1,340	
382,198	**(147,791)**	**234,407**	**Cost Of Services**	**388,049**	**(158,711)**	**229,338**	
			Other Operating Expenditure				
	9,449	9,449	Payments of precepts	9,899		9,899	**2**
	7,000	7,000	Levies payable	6,964		6,964	**2**
519		519	Gain/loss on disposal of non current (fixed assets)		(117)	(117)	
519	**16,449**	**16,968**	**Other Operating Expenditure**	**16,863**	**(117)**	**16,746**	
			Financing and Investment Income and Expenditure				
4,772		**4,772**	Interest payable on debt	4,760		4,760	
14		**14**	Interest element of finance leases (lessee)	16		16	
1,566		**1,566**	Interest payable on PFI unitary payments	1,537		1,537	**9**
28,020		**28,020**	Pensions interest costs	28,110		28,110	
(21,430)		**(21,430)**	Expected return on pension assets		(19,730)	(19,730)	
	(601)	**(601)**	Investment Interest & Other Interest Receivable		(522)	(522)	
(280)		**(280)**	Changes in fair value of investment properties		(123)	(123)	
17,769	(18,431)	**(662)**	Gain/loss on trading accounts (not applicable to a service)	7,934	(8,040)	(106)	**3**
30,431	**(19,032)**	**11,399**	**Financing and Investment Income and Expenditure**	**42,357**	**(28,415)**	**13,942**	
			Taxation and Non-Specific Grant Income				
	(147,197)	**(147,197)**	RSG		(143,198)	(143,198)	**4**
	(65,201)	**(65,201)**	Council tax		(66,265)	(66,265)	**6**
	(31,472)	**(31,472)**	NNDR		(36,350)	(36,350)	**7**
	(17,640)	**(17,640)**	Recognised capital grants and contributions		(22,026)	(22,026)	**5**
	(1,385)	**(1,385)**	Non service related government grants		(1,385)	(1,385)	**5**
-	**(262,895)**	**(262,895)**	**Taxation and Non-Specific Grant Income**	**-**	**(269,224)**	**(269,224)**	
413,148	**(413,269)**	**(121)**	**(Surplus) or Deficit on Provision of Services**	**447,269**	**(456,467)**	**(9,198)**	
		(529)	**Surplus or deficit on revaluation of non current assets**			406	
			Actuarial gains / losses on pension assets / liabilities				
		57,110	- Matching the entry to the pensions reserve			24,740	
			Other Comprehensive Income and Expenditure			-	
		56,581	**Sub-total**			**25,146**	
		56,460	**Total Comprehensive Income and Expenditure**			**15,948**	

Balance Sheet for Years Ended 31 March 2012 and 2013

31 March 2012 £'000		31 March 2013 £'000	Notes
	Property, Plant & Equipment		**18**
385,198	- other land and buildings	379,717	
4,049	- vehicles, plant, furniture and equipment	3,414	
87,786	- infrastructure	85,507	
3,285	- community assets	4,537	
18,288	- assets under construction	36,148	
14,088	- surplus assets not held for sale	9,953	
51	**Heritage Assets**	51	**20**
	Investment Property		
3,374	- Investment property	3,421	**19**
	Long Term Debtors		
80	Housing Advances	56	**21**
618	Finance Leases	503	
516,817	**Long Term Assets**	**523,307**	
5,563	**Short Term Investments**	0	**34**
1,264	**Assets held for sale**	5,354	**23**
339	**Inventories**	454	
29,054	**Short Term Debtors**	32,257	**22**
22,494	**Cash and Cash Equivalents**	14,690	
58,714	**Current Assets**	**52,755**	
(4,248)	**Short Term Borrowing**	(3,289)	**34**
(49,603)	**Short Term Creditors**	(37,360)	**24**
(53,851)	**Current Liabilities**	**(40,649)**	
(6,429)	**Provisions**	(5,085)	**25**
(97,496)	**Long Term Borrowing**	(97,474)	**34**
	Other Long Term Liabilities		
(21,158)	PFI & Other Long Term Liabilities	(20,661)	**26**
(287,120)	Net pensions liability	(318,170)	**28b**
(2,391)	**Capital Grants Receipts in Advance**	(2,884)	
(414,594)	**Long Term Liabilities**	**(444,274)**	
107,086	**Net Assets**	**91,139**	
	Usable reserves		**27**
7,199	- Council Fund	7,320	
28,404	- Earmarked reserves	35,790	**27b**
12,313	- Capital Receipts Reserve	12,505	**27a**
108	- Capital Grants Unapplied	176	
	Unusable Reserves		**28**
104,510	- Revaluation Reserve	102,393	**28a**
(287,120)	- Pensions Reserve	(318,170)	**28b**
251,393	- Capital Adjustment Account	260,687	**28c**
(5,731)	- Financial Instruments Adjustment Account	(5,526)	**28d**
(3,990)	- Short-term Accumulating Compensated Absences	(4,036)	
-	Account		**28e**
107,086	**Total Reserves**	**91,139**	

Cash Flow Statement as at 31 March 2012 and 2013

2011-12 £'000		2012-13 £'000	Notes
(121)	Net (surplus)/deficit on the Provision of Services	(9,198)	
(24,216)	Adjustments to net deficit on the provision of services for non-cash movements	(2,424)	35
17,640	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	22,026	
(6,697)	**Net Cash Flows from Operating Activities**	**10,404**	36
15,424	Investing Activities	26,493	37
(25,096)	Financing Activities	(29,093)	38
(16,369)	**Net increase in Cash & Cash Equivalents**	**7,804**	
(6,125)	Cash & Cash Equivalent at the beginning of the Reporting Period	(22,494)	
(22,494)	**Cash & Cash Equivalent at the end of the Reporting Period**	**(14,690)**	

Certification of Accounts

Certification by Corporate Director - Resources

I certify that the accounts set out on Pages 31 to 113 give a true and fair view of the financial position of the Council as at 31 March 2013.

Ness Young

Ness Young, CPFA
Corporate Director - Resources

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

Notes to the Core Financial Statements 2012-13

Contents for Notes to the Core Financial Statements

Notes to the Movement in Reserves Statement

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

Council Fund Balance

This is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Council Fund Balance, which is not necessarily in accordance with proper accounting practice. The Council Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit or resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The tables below detail the adjustments for 2011-12 for comparative purposes and the adjustments for 2012-13:-

2011-12	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Short term Compen-sated Absences £'000	Movement in Unusable Reserves £'000
Adjustments between accounting basis & funding basis under regulations										
Adjustments Primarily Involving the Capital Adjustment Account										
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement										
Charges for Depreciation & Impairment of Non-Current Assets	22,888			**22,888**			(22,888)			**(22,888)**
Revaluation losses on Property, Plant & Equipment	2,163			**2,163**			(2,163)			**(2,163)**
Movement in market value of investment property	(280)			**(280)**			280			**280**
Capital grant and contributions applied	(17,694)			**(17,694)**			17,694			**17,694**
Revenue Expenditure Funded from Capital under Statute	1,276		16	**1,292**			(1,292)			**(1,292)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	1,230			**1,230**	(541)		(689)			**(1,230)**
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,361)		1,361			**-**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory Provision for the financing of capital investment	(6,259)			**(6,259)**			6,259			**6,259**
Capital expenditure charged against the Council Fund balance	(775)			**(775)**			775			**775**
Adjustments primarily involving the Capital Grants Unapplied Account :				**-**						**-**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	54		(54)	**-**						**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			(243)	**(243)**			243			**243**
Adjustments primarily involving the Capital Receipts Reserve										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(711)	711		**-**						**-**
Use of Capital Receipts Reserve to finance new capital expenditure		(41)		**(41)**			41			**41**
Adjustments primarily involving the Financial Instrument Adjustment Account										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(204)			**(204)**				204		**204**
Adjustments primarily involving the Pensions Reserve										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	20,510			**20,510**		(20,510)				**(20,510)**
Employer's contributions to pension schemes	(16,610)			**(16,610)**		16,610				**16,610**
Adjustments primarily involving the Accumulated Absences Account										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	262			**262**					(262)	**(262)**
Total Adjustments 2011/12	**5,850**	**670**	**(281)**	**6,239**	**(1,902)**	**(3,900)**	**(379)**	**204**	**(262)**	**(6,239)**

2012-13	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Revaluation Reserve £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Short term Compen-sated Absences £'000	Movement in Unusable Reserves £'000
Adjustments between accounting basis & funding basis under regulations										
Adjustments Primarily Involving the Capital Adjustment Account										
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement										
Charges for Depreciation & Impairment of Non-Current Assets	18,685			**18,685**			(18,685)			**(18,685)**
Revaluation losses on Property, Plant & Equipment	2,511			**2,511**			(2,511)			**(2,511)**
Movement in market value of investment property	(123)			**(123)**			123			**123**
Capital grant and contributions applied	(21,875)			**(21,875)**			21,875			**21,875**
Revenue Expenditure Funded from Capital under Statute	682			**682**			(682)			**(682)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	568			**568**	(460)		(108)			**(568)**
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,251)		1,251			**-**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory Provision for the financing of capital investment	(6,592)			**(6,592)**			6,592			**6,592**
Capital expenditure charged against the Council Fund balance	(862)			**(862)**			862			**862**
Adjustments primarily involving the Capital Grants Unapplied Account :				**-**						**-**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(151)		151	**-**						**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			(83)	**(83)**			83			**83**
Adjustments primarily involving the Capital Receipts Reserve										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(685)	685		**-**						**-**
Use of Capital Receipts Reserve to finance new capital expenditure		(518)		**(518)**			518			**518**
Adjustments primarily involving the Financial Instrument Adjustment Account										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(205)			**(205)**				205		**205**
Adjustments primarily involving the Pensions Reserve										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	24,770			**24,770**		(24,770)				**(24,770)**
Employer's contributions to pension schemes	(18,460)			**(18,460)**		18,460				**18,460**
Adjustments primarily involving the Accumulated Absences Account										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	46			**46**					(46)	**(46)**
Total Adjustments 2012/13	**(1,691)**	**167**	**68**	**(1,456)**	**(1,711)**	**(6,310)**	**9,318**	**205**	**(46)**	**1,456**

Notes to the Comprehensive Income and Expenditure Statement

2. 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:

2011-12 £'000		2012-13 £'000
	Precepts	
7,978	South Wales Police Authority	8,419
1,471	Community Councils	1,480
9,449	**Sub total**	**9,899**
	Levies	
6,606	South Wales Fire and Rescue Authority	6,582
254	Coroners Service	256
119	Archive Service	107
1	Margam Crematorium Joint Committee	1
20	Swansea Bay Port Health Authority	18
7,000	**Sub total**	**6,964**
16,449	**Total**	**16,863**

3. 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:

2011-12 Income £'000	2011-12 Exp. £'000	2011-12 Deficit/ (Surplus) £'000	Activity	2012-13 Income £'000	2012-13 Exp. £'000	2012-13 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
(5,653)	5,617	(36)	Sports and Recreation (Indoor)	-	-	-	-	-
(3,078)	3,033	(45)	Building Maintenance	(3,383)	3,355	(28)	(60)	32
(1,184)	1,086	(98)	Building Cleaning	(1,192)	1,097	(95)	(23)	(72)
(3,378)	3,357	(21)	Fleet Services	(3,465)	3,482	17	(49)	66
(5,138)	4,676	(462)	Highway Maintenance	-	-	-	-	-
(18,431)	**17,769**	**(662)**	**Transfer to I & E Account**	**(8,040)**	**7,934**	**(106)**	**(132)**	**26**

The Sports and Recreation (Indoor) Service transferred to Halo Leisure on the 1 April 2012, thus ceasing to be a trading activity of BCBC. Also, budgetary responsibilities linked to Highways maintenance have meant that this too ceased to be a trading activity from 1 April 2012.

4. Revenue Support Grant

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2012-13 was £143.2m (£147.20m for 2011-12).

5. Government grants

In addition to the Revenue Support Grant, the Authority received the following specific government grants :-

2011-12 £'000	Specific Grants credited to Services	2012-13 £'000
44,855	Housing Benefit Subsidy	47,437
12,506	Council Tax Benefit Subsidy	12,704
8,096	DCELLS Grant	8,323
4,157	Foundation Phase Grants	4,352
2,205	PFI Grant	2,149
5,349	Other Children	5,549
1,380	Other Social Services	712
3,156	Others	3,110
3,936	Supporting People	5,088
1,789	Resettlement Grant	1,805
963	Substance Misuse Action Plan	910
2,765	Concessionary Fares Grant	2,686
1,617	Flying Start	1,661
3,068	Sustainable Waste Grant	3,020
1,020	Housing/Council Tax Benefit Administration	1,219
474	Local Transport Services	426
1,270	Communities First	957
1,553	Families First	1,847
100,159	**Total**	**103,955**

2011-12 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2012-13 £'000
1,385	Improvement Agreement Grant	1,385
17,640	Capital Grants & Contributions	22,026
19,025	**Total**	**23,411**
119,184		**127,366**

Grant income sits within the gross income column within services except for the Improvement Agreement Grant and capital grants and contributions.

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 – 49,961.74 dwellings for 2012-13 (49,444.62 in 2011-12). The average amount for a Band D property is £1296.16 in 2012-13 (£1,288.04 in 2011-12 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:

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	27	10,052	14,730	13,622	9,280	6,690	3,781	1,312	282	81

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

2011-12 £'000		2012-13 £'000
65,201	Council Tax Collectable	66,265
	Less:	
(1,471)	Payable to Community Councils	(1,480)
(7,978)	Payable to South Wales Police	(8,419)
(846)	Provision for non payment of Council Tax	(190)
54,906	**Net Proceeds from Council Tax**	**56,176**

7. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 45.2p in 2012-13 (42.8p in 2011-12). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG 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 Comprehensive Income and Expenditure Statement. This amount was £36.350m in 2012-13 (£31.472m in 2011-12).

8. Leases

Authority as Lessee

Finance Leases (excluding Private Finance Initiative)
Under IFRS, a number of leases for vehicles, plant and equipment have been reclassified as finance leases. These are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2012 £'000		31 March 2013 £'000
234	Vehicles, Plant & Equipment Finance Leases	88

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle, plant and equipment acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2012 £'000		31 March 2013 £'000
	Finance Lease Liabilities (Net Present Value of minimum lease payments) :-	
153	* current	54
95	* non-current	41
14	Finance Costs payable in future years	5
262	**Minimum lease payments**	**100**
162	Not later than one year	58
100	Later than one year	43
-	Later than five years	
262	**Total**	**101**

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are :-

31 March 2012 £'000		31 March 2013 £'000
1,723	Not later than one year	1,361
3,429	Later than one year	4,292
9,544	Later than five years	9,104
14,696	**Total**	**14,757**

Expenditure charged in the year to the Service areas was £1.766m made up of minimum lease payments of £1.189m and £0.577 m for contingent rents (£2.052m in 2011-12 made up of £1.364m minimum lease payments and £0.689m contingent rents).

Authority as Lessor

Operating Leases

The Authority leases out property for economic purposes to provide affordable accommodation for local businesses. The future rentals receivable under operating leases are:-

31 March 2012 £'000		31 March 2013 £'000
151	Not later than one year	220
237	Later than one year	389
814	Later than five years	814
1,202	**Total**	**1,423**

9. 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 and this 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 Government, and Council/Delegated School resources.

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:-

2011-12 £'000	Unitary Charge	2012-13 £'000
550	Service Charge Element	583
1,566	Interest Element	1,537
381	Finance Lease Liability	410
2,497	**Total**	**2,530**

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

Unitary Charge	2013-14 £'000	2014-15 to 2018-19 £'000	2019-20 to 2023-24 £'000	2024-25 to 2028-29 £'000	2029-30 to 2033-34 £'000
Service Charge Element	502	2,511	2,511	2,511	2,504
Interest Element	1,505	6,958	5,708	3,895	1,288
Finance Lease Liability	442	2,776	4,026	5,839	7,134
Total	**2,449**	**12,245**	**12,245**	**12,245**	**10,926**

The Council meets the costs of the Unitary Charge from its own resources and funding from the WG. The profile of funding from WG 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 2013, the balance on the PFI equalisation earmarked reserve is £ 2.639m (£2.171m as at 31 March 2012).

10. Section 33 NHS (Wales) Act 2006

Under Section 33 NHS (Wales) Act 2006 the following informal joint arrangements refer to joint working with Abertawe Bro Morgannwg University Local Health Board.

Total Expenditure 2011-12 £'000	Purpose of Partnership	Trust Expenditure £'000	BCBC Expenditure £'000	Total Expenditure 2012-13 £'000
851	Community Reablement Project	432	445	**877**
28	Intermediate Care Development Manager	-	6	**6**
289	Community Disability Rehabilitation Team	179	72	**251**
-	Joint Locality Director	28	28	**56**
-	Bryn Y Cae Residential Reablement	69	41	**110**
-	Early Response Service	248	382	**630**
100	Health, Social Care & Well Being Strategy	39	61	**100**
1,268	**Total**	**995**	**1,035**	**2,030**

There are however some formal pooled budget arrangements between the Authority and the NHS Trust and these are detailed below :-

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.	523	523	267
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.	2,133	2,142	472

11. 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 2012-13 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Authority.

2011-12 £'000		2012-13 £'000
162,371	CFR 1 April	162,177
-	HALO Adjustment 12-13	161
(21,008)	PFI School	(20,627)
(895)	Innovation Centre	(871)
(404)	Finance Leases	(248)
-	HALO	(161)
(82)	Factor A Adjustment	(82)
(9,016)	CFR Adj Para 19 2008	(9,733)
130,966	**Adjusted CFR**	**130,616**
5,239	MRP - 4%	5,225
381	PFI School - MRP Charge	410
24	Innovation Centre MRP Charge	26
156	Finance Leases MRP Charge	153
	HALO MRP Charge	17
459	Unsupported Borrowing MRP	761
6,259	**Total MRP**	**6,592**

12. Officers' Remuneration

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

Table 1 : Officers' Remuneration over £60k

2011-12 Number of Employees inc Redundancy Costs	Remuneration Band	Number of Employees: Movement in Bandings	2012-13 inc Redundancy Costs	2012-13 exc Redundancy Costs	Number of Teachers inc in Figures exc Redun-dancy	Number of Non-Teachers inc in Figures exc Redun-dancy
9	£60,000 - £64,999	3	**12**	12	10	2
19	£65,000 - £69,999	(7)	**12**	12	12	-
5	£70,000 - £74,999	-	**5**	5	3	2
11	£75,000 - £79,999	(1)	**10**	10	3	7
-	£80,000 - £84,999	2	**2**	1	1	-
2	£85,000 - £89,999	-	**2**	2	2	-
2	£90,000 - £94,999	-	**2**	2	2	-
1	£95,000 - £99,999	1	**2**	2	1	1
1	£100,000 - £104,999	2	**3**	1	-	1
2	£105,000 - £109,999	(2)	**-**	2	-	2
2	£110,000 - £114,999	(2)	**-**	-	-	-
-	£115,000 - £119,999	-	**-**	-	-	-
-	£120,000 - £124,999	-	**-**	-	-	-
-	£125,000 - £129,999	-	**-**	-	-	-
-	£130,000- £134,999	-	**-**	-	-	-
-	£135,000 - £139,999	-	**-**	-	-	-
1	£140,000 - £144,999	(1)	**-**	-	-	-
-	£145,000 - £149,999	-	**-**	-	-	-
-	£235,000 - £239,999	-	**-**	-	-	-
55		**(5)**	**50**	**49**	**34**	**15**

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 disclosure requirement to disclose individual remuneration details for all senior employees under the Accounts and Audit (Wales) (amendment) Regulations 2010. There are no Returning Officer payments included in the table below. This disclosure is shown in Table 2 below.

Table 2 : Senior Officers' Disclosure

Job Title	Salary		Expenses		Benefits in Kind		Pension		Total	
	12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12
	£	£	£	£	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service										
Previous Post Holder	43,345	131,091	524	803	2,893	10,411	9,016	27,267	**55,777**	**169,572**
Current Post Holder	65,918	-	8,345	-	1,997	-	13,711	-	**89,972**	**-**
Corporate Director - Children	104,068	104,068	301	282	5,428	5,496	21,646	21,646	**131,443**	**131,492**
Corporate Director - Communities	103,229	104,068	266	268	8,724	8,829	21,472	21,646	**133,690**	**134,811**
Corporate Director - Wellbeing	35,084	98,473	-	-	9,242	5,148	8,525	20,482	**52,852**	**124,103**
Assistant Chief Executive & Section 151 Officer										
Previous Post Holder	19,910	101,857	54	740	1,296	8,012	7,215	21,186	**28,476**	**131,795**
Current Post Holder / Corporate Director - Resources & s151 Officer	104,068	-	540	-	-	-	17,796	-	**122,403**	**-**
Assistant Chief Executive - Legal & Regulatory Services	88,458	88,458	267	454	10,460	8,734	18,399	18,399	**117,585**	**116,045**

Note

The Corporate Director – Communities left the Authority in March 2013
The Corporate Director – Wellbeing is on secondment from the Welsh Government. His costs are being split on a 50/50 basis between both organisations. The costs shown here relate to BCBC only
There was a two month hand over between the retiring Assistant Chief Executive & Section 151 officer and the newly appointed Corporate Director – Resources & Section 151 Officer
Pension Contributions relate to actual payments made

Table 3: Exit Packages Disclosure

The number of exit packages with total cost per band (£'s) and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	12-13	11-12	12-13	11-12	12-13	11-12	12-13 £	11-12 £
£0 - £20,000	31	21	8	23	39	44	330,170	290,845
£20,001 - £40,000	2	7	6	5	8	12	230,797	337,239
£40,001 - £60,000	2	-	4	3	6	3	284,115	130,236
£60,001 - £80,000		1		2	-	3		199,960
£80,001 - £100,000		-		-	-	-		-
£100,001 - 120,000			1		1	-	106,886	
	35	**29**	**19**	**33**	**54**	**62**	**951,968**	**958,280**

13. Members' allowances

In accordance with the Local Authorities (Allowances for Members) (Wales) Regulations 2007, ('the Regulations), member entitlements changed during 2012-13. As a result of the December 2011 Report of the Independent Remuneration Panel for Wales, a new system of 'salary' payments came into effect in full from 16 May 2012. Between 1 April 2013 and 16 May 2013 this there was an incremental move away from the previous system of basic allowances (total expenditure 11-12 of £804k) and special responsibility allowances (total expenditure in 11-12 of £258k). The Authority now has in place a 'Basic Salary' for all members, for which the total spend in 2012-13 was £459k), a 'Senior Salary', for which the total spend for 2012-13 was £445k, and a Civic Salary, for which the total spend for 2012-13 was £41k. In addition to this, there were residual payments made under the old scheme prior to 16 May 2013 totalling £105k.

Full details of the new 'salary' arrangements are available on the Authority's website, and details of all Member earnings are also published annually on the Authority's website.

14. External audit costs

In 2012-13 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2011-12 £'000		2012-13 £'000
198	Financial Statement Audit	210
140	Performance Audit	135
338	**External Audit Services**	**345**
-	Statutory Inspection	-
90	Grant Claims and Returns	82
428	**Total**	**427**

15. Group accounts

In keeping with neighbouring Local Authorities in the South Wales area, the Council has interests in a number of organisations, such as Groundwork Bridgend and Neath Port Talbot, South East Wales Transport Alliance (SEWTA), Education and School Improvement Service (ESIS) and Glamorgan Archives. These interests are not considered to be material, and consolidated accounts have therefore not been prepared.

16. Related party transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Welsh Government

Welsh Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in Notes 4 and Note 5 above.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012-13 is shown in Note 13. Grants were made to organisations whose senior management included members including Groundwork Bridgend and Neath Port Talbot £47.5k in 2012-13 (£47.5k in 2011-12), Bridgend County Borough Citizens Advice Bureau £228.69k (£228.69k in 2011-12) and Bridgend Association of Voluntary Organisations £117k in 2012-13 (£117k in 2011-12). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest.

Chief Officers

During 2012-13, no chief officer declared any material interests/relationships in a related party. This was the same in 2011-12.

Joint Committees

Glamorgan Archives Joint Committee

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. During 2012-13, the Council contributed to the Joint Committee an amount of £107k (£119k in 2011-12). This was calculated proportionately based upon population.

Coychurch Crematorium

Coychurch Crematorium is subject to the control of a Joint Committee of Members from Bridgend CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan CBC.

County Borough Supplies

County Borough Supplies is administered by the Council and supplies goods such as stationery. It is a Joint Committee with Members from Bridgend CBC, Rhondda Cynon Taf CBC, Merthyr Tydfil CBC and Caerphilly CBC.

Other Public Bodies

The Authority has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 9.

17. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer’s pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Authority’s principal Directorates recorded in the budget reports for the comparative year (2011-12) is as follows:

Directorate Income and Expenditure 2011-12	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(15,556)	(21,719)	(16,371)	(16,396)	**(70,042)**
Government grants	(21,509)	(4,708)	(12,683)	(59,097)	**(97,997)**
Total Income	**(37,065)**	**(26,427)**	**(29,054)**	**(75,493)**	**(168,039)**
Employee expenses	104,472	31,732	16,685	22,208	**175,097**
Other operating expenses	49,975	37,245	37,421	75,200	**199,841**
Total operating expenses	**154,447**	**68,977**	**54,106**	**97,408**	**374,938**
Net Cost of Services	**117,382**	**42,550**	**25,052**	**21,915**	**206,899**

Directorate Income and Expenditure 2012-13	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(17,399)	(15,683)	(15,955)	(15,948)	**(64,985)**
Government grants	(24,098)	(4,488)	(13,238)	(62,955)	**(104,779)**
Total Income	**(41,497)**	**(20,171)**	**(29,193)**	**(78,903)**	**(169,764)**
Employee expenses	106,463	27,219	16,425	22,398	**172,505**
Other operating expenses	54,542	36,661	37,528	78,254	**206,985**
Total operating expenses	**161,005**	**63,880**	**53,953**	**100,652**	**379,490**
Net Cost of Services	**119,508**	**43,709**	**24,760**	**21,749**	**209,726**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The below reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement for the comparative year :-

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2012-13 £'000	2011-12 £'000
Cost of Services in Service Analysis	**209,726**	**206,899**
Add services not included in main analysis	1,988	5,224
Add amounts not reported to management	18,992	23,122
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,368)	(838)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**229,338**	**234,407**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement :-

Reconciliation to Subjective Analysis 2011-12	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I & E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(70,042)	-	-	18,431	**(51,611)**	(18,431)	**(70,042)**
Interest and investment income	-	-	-	-	**-**	(601)	**(601)**
Income from council tax	-	-	-	-	**-**	(65,201)	**(65,201)**
Government grants and contributions	(97,997)	(5,739)	-	-	**(103,736)**	(197,693)	**(301,429)**
Total Income	**(168,039)**	**(5,739)**	**-**	**18,431**	**(155,347)**	**(281,926)**	**(437,273)**
Employee expenses	175,097	403	(2,428)	-	**173,072**	6,590	**179,662**
Other service expenses	199,841	10,560	-	(17,769)	**192,632**	17,769	**210,401**
Depreciation, amortisation and impairment	-	-	25,550	-	**25,550**		**25,550**
Interest Payments	-	-	-	(1,500)	**(1,500)**	6,351	**4,851**
Precepts & Levies	-	-	-	-	**-**	16,449	**16,449**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	**-**	239	**239**
Total Expenditure	**374,938**	**10,963**	**23,122**	**(19,269)**	**389,754**	**47,398**	**437,152**
Surplus or deficit on the provision of services	**206,899**	**5,224**	**23,122**	**(838)**	**234,407**	**(234,528)**	**(121)**

Reconciliation to Subjective Analysis 2012-13	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I&E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(64,985)			8,040	**(56,945)**	(8,040)	**(64,985)**
Interest and investment income					**-**	(522)	**(522)**
Income from council tax					**-**	(66,265)	**(66,265)**
Government grants and contributions	(104,779)	(8,753)			**(113,532)**	(202,959)	**(316,491)**
Total Income	**(169,764)**	**(8,753)**	**-**	**8,040**	**(170,477)**	**(277,786)**	**(448,263)**
Employee expenses	172,505	570	(2,023)		**171,052**	8,380	**179,432**
Other service expenses	206,985	10,171		(7,934)	**209,222**	7,934	**217,156**
Depreciation, amortisation and impairment			21,015		**21,015**		**21,015**
Interest Payments				(1,474)	**(1,474)**	6,313	**4,839**
Precepts & Levies					**-**	16,863	**16,863**
Gain or Loss on Disposal of Fixed Assets					**-**	(240)	**(240)**
Total Expenditure	**379,490**	**10,741**	**18,992**	**(9,408)**	**399,815**	**39,250**	**439,065**
Surplus or deficit on the provision of services	**209,726**	**1,988**	**18,992**	**(1,368)**	**229,338**	**(238,536)**	**(9,198)**

Notes to the Balance Sheet

18. Tangible Fixed Assets

a) Capital commitments

As at 31 March 2013 commitments of approximately £29m existed on capital works contracts started before that date, details of which are shown in the table below.

2011-12 £'000		2012-13 £'000
2,734	Porthcawl Regeneration	808
7,369	Bridgend Town Centre Regeneration	4,442
2,421	Maesteg Regeneration	1,421
2,260	Highways Infrastructure Local Govt Borrowing Initiative	2,657
3,000	Refurbishment Requirements Healthy Living Partnership	1,198
26,697	Gateway to the Valleys	13,036
5,185	Pen y Fai Primary School	3,506
460	Litchard Primary Amalgamation	130
799	Bryncethin School Amalgamation	890
400	Coety / Parc Derwen Primary School	400
153	Tremains Primary Amalgamation	63
51,478	**Total**	**28,551**

b) Notes on Fixed Assets

Voluntary-aided & Voluntary-controlled Schools

The Authority recognises its only Voluntary-controlled School on its Balance Sheet. This is Pen-y-Fai Church in Wales Primary School. The four voluntary-aided primary schools and one voluntary-aided comprehensive school are not assets of the Authority and therefore not included in the Balance Sheet. Guidance is expected in the future which could affect this recognition in future years.

Numbers of fixed assets by type

Category	Number as at 31 March 2012	Number as at 31 March 2013
Schools	66	66
Other educational establishments	8	8
Libraries	8	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	29	28
Bus stations	2	2
Sports pavilions	41	41
Recreation grounds & parks	17	17
Recreation & entertainment centres	12	12
Community centres	16	16
Swimming pools	6	6
Industrial estates	23	23
Civic offices	2	2
Other offices	5	5
Depots	8	8
Vehicles	48	48
Vehicles - on Finance Leases	81	27
Miscellaneous assets	23	23
	476	**421**

c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
Cost or Valuation									
At 1 April 2011	**405,688**	**20,140**	**171,704**	**3,322**	**15,259**	**14,099**	**630,212**	**22,744**	**1,180**
Additions	**2,542**	**703**	**3,581**	**-**	**-**	**16,809**	**23,635**	**-**	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	**1,010**	**-**	**-**	**-**	**202**	**-**	**1,212**		**-**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	**(2,036)**	**-**	**-**	**-**	**(127)**	**-**	**(2,163)**	**-**	**-**
Derecognition - Disposals	**(199)**	**(88)**					**(287)**		
Assets reclassified (to)/from Held for Sale	**(8)**	**-**	**-**	**-**	**(376)**	**-**	**(384)**		
Assets reclassified (to)/from Investment Property	**-**	**-**	**-**	**-**	**-**	**-**	**-**		
Other Movements in Cost or Valuation	**12,487**	**-**	**-**	**-**	**(3)**	**(12,620)**	**(136)**	**-**	**-**
At 31 March 2012	**419,484**	**20,755**	**175,285**	**3,322**	**14,955**	**18,288**	**652,089**	**22,744**	**1,180**
Accumulated Depreciation and Impairments									
At 1 April 2011	**(23,130)**	**(15,466)**	**(76,677)**	**(37)**	**(742)**	**-**	**(116,052)**	**(478)**	**(793)**
Depreciation Charge for 2011/12	**(7,193)**	**(1,300)**	**(9,768)**	**-**	**(128)**	**-**	**(18,389)**	**(239)**	**(153)**
Depreciation written out to the Revaluation Reserve							**-**		
							-		
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	**(683)**	**-**	**-**	**-**	**-**	**-**	**(683)**		**-**
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	**(3,417)**	**(28)**	**(1,054)**	**-**	**-**	**-**	**(4,499)**		**-**
Derecognition - disposals	**4**	**88**	**-**	**-**	**-**	**-**	**92**	**-**	**-**
Derecognition - removal of Accumulated Balances on Revaluation							**-**		**-**
Other Movements	**133**	**-**	**-**	**-**	**3**	**-**	**136**	**-**	**-**
At 31 March 2012	**(34,286)**	**(16,706)**	**(87,499)**	**(37)**	**(867)**	**-**	**(139,395)**	**(717)**	**(946)**
Balance Sheet as at 1 April 2011	**382,558**	**4,674**	**95,027**	**3,285**	**14,517**	**14,099**	**514,160**	**22,266**	**387**
Balance Sheet as at 31 March 2012	**385,198**	**4,049**	**87,786**	**3,285**	**14,088**	**18,288**	**512,694**	**22,027**	**234**

c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
Cost or Valuation									
At 1 April 2012	419,484	20,755	175,285	3,322	14,955	18,288	652,089	22,744	1,180
Additions	2,877	716	6,827	51	-	22,295	**32,766**	-	161
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	625	-	-	-	(595)	(905)	**(875)**	-	-
Derecognition - Disposals	(60)	(8,878)					**(8,938)**		
Assets reclassified (to)/from Held for Sale	(95)	-	-	-	(4,505)	-	**(4,600)**		
Assets reclassified (to)/from Investment Property	75	-	-	-	-	-	**75**		
		-	-	-			**-**	-	-
At 31 March 2013	**421,162**	**12,593**	**183,081**	**4,574**	**10,455**	**36,147**	**668,012**	**22,744**	**1,341**
Accumulated Depreciation and Impairments									
At 1 April 2012	(34,286)	(16,706)	(87,499)	(37)	(867)	-	(139,395)	(717)	(946)
Depreciation Charge for 2012/13	(7,255)	(1,291)	(9,372)	-	(14)	-	**(17,932)**	**(239)**	(146)
Acc. Impairment WO to GCA							**-**		
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(274)	-	-	-	-	-	**(274)**		-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,685)	(60)	(703)	-	-	-	**(2,448)**		-
Assets reclassified (to)/from Held for Sale	2						**2**		
Other Movements	1,993	**-**	**-**	**-**	**379**	**-**	**2,372**	**-**	**-**
At 31 March 2013	**(41,445)**	**(9,179)**	**(97,574)**	**(37)**	**(502)**	**-**	**(148,737)**	**(956)**	**(1,092)**
Balance Sheet as at 1 April 2012	**385,198**	**4,049**	**87,786**	**3,285**	**14,088**	**18,288**	**512,694**	**22,027**	**234**
Balance Sheet as at 31 March 2013	**379,717**	**3,414**	**85,507**	**4,537**	**9,953**	**36,147**	**519,275**	**21,788**	**249**

d) 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 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.

e) Assets held under finance leases

A number of assets have been reclassified as finance leases under IFRS. There are additional notes on these within the Statement of Accounts.

f) Sources of finance for Capital Expenditure

2011-12 £'000		2012-13 £'000
6,064	Loans	9,835
21,020	Government grants	24,492
-	Capital receipts	519
775	Revenue contribution	862
445	Other contribution	838
28,304	**Total**	**36,546**

g) 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.

2011-12 £'000		2012-13 £'000
4,778	Revenue Expenditure Funded from Capital under Statute	4,055
4,778	**Total**	**4,055**

h) Capital financing requirement and the financing of capital expenditure

2011-12 £'000	Capital Financing Requirement	2012-13 £'000
162,371	Opening Capital Financing Requirement	162,178
	Capital Investment	
23,635	Property, Plant and Equipment	32,605
	Investment Properties	
4,778	Revenue Expenditure Funded from Capital under Statute	4,055
-	Recognition of Finance Leases within the Year	161
-	Recognition of Financial Liability	-
	Sources of Finance	
(21,531)	Grants & Contributions	(25,446)
(41)	Capital receipts applied	(518)
(775)	Revenue Contributions	(862)
(5,239)	Minimum Revenue Provision	(5,225)
(459)	Unsupported Borrowing MRP	(761)
(156)	Finance Leases MRP	(170)
(24)	Innovation Centre MRP	(26)
(381)	PFI School MRP	(410)
162,178	**Closing Capital Financing Requirement**	**165,581**
	Explanation for Movements in Year	
108	Decrease in Underlying Need to Borrow (supported by government financial assistance)	(458)
260	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	4,306
(180)	Assets acquired under finance leases	(35)
(381)	Assets acquired under PFI Contract	(410)
(193)	**Increase/(Decrease) in Capital Financing Requirement**	**3,403**

i) Capital Grants Received in Advance

The table below shows the breakdown of capital grants received in advance:-

2011-12 £'000		2012-13 £'000
2,222	Developers' Contributions - capital element	2,875
169	Other Capital Grants & Contributions	9
2,391	**Total**	**2,884**

19. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2011-12 £'000		2012-13 £'000
527	Rental Income from Investment Property	483
(163)	Direct Operating Expenses arising from Investment Property	(145)
364	**Net gain/(loss)**	**338**

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

2011-12 £'000		2012-13 £'000
3,094	**Balance at 1 April**	3,374
280	Net gain from fair value adjustments	123
-	Transfers to Property, Plant and Equipment	(75)
3,374	**Balance as at 31 March**	**3,422**

20. Heritage Assets

2011-12 £'000		2012-13 £'000
51	Civic Regalia	51
51	**Balance as at 31 March**	**51**

21. Long term debtors

The Long Term Debtors figure is detailed below. It consists of the value of long term loans made by the Council to former tenants and private households for mortgages and a Finance Lease for vehicles linked to the waste contract.

2011-12 £'000		2012-13 £'000
80	Mortgages	56
618	Finance Leases	503
698	**Balance as at 31 March**	**559**

22. Short Term 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:

2011-12 £'000	Short-term Debtors	2012-13 £'000
18,064	Central Government Bodies	20,650
453	Other Local Authorities	772
416	NHS Bodies	188
10,121	Other Entities and Individuals	10,647
29,054	**Balance as at 31 March**	**32,257**

The Authority collects NNDR payments on behalf of Welsh Government. As at the 31 March 2013, the Authority had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £5.872m. The equivalent for 2011-12 was a debtor of £5.403m which represented monies not yet paid over by Welsh Government.

23. Assets Held for Sale

2011-12 £'000	Assets Held for Sale	2012-13 £'000
1,915	Balance at 1 April	1,264
	Assets newly classified as held for sale:	
1,384	Property, Plant & Equipment	4,628
	Assets declassified as held for resale	
(1,000)	Property, Plant & Equipment	(30)
	Revaluation Gain/(Loss)	60
(1,035)	Assets Sold	(568)
1,264	**Balance as at 31 March**	**5,354**

24. Short Term Creditors

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

2011-12 £'000	Short Term Creditors	2012-13 £'000
(10,924)	Central Government Bodies	(4,828)
(1,113)	Other Local Authorities	(1,072)
(208)	NHS Bodies	(197)
(37,358)	Other Entities and Individuals	(31,263)
(49,603)	**Balance as at 31 March**	**(37,360)**

25. Provisions

The Authority has a number of provisions as detailed below:

2011-12 £'000		Expenditure £'000	Increase £'000	2012-13 £'000
4,120	Insurance (BCBC)	(1,039)	1,087	4,168
1,436	Equal Pay	(1,352)	20	104
650	Waste Disposal	(50)	-	600
223	Carbon Reduction Commitment	(210)	200	213
6,429	**Balance as at 31 March**	**(2,651)**	**1,307**	**5,085**

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 up to 2012-13 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.

Municipal Mutual Insurance (MMI) Limited

Prior to local government reorganisation the former Ogwr Borough Council and Mid Glamorgan County Council's insurance cover was provided by Municipal Mutual Insurance Limited. When this company hit severe financial difficulties both became a creditor under the Scheme of Arrangement, accepting liability to return to MMI some proportion of historical claim payments received from MMI if the Scheme were to trigger. The Board of Directors of MMI 'triggered' MMI's Scheme of Arrangement on 13 November 2012. As part of the review of the assets and liabilities of MMI, KPMG has been commissioned to carry out an updated actuarial review of the insurance liabilities as at 21 December 2012. As the Scheme Administrator is working towards finalising of the new claims handling procedure and the actual levy notice is not being issued until later in the year, within the Insurance Provision above, £1.8m has been set aside to cover claims relating to MMI Limited.

Equal Pay / Pay Protection

This provision includes the anticipated costs of any valid equal pay claims which may be received and an estimated amount for pay protection related to Job Evaluation.

Waste Disposal

The balance of the waste disposal liability of £600k will be paid at £50k per annum over the next twelve years.

Carbon Reduction Commitment Energy Efficiency Scheme

This provision represents the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2012-13. The payment will be made with the retrospective purchase of allowances in the summer 2013.

26. PFI and Other Long Term Liabilities

2011-12 £'000		Additions in Year £'000	Moved to Short Term Creditors £'000	2012-13 £'000
20,218	Maesteg School PFI Lease Liability	-	(442)	19,776
845	Innovation Centre Financial Liability	-	(28)	817
95	Finance Lease Liability	-	(54)	41
-	HALO	144	(117)	27
21,158	**Balance as at 31 March**	**144**	**(641)**	**20,661**

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 2012-13, the amount written down was £410k and £442k has been transferred to Short Term Creditors leaving an outstanding liability of £19.776 m at year end.

The Innovation Centre Financial Liability of £0.917m was recognised in 2009/10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount written down in 2012-13 was £26k and £28k was transferred to Short Term Creditors resulting in a financial liability of £0.817 m at 31 March 2013.

The liability for finance leases at year end of £0.041 m relates to leases for vehicles, plant and equipment classed as operating leases under UK GAAP being reclassified as finance leases to meet IFRS requirements.

A new addition was recognised during 2012-13 to reflect the capital work being undertaken by HALO at the Bridgend Recreation Centre. This has been recognised as a long term liability over the contract life. An amount of £117k has been transferred to Short Term Creditors resulting in a financial liability of £27k at 31 March 2013.

27. Usable Reserves

The following notes detail the Usable Reserves of the Authority:-

a) Useable capital receipts reserve

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

2011-12 £'000		2012-13 £'000
11,607	Balance at 1st April	12,313
711	Capital Receipts Received	685
36	Mortgage repayments (Council Fund)	25
(41)	Receipts adjustment previous year's financing	-
-	Receipts used to finance capital expenditure	(518)
12,313	**Balance as at 31st March**	**12,505**

b) Revenue reserves

The revenue reserves in the Balance Sheet as at 31 March 2013 are detailed below with descriptions of what they represent:-

Opening Bal 2011-12 £'000	Move-ment 2011-12 £'000	Closing Bal 2011-12 £'000	Reserve	Move-ment 2012-13 £'000	Closing Bal 2012-13 £'000
7,158	41	**7,199**	**Council Fund Balance**	121	**7,320**
4,519	(506)	**4,013**	**Delegated Schools Balance**	(276)	**3,737**
1,647	524	**2,171**	**Maesteg School PFI Equalisation Fund**	468	**2,639**
			Earmarked Balances :-		
7,510	4,759	12,269	Major Claims Reserve	3,755	**16,024**
2,071	(1,359)	712	Insurance reserve	1,167	**1,879**
1,000	200	1,200	Service Reconfiguration / Severence Costs	820	**2,020**
715	(15)	700	Looked After Children	330	**1,030**
653	(132)	521	Mid Glam CC post balance sheet events	(521)	**-**
644	-	644	Treasury Management Reserve	400	**1,044**
561	334	895	Wellbeing Projects	(312)	**583**
400	(86)	314	Connecting Families	(142)	**172**
393	(28)	365	ICT & Finance Systems	541	**906**
280	220	500	Welfare Reform Bill	-	**500**
70	(70)	-	Condition Surveys	-	**-**
-	400	400	Service Pressures Contingency	500	**900**
256	39	295	Asset Management Plan	(177)	**118**
250	209	459	Car Parking Strategy	(284)	**175**
250	50	300	Election costs	(149)	**151**
249	659	908	Building Maintenance Reserve	342	**1,250**
245	168	413	Strategic Change Management	587	**1,000**
200	653	853	Invest to save / Joint projects	(83)	**770**
200	-	200	Capital feasibility fund	-	**200**
165	(22)	143	Porthcawl regeneration	58	**201**
-	-	-	Non-recurring Expenditure 2013-14	490	**490**
60	(32)	28	Unitary Development Plan	(27)	**1**
60	(60)	-	Internal Audit Shared Services		**-**
37	15	52	Regeneration Match Funding	(52)	**-**
25	-	25	Supporting People Review	(25)	**-**
14	10	24	Maesteg school PFI	(24)	**-**
16,308	**5,912**	**22,220**	**Balance as at 31 March**	**7,194**	**29,414**
29,632	**5,971**	**35,603**		**7,507**	**43,110**

The transfer to all Earmarked Balances excluding the Council Fund Balance was £7.385m in 2012-13 (£5.930m in 2011-12) and represents a charge to the Net Cost of Services within the Comprehensive Income and Expenditure Statement. This includes money transferred into the Comprehensive Income and Expenditure Statement to match expenditure within the year and amounts set aside from revenue reserves in 2012-13 to be utilised in future years to finance expenditure.

i) Delegated School Balances

These balances represent the cumulative effect of over and under-spending on school delegated budgets not available to the Council.

Analysis of Delegated Schools Balance

2011-12 Closing Balance £'000		2012-13 Over spends £'000	2012-13 Under spends £'000	2012-13 Closing Balance £'000
144	Nursery Schools	(117)	-	27
1,587	Primary Schools	(655)	396	1,328
1,623	Secondary Schools	(282)	362	1,703
659	Special Schools	(2)	22	679
4,013	**Total**	**(1,056)**	**780**	**3,737**

ii) Maesteg School PFI Equalisation Fund

As outlined in note 9 above, there is a need for an Equalisation Fund for the Unitary Charges received from Welsh Government as detailed below:-

2011-12 £'000	Maesteg School PFI Accounts	2012-13 £'000
2,171	Maesteg PFI Equalisation Fund	2,639
2,171	**Balance as at 31 March**	**2,639**

iii) Other Earmarked Balances

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 explained below:-

- Major Claims Earmarked Reserve
  This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate potential equal pay claims.

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

- Other Reserves
  There are a number of other reserves as detailed below:-

  - Service Reconfiguration / Severance Costs
    This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs.

  - Looked After Children Reserve
    This reserve has been established to provide for the continuing pressures over the Medium Term Financial Strategy on the Looked After Children budget within Children's Services.

  - Treasury Management
    This reserve has been set up to cover unforeseen treasury management liabilities and to facilitate longer term debt restructuring.

  - Wellbeing Projects
    This has been established to allow one off injections of financial resources into service areas to facilitate change/development linked with the Health Service.

  - Connecting Families
    This reserve will be used as the Authority's contribution to the Connecting Families project. This is a multi-agency team which through collaboration across public service organisations seeks to improve outcomes for families and target resources more effectively.

  - ICT & Finance Systems
    This reserve will fund the costs of planned system developments in 2013-14 to 2015-16.

  - Welfare Reform Bill
    This reserve has been established to fund the potential impact of increases in demand for services resulting from the Welfare Reform Bill.

  - Service Pressures Contingency
    This has been established to fund the potential impact of demand on Council Tax Reduction budget and other service budgets.

  - Asset Management Plan
    This has been established to meet the on-going costs of CAD Plans and condition surveys.

  - Car Parking Strategy
    This reserve has been established for the up front costs associated with new initiatives to generate income or reduce costs in relation to car parking.

  - Election Costs
    The reserve has been established to fund costs associated with future Local Elections.

- Building Maintenance Reserve
  This reserve is for planned maintenance expenditure on the Council's buildings.

- Strategic Change Management
  This reserve will meet potential costs associated with corporate capacity requirements to facilitate and progress planned developments linked to achieving budget reductions in the Medium Term Financial Strategy.

- Invest to save / Joint Projects
  This fund meets the costs of previously approved 'invest to save' initiatives which are on-going.

- Capital feasibility fund
  This fund has been established to fund studies for proposed capital projects.

- Porthcawl Regeneration
  This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.

- Non-recurring Expenditure 2013-14
  This reserve has been established to fund non-recurring expenditure in the 2013-14 budget.

28. Unusable Reserves

The following notes detail the Unusable Reserves of the Authority:-

a) 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.

2011-12 £'000		2012-13 £'000	£'000
105,883	**Balance at 1 April**		104,510
1,574	Upward Revaluation of Assets	2,378	
(1,045)	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(2,784)	
529	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Defict on the Provision of services**		**(406)**
(1,361)	Difference between fair value depreciation and historical cost depreciation	(1,251)	
(541)	Accumulated gains on assets sold or scrapped	(460)	
(1,902)	Amount written off to the Capital Adjustment Account		(1,711)
104,510	**Balance as at 31 March**		**102,393**

b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011-12 £'000		2012-13 £'000
(226,110)	**Balance at 1 April**	(287,120)
(57,110)	Actuarial gains or losses on pensions assets and liabilities	(24,740)
(20,510)	Reversal of Items relating to Retirement Benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(24,770)
16,610	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	18,460
(287,120)	**Balance as at 31 March**	**(318,170)**

c) Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account (CAA)

2011-12 £'000		2012-13 £'000	£'000
251,809	**Balance at 1 April**		**251,393**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
(22,888)	Charges for depreciation and impairment of non-current assets	(18,685)	
(2,163)	Revaluation losses on Property, Plant and Equipment	(2,511)	
(1,292)	Revenue Expenditure funded from Capital Under Statute	(682)	
(36)	Other amounts including Mortgage Payments	(24)	
-	Financial Liability Adjustment to Capital Receipts		
(1,231)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(568)	
(27,610)		(22,470)	
1,902	Adjusting amounts written out to the Revaluation Reserve		1,711
(25,708)	**Net written out amount of the cost of non-current assets consumed in the year**		**(20,759)**
	Capital financing applied in the year:		
41	Use of the Capital Receipts Reserve to finance capital expenditure	518	
17,694	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	21,875	
243	Application of grants to capital financing from the Capital Grants Unapplied Account	83	
6,259	Statutory provision for the financing of capital investment charged against the Council Fund	6,592	
775	Capital expenditure charged against the Council Fund	862	
25,012			**29,930**
280	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		123
251,393	**Balance as at 31 March**		**260,687**

d) Financial Instruments Adjustment Account (FIAA)

This holds the difference between the amounts charged to income and expenditure in accordance with the Code for applying the transaction costs and assessing the fair cost of loan debts and investments and the amounts charged to the Council Fund Balance in accordance with statute.

2011-12 £'000		2012-13 £'000	2012-13 £'000
(5,936)	**Balance at 1 April**		(5,731)
199	Premiums / Discounts Adjustments	198	
6	Loans / Investments Adjustments	7	
(5,731)	**Balance as at 31 March**		**(5,526)**

e) Short Term Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2011-12 £'000		2012-13 £'000	2012-13 £'000
(3,728)	**Balance at 1 April**		(3,990)
3,728	Settlement or cancellation of accrual made at the end of the proceeding year	3,990	
(3,990)	Amounts accrued at the end of the current year	(4,036)	
(262)	Amounts by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements		(46)
(3,990)	**Balance as at 31 March**		**(4,036)**

29. 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 2013 are:

2011-12 £'000		2012-13 £'000
83	Social Services Home For The Elderly	81
54	Education	52
47	Nantymoel Workmans Hall	47
1	Other	1
185	**Balance as at 31 March**	**181**

30. 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 £1 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 2013 are £746k for the replacement of facilities and £217k for the replacement site. There are also escrows accounts of £53k recognised for Bocam Park and £123k for Wind Farms at Forch Ness and Pant y Wal which have resulted from planning conditions.

2011-12 £'000		2012-13 £'000
769	Replacement facilities account	746
239	Replacement site account	217
52	Bocam Park	53
121	Wind Farm	123
1,181	**Balance as at 31 March**	**1,139**

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

31. Developers' Contributions

Section 106 receipts are monies paid to the council by developers where, as a result of granting planning permission, 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:

	31 March 2012 £'000	Income £'000	Expenditure £'000	31 March 2013 £'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	**142**	5	-	**147**
Redrow – Lock's Lane, Porthcawl –ongoing maintenance of playing field and pavilion	**130**	-	(23)	**107**
Redrow - Brackla Park & Ride – upgrade B4181	**311**	2	-	**313**
Rockwool - Pencoed	**102**	1	(7)	**96**
HMP - Parc	**1**	-	(1)	**0**
Parc Derwen Primary School Design fees - Persimmon Homes	**580**	-	-	**580**
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Sports Provision	**-**	565	-	**565**
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Education Capital	**-**	145	-	**145**
Former Maes Gwyn Hospital	**-**	163	-	**163**
Bridge Renewal Dowry	**-**	118	(117)	**1**
Other	**871**	169	(146)	**894**
Total	**2,495**	**1,168**	**(294)**	**3,369**

32. Contingent liabilities

There are no contingent liabilities recognised in the year.

33. Pensions liabilities, IAS 19 disclosures

The disclosures required for 2012-13 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Hewitt Associates Limited as the pensions actuary. Employees are admitted to the Rhondda Cynon Taff County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme. 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 IAS 19 '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

The principal assumptions used were:

	2012-13 % pa	2011-12 % pa
RPI Inflation Rate	3.7	3.6
Discount rate for scheme liabilities	4.4	4.8
Discount rate for pension costs over year	4.4	4.8
Rate of pension increases	2.8	2.6
Rate of salary increases	4.7	5.1
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	23.3	23.2
Women	24.7	24.5
Longevity at 65 for future pensioners :-		
Men	25.2	25.1
Women	26.6	26.5

The proportions of total assets held in each asset type by the Fund as a whole as at 31 March 2012 and 31 March 2013 are set out in the following table.

	Asset Split 2012-13 %	Asset Split 2011-12 %	Long Term Returns 2012-13 %	Long Term Returns 2011-12 %
Equities	68.7	65.6	7.8	8.1
Bonds - Government	10.6	10.5	2.8	3.1
Bonds - Corporate	11.4	13.3	3.8	3.7
Property	5.9	6.8	7.3	7.6
Cash	3.4	3.8	0.9	1.8
Other	0.0	0.0	7.8	8.1
Total	**100**	**100**	**6.6**	**6.7**

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 2013.

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 Council Fund Balance. The following transactions have been made during the year :-

Comprehensive Income & Expenditure Statement	**Local Govt Pension Scheme**		**LGPS Unfunded Benefits**		**Teachers' Unfunded Benefits**		**Total**	
	£m 2012-13	**£m 2011-12**	**£m 2012-13**	**£m 2011-12**	**£m 2012-13**	**£m 2011-12**	**£m 2012-13**	**£m 2011-12**
Cost of Services :-								
Current Service Costs	15.05	13.61	0.00	0.00	0.00	0.00	15.05	13.61
Past Service Costs	2.38	0.25	0.01	0.03	0.11	0.03	2.50	.31
Settlement Cost	(1.16)						(1.16)	
Financing & Investment Income & Expenditure :-								
Interest Cost	27.51	27.36	0.32	0.35	0.28	0.31	28.11	28.02
Expected Return on Scheme Assets	(19.73)	(21.43)	0.00	0.00	0.00	0.00	(19.73)	(21.43)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**24.05**	**19.79**	**0.33**	**0.38**	**0.39**	**0.34**	**24.77**	**20.51**
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement								
Actuarial Gains and Losses	(23.63)	(55.96)	(0.59)	(0.61)	(0.52)	(0.54)	(24.74)	**(57.11)**
Movement in Reserves Statement:-								
Reversal of net charges made for retirement benefits in accordance with IAS 19	(24.05)	(19.79)	(0.33)	(0.38)	(0.39)	(0.34)	(24.77)	**(20.51)**
Actual amount charged against the Council Fund Balance for pensions in the year :-								
Employers' Contributions	17.50	15.68					**17.50**	**15.68**
Retirement Benefits Paid Out			0.50	0.48	0.46	0.45	**0.96**	**0.93**

A revised IAS 19 will come into force for accounting periods beginning on or after 1 January 2013. If this revised IAS 19 were adopted for the accounting period ending 31 March 2013 then this will increase the expenses recognised for funding benefits from £24.05m to £27.73m. There is no effect on the Balance Sheet.

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £27.74m (actuarial losses of £57.11m 2011-12) were included in the Movement in Reserves Statement as detailed below:-

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded		Total	
	£m 2012/13	£m 2011/12	£m 2012/13	£m 2011/12	£m 2012/13	£m 2011/12	£m 2012/13	£m 2011/12
Total actuarial gains / (losses)	(23.63)	(55.96)	(0.59)	(0.61)	(0.52)	(0.54)	**(24.74)**	**(57.11)**
Total gain / (loss) in MIRS	(23.63)	(55.96)	(0.59)	(0.61)	(0.52)	(0.54)	**(24.74)**	**(57.11)**

The cumulative amount of actual gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £77.030m.

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

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded	
	£m 2012-13	£m 2011-12	£m 2012-13	£m 2011-12	£m 2012-13	£m 2011-12
Balance at 1 April	576.81	506.26	7.13	6.62	6.31	5.88
Current Service Costs	15.05	13.61	0.00	0.00	0.00	0.00
Interest Cost	27.51	27.36	0.32	0.35	0.28	0.31
Contributions by Participants	4.96	4.59	0.00	0.00	0.00	0.00
Actuarial (gains) / losses on liabilities	52.03	42.20	0.59	0.61	0.52	0.54
Business combinations	0.00	0.00	0.00	0.00	0.00	0.00
Net Benefits Paid Out	(18.01)	(17.46)	(0.50)	(0.48)	(0.46)	(0.45)
Settlements	(5.81)	0.00	0.00	0.00	0.00	0.00
Past Service Cost	2.38	0.25	0.01	0.03	0.11	0.03
Balance as at 31 March	**654.92**	**576.81**	**7.55**	**7.13**	**6.76**	**6.31**

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

	Local Govt Pension	
	£m 2012-13	£m 2011-12
Balance at 1 April	303.13	292.65
Expected Return on Assets	19.73	21.43
Actuarial gains / (losses) on assets	28.40	(13.76)
Contributions by Employer	17.50	15.68
Contributions by Participants	4.96	4.59
Settlements	(4.65)	0.00
Net Benefits Paid Out	(18.01)	(17.46)
Balance as at 31 March	**351.06**	**303.13**

Actual Return on Assets

The Actual Return on the Assets of the Scheme is as follows:-

	Local Govt Pension	
	£m 2012-13	£m 2011-12
Expected Return on Assets	19.73	21.43
Actuarial gain / (loss) on Assets	28.4	(13.76)
Actual Return on Assets	**48.13**	**7.67**

Scheme History

	£m 2012-13	£m 2011-12	£m 2010-11	£m 2009-10	£m 2008-09
Local Govt Pension Scheme					
Fair Value of Assets	351.06	303.13	292.65	263.77	188.58
Present Value of Liabilities	(654.92)	(576.81)	(506.26)	(538.44)	(386.26)
Surplus / (Deficit) in the Scheme	**(303.86)**	**(273.68)**	**(213.61)**	**(274.67)**	**(197.68)**
LGPS Unfunded					
Present Value of Liabilities	(7.55)	(7.13)	(6.62)	(10.22)	(9.09)
Surplus / (Deficit) in the Scheme	**(7.55)**	**(7.13)**	**(6.62)**	**(10.22)**	**(9.09)**
Teachers' Unfunded					
Present Value of Liabilities	(6.76)	(6.31)	(5.88)	(6.40)	(5.74)
Surplus / (Deficit) in the Scheme	**(6.76)**	**(6.31)**	**(5.88)**	**(6.40)**	**(5.74)**
Total	**(318.17)**	**(287.12)**	**(226.11)**	**(291.29)**	**(212.51)**

The total net liability of £318.17m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Bridgend CBC has usable reserves of £55.615m (Council Fund £7.320m, Usable Capital Receipts £12.505m and Earmarked Reserves £35.790m), representing a shortfall of £262.555m 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 2014 are :-

	2013-14 £m
Local Govt Pension Scheme	15.62
LGPS Unfunded	0.51
Teachers' Unfunded	0.47

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserves in 2012-13 can be analysed into the following categories at 31 March :-

History of Experience Gains and Losses	£m 2012-13	£m 2011-12	£m 2010-11	£m 2009-10	£m 2008-09
LGPS Funded Benefits					
Experience of gains (losses) on assets	28.40	(13.76)	5.16	59.67	(67.00)
Experience of gains (losses) on liabilities	0.95	(3.87)	11.37	4.31	(1.52)
LGPS Unfunded					
Experience of gains (losses) on liabilities	(0.01)	(0.16)	0.05	0.30	(0.11)
Teachers' Unfunded					
Experience of gains (losses) on liabilities	(0.01)	(0.14)	0.04	0.19	(0.07)

The history of experience gain / (loss) on liabilities has not been re-stated for financial years ending 2009 and 2008 and includes the experience relating to unfunded liabilities.

Teachers

In 2012-13, the Authority paid £6.8million (£6.8 million for 2011-12) 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 2012-13, these amounted to £0.5 million (£0.5 million for 2011-12).

34. Financial Instruments Disclosures

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

Financial Liabilities	31 March 2013 Actual Value of Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000	31 March 2012 Actual Value of Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000
Short Term Loans exc PWLB & Mkt Bond	**-**	**1,954**	**-**	**-**	**1,867**	**-**
Public Works Loan Board (Long Term)	77,632	77,632		77,648	77,648	
Public Works Loan Board (<1 year)	16	16		16	16	
Total PWLB Debt	**77,648**	**77,648**	**103,638**	**77,664**	**77,664**	**100,471**
Fixed Market Long Term Loans	-	-	-	-	-	-
Fixed Market Short Term Loans	-	-	-	1,000	1,000	1,081
Lender Option Borrower Option Loans	19,250	19,842	28,193	19,250	19,848	29,443
Total Fixed Market Long Term Loans	**19,250**	**19,842**	**28,193**	**20,250**	**20,848**	**30,524**
TOTAL	**96,898**	**99,444**	**131,831**	**97,914**	**100,379**	**130,995**

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 for the Lender Option Borrower Option Loans and the Fixed Market Long Term Loan, 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)	31 March 2013 £'000	31 March 2012 £'000
PWLB (long term)	77,632	77,648
Total PWLB debt	**77,632**	**77,648**
Fixed Market Long Term Loans	-	-
LOBO's	19,842	19,848
Total Market Loans	**19,842**	**19,848**
Sub total	**97,474**	**97,496**
Long Term Escrow (Football Club)	-	-
Total Long Term Borrowing	**97,474**	**97,496**
Maesteg PFI Lease Liability	19,776	20,217
Invest to Save Loan	-	-
Finance Leases	41	95
Innovation Centre Financial Liability	816	845
HALO Financial Liability	27	-
Total Long Term Liabilities	**20,660**	**21,157**

Within Short term Creditors, the values of the short term liability relating to Other Long Term Liabilities for 2013-14 has been included. The amounts are as follows:-

	Short-term Liability 2013-14 £'000
Maesteg PFI Lease Liability	442
Finance Leases	54
Innovation Centre Financial Liability	28
HALO Financial Liability	117

Also within Short term Creditors, there are Trade Creditors of £4.877m, all of which is due within six months.

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

Short Term Borrowing & Other Short Term Financial Liabilities	31 March 2013 £'000	31 March 2012 £'000
Public Works Loan Board (<1 year)	16	16
Fixed Market Short Term Loans	-	1,000
Short Term Loans (Accrued Int. Long Term)	1,954	1,867
Escrow (Football Club) Short Term	963	1,008
Escrow (Bocam Park) Short Term	53	52
Escrow (Wind Farms) Short Term	123	121
Other Trust Funds	182	184
Total Short Term Liabilities	**3,291**	**4,248**

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

Financial Assets	31 March 2013 Actual Value of Investment Outstanding £'000	31 March 2013 Carrying Amount £'000	31 March 2013 Fair Value £'000	31 March 2012 Actual Value of Investment Outstanding £'000	31 March 2012 Carrying Amount £'000	31 March 2012 Fair Value £'000
Investments (< 1 year)	-	-	-	5,500	5,563	5,572
Total Investments	**-**	**-**	**-**	**5,500**	**5,563**	**5,572**
Cash & Cash Equivalents (Deposits)	15,700	15,705	15,705	23,900	23,905	23,905
Cash in Hand/Overdrawn	(1,015)	(1,015)	(1,015)	(1,411)	(1,411)	(1,411)
Total Cash & Cash Equivalents	**14,685**	**14,690**	**14,690**	**22,489**	**22,494**	**22,494**
TOTAL	**14,685**	**14,690**	**14,690**	**27,989**	**28,057**	**28,066**

There were no investments at the 31 March 2013 with a maturity date greater than a year. The Cash and Cash Equivalents (Deposits) figure was considerably lower at year end at £15.705m compared to £23.905m for the previous year end. This was due to short term deposits being held at the start of the year to cover a significant total value of cheques issued in April 2012 relating to the settlement of claims.

Overall Procedures for Managing Risk

The Council’s overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice Treasury Management in the Public Services and Investment Guidance issued through the Act. The Council formally adopted the Code in April 2004 (and the changes to the Code in the 2009 revised edition) and the regulatory requirements which limit the level of risk associated with its treasury management activities.

Overall these procedures require the Council to manage risk by formally adopting the requirements of the Code of Practice and approving annually in advance Treasury Management and Prudential and Indicators for the following three years. These are required to be reported and approved at or before the Council's annual Council Tax setting budget. The Council meeting of the 22 February 2012 accepted the Treasury Management Strategy 2012-13 and the Treasury Management and Prudential Indicators 2012-13 to 2014-15. The Council also conducts a mid-year review of its treasury management policies, practices and activities and any revisions of the Investment Strategy to enable increased flexibility in an ever changing financial market and investment opportunities available will be approved by formal Council.

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

Actual performance is also reported annually to Members in the form of the Annual Treasury Management Report which is reviewed by Audit Committee. These policies are implemented by a central Financial Control Team. 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 Investment Strategy contained within the Treasury Management Strategy 2012-13.

The Council uses credit ratings published by Fitch Ratings Ltd, Standard & Poor's and Moody's Investors Service to establish the credit quality of counterparties (issuers and issues) and investment schemes. Decisions are based on the lowest available credit rating. In the current climate, relying mainly on credit ratings is considered to be inappropriate. Full regard is given to other available information on the credit quality of banks and building societies, including credit default swap prices, and other factors such as whether the counterparty has any explicit or implicit government support. This has been endorsed by the revised edition of the Treasury Management Code of Practice and the Welsh Government's Guidance on Local Authority Investments which states that authorities should not place an over-reliance on credit ratings.

The Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the heads of Specified Investments and Non-Specified Investments. Cipfa's Code of Practice for Treasury Management requires all local authorities to conduct a mid year review of its treasury management policies, practices and activities. As a result of this review it was deemed beneficial for the Council to make some revisions to the Investment Strategy to enable increased flexibility in an ever changing financial market and to increase the investment opportunities available to the Council whilst still maintaining security. The Council meeting of

14 November 2012 approved the revisions as a result of the half year review of the Treasury Management Strategy.

The following criteria/limits (revised November 2012) were available to the Council:-

Specified Investments

	Counterparty Limit **£m**
UK registered Banks and Building Societies holding long-term credit ratings no lower than A+ or equivalent & Building Societies with an asset size more than £500 million rated BBB or equivalent	5
UK registered Banks and Building Societies holding long-term credit ratings no lower than : A or equivalent for deposits of one month or less A- or equivalent for instant access deposits *(Both ratings are considered to be within the "Strong Investment Grade")*	 3 3 *(revised from £2m)*
U.K. Local Authorities (unrated local authorities are assumed to hold an AA+ rating) *(revised from AAA)*	10 *(revised from 5.0)*
UK Central Government	No limit

Non-specified Investments

At any one point in time, a maximum of £20m of investments could be in one of the following non-specified categories:-

- Deposits repayable on demand with the Authority's bankers even if they fall below the specified investment credit criteria (category limit £3m)

- Banks owned and domiciled in foreign countries with sovereign credit ratings no lower than AA+ (but still based on the lowest of the 3 credit rating agencies) with a long term credit rating no lower than A+ or equivalent and with a time limit of 6 months (category limit £3m)

- Money market funds rated AAA (category limit £5m)

- Long-term investments with UK central government, UK local authorities or UK banks and buildings societies (category limit £15m):
  - Minimum AAA long term credit rating with a maximum time limit of 5 years
  - Minimum AA- or equivalent long term credit rating with a maximum time limit of 3 years
  - Minimum A+ or equivalent long term credit rating with a maximum time limit of 2 years

The combined value of short and long term investments with any one organisation was subject to the counterparty limits detailed above.

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return. The majority of the Council's surplus funds during 2012-13 was therefore kept in the form of short-term investments and all were placed with UK registered banks and building societies deemed to be of high credit quality, UK local government, the UK Debt Management Office (DMO - executive agency of the UK government) and an instant access deposit account with the Council's bankers and spread over a number of counterparties. This was deemed a much safer option even though it may be at the expense of extra basis points in interest. The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped below the limits detailed above.

No breaches of the Council's counterparty criteria occurred during 2012-13 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. As at 31 March 2013, all investments were cash and cash equivalents and had less than a month to maturity thus limiting the Council's exposure to credit risk.

The Council's investments at 31 March 2013 did not include any long or short term investments only deposits placed in instant access accounts or deposits with less than a month to maturity (with the DMO or local authorities which are used for cash flow purposes) and are classed as Cash and Cash Equivalents in the balance sheet. Therefore it is not necessary to calculate the Council's credit risk exposure for the investments at 31 March 2013.

Liquidity risk

The Council manages its liquidity risk through its cashflow management to ensure that cash is available when required. It has ready access to instant access deposit accounts, overdraft facilities and ready access to borrowing from the Money Markets to cover any day to day cash flow need and the PWLB provides access to longer term funds. The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been borrowed from the Public Works Loan Board at long term fixed rates of interest.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 maintains a significant debt and investment portfolio and manages its liquidity position through the setting and approval of Treasury Management and Prudential indicators and the approval of the treasury and investment strategies 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. 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.

Key parameters used to address liquidity risk are the Treasury Management Indicators which limit the maturity structure of fixed rate borrowing and the limits placed on investments placed for greater than one year in duration.

	Maturity structure of fixed rate borrowing	Upper Limit 2012-13	Lower Limit 2012-13	Actual Outstanding 31-03-13
	Less than one year	50%	0%	20%
	Between one and two years	25%	0%	0%
	Between two and five years	50%	0%	0%
	Between five and ten years	60%	0%	0%
	More than ten years	100%	40%	80%

The 20% shown as maturing less than one year includes £19.25m for LOBO loans which relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the next trigger date being 22 July 2013) and therefore, the Authority being given the option to accept the increase or to repay the loan without incurring a penalty, however, the Council is not anticipating that this will occur during 2013-14.

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 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.

		Limit 2012-13 £m	Actual Principal Invested during 2012-13 £m
	Upper Limit for Total Principal Sums Invested for more than 364 days	15	0

The maturity analysis of financial liabilities (based on the carrying amount in the balance sheet) is as follows:

2011-12 £'000	Maturity Analysis Of Financial Liabilities	2012-13 £'000
5,338	Less than one year	3,932
540	Between one and two years	607
1,750	Between two and five years	1,826
3,891	Between five and ten years	4,214
112,472	More than ten years	111,487
123,991		**122,066**

There is £4.9m of the total Trade Creditors included in the figures above that are due within three months.

The maturity analysis of financial assets (based on the carrying amount in the balance sheet) is as follows:

2011-12 £'000	Maturity Analysis Of Financial Assets	2012-13 £'000
28,057	Less than one year	14,690
-	Between one and two years	-
-	Between two and five years	-
-	More than five years	-
28,057		**14,690**

The Council does not generally allow credit for its trade debtors, such that £1.587 m is past its due date for payment. The table below details the debtors analysed by age as follows:

Trade Debtors	£'000
Less than three months	734
Three to six months	203
Six months to one year	174
More than one year	476
	1,587

Market Risk

The Council is exposed to the risk that financial loss could potentially occur as a result of changes in such measures as interest rate movements, market prices or foreign currency exchange rates:-

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 charged to revenue within the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fixed rate protects the Council from increased interest charges as an equivalent loan would now cost more;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested.

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 Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement (MiRS). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the Council Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the MiRS, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's Treasury Management and 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:-

		Upper Limit 2012-13 £m	**Actual Outstanding 31-03-13 £m**
	Total Projected Principal Outstanding on Borrowing	104.90	**96.90**
	Total Projected Principal Outstanding on Investments(including cash/cash equivalents deposits)	12.00	**15.70**
	Net Principal Outstanding	92.90	**81.20**
1.	**Fixed interest rates (net principal) exposure**	125.00	**77.65**
2.	**Variable interest rates Exposure (net principal) exposure**	40.00	**3.55**

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 2013, all investments were of a short term nature with £6.7m on fixed rates with a maturity date within one month and the remaining £9m were on an instant access basis. All these investments are included under cash and cash equivalents on the Balance Sheet.

The financial impact of a 1% change in interest rates on the Council's operating balance and net worth at 31 March 2013 is shown below:-

	2013-14 Estimated £'000 +1%	2013-14 Estimated £'000 -1%
Interest on Borrowing	133	0
Investment Income	(156)	156
Net Costs	(23)	156

There are two other types of treasury management risks that the Council is not exposed to as follows:-

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.

Notes to the Cash Flow Statement

35. Adjustments for Non-Cash Movements

2011-12 £'000		2012-13 £'000
(25,050)	Depreciation & Impairment of Assets	(21,194)
(12,777)	Movement in Stock, Debtors & Creditors	17,331
(1,275)	Revenue Expenditure Funded from Capital Under Statute	(682)
(3,900)	Pension Fund Adjustments	(6,310)
12,553	Provisions	1,343
(239)	Carrying amount of Assets Sold	240
5,697	Minimum Revenue Provision	5,986
775	Revenue Contribution to Capital	862
(24,216)	**Adjustments to net deficit on the provision of services for non-cash movements**	**(2,424)**

36. Operating Activities

The cash flows for operating activities include the following items:-

2011-12 £'000		2012-13 £'000
(12,448)	Cash Flow on Revenue Activites	4,613
4,772	Interest Paid	4,760
1,580	Interest element of finance lease and PFI rental payments	1,553
(601)	Interest Received	(522)
(6,697)	**Net Cash Flows from Operating Activites**	**10,404**

37. Investing Activities

The cash flows for investing activities include the following items:-

2011-12 £'000		2012-13 £'000
23,635	Purchase of Property, Plant and Equipment and Investment Property	32,766
(7,464)	Purchase / (Proceeds) from Short Term Investments	(5,563)
(747)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(710)
15,424	**Net Cash Flows from Investing Activities**	**26,493**

38. Financing Activities

The cash flows for financing activities include the following items:-

2011-12 £'000		2012-13 £'000
(19,772)	Cash Receipts of short and long term borrowing	(1,954)
(23,036)	Other Receipts from financing activities	(31,181)
17,152	Repayments of short and long term borrowing	3,436
560	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	606
(25,096)	**Net Cash Flows from Financing Activities**	**(29,093)**

39. Post Balance Sheet Events

There are no Post Balance Sheet Events.

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.

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 financial year, 31 March.

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.

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

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

Contingent liabilities
A Contingent Liability is a possible obligation that arises from past events 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 Council Fund balances.

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

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).

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.

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

Inventories
Inventories 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.

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

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

Minimum Revenue Provision (MRP)
This is an amount that has been set aside to repay loans. This should be a prudent amount.

Movement in Reserves Statement (MIRS)
This statement shows the movement in the year on different reserves held by the Authority.

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 Government and redistributed to individual authorities in proportion to their adult population.

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

Non Distributable Costs (NDC)
NDC is a category of costs defined by the Best Value Accounting Code of Practice. It represents:
- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

Open Market Value in Existing Use (OMVEU)
OMVEU is a basis for valuation of fixed assets.

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

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

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

Precepts

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

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

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

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

Public Works Loan Board (PWLB)
This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow.

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

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.

Service Reporting Code of Practice (SerCOP)
The Service Reporting Code of Practice provides a consistent framework for reporting local authority data. SeRCOP is reviewed annually by the appropriate regulating body to ensure that it develops in line with the needs of modern local government, Transparency, Best Value and public services reform

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

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

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